The New Drivers of CRE Portfolio Optimization
Using CEB Real Estate Benchmarking to Uncover Your Best Opportunities

Prepared for The 2013 Real Property National Workshop
THE FULL SET OF STEPS ARE RARELY TAKEN

All the Steps Involved in Successful Benchmarking

1. Assess Portfolio Health
   What do our portfolio numbers look like compared to the industry?

2. Diagnose the Big Opportunities in the Portfolio
   What are the underlying drivers behind why our numbers look the way they do? What are the underlying drivers behind the numbers of the best companies?

3. Find the Cure
   How have the best companies succeeded where we want to?

4. Implement the Cure
   How do we innovate based on the lessons learned by the best companies?

Lots of CRE Teams Play Here

Very Few CRE Teams Play Over Here

“Our real estate team puts numbers in front of me all the time. I never know what they mean or what is driving them. I don’t think they do either.”

CFO
Global Chemicals Company
CRE executives report achieving only 46% of their annual portfolio efficiency targets despite renewed focus on portfolio optimization initiatives.

THE CHALLENGE
CRE leaders often defer the tough portfolio-level decisions that would allow them to generate lasting savings such as: How do I structure my team to achieve my efficiency targets? How do we create a global location strategy? What is the right future-of-work approach for us? Day-to-day facilities demands force CRE leaders into reactive mode. Yet, as surfaced in CEB’s 2013 CRE360 survey, business partners (facing rapid changes) are putting even more pressure on real estate to deliver on dynamic portfolio alignment.

WHAT MOST COMPANIES DO
Most companies look only at their own facilities’ performance to inform strategic cost-savings initiatives, and if they look outside their organizations, they restrict their benchmarks to direct industry peers. These discussions naturally lead to exploring successes of individual projects. As a result, CRE teams focus on proven ideas for better project execution, transaction management, and lease administration.

WE SEE A BETTER WAY FORWARD
Although these day-to-day functions are critical to cost performance, our 2013 research demonstrated that most strategic CRE teams have reached a level of competence that additional investments will deliver diminishing returns.

Leading teams focus not just on individual facilities but also on continually optimizing portfolio-level structural decisions such as outsourcing, organizational design, CRM, and, above all, workplace allocations and design. They do this by looking beyond their own cross-facility benchmarks and even industry peers’ ideas. The top-performing CRE leaders lean on benchmarks from peers that are statistically similar in asset class mix and portfolio size to build confidence that their ideas will generate efficiencies in their own portfolios.

In fact, top-performing CRE teams, regardless of industry, focus their efforts on the right changes within two work streams: 1) advanced workplace design and 2) strategic portfolio planning. Our 2014 study will reveal the exact levers within those two work streams that drive portfolio efficiencies.

KEY QUESTIONS
- How do I know if I have the right CRE org structure and staffing levels for my portfolio? Hint: The answer may lie in our new Organizational Alignment Diagnostic.
- How do we demonstrate to our C-Suite and senior business partners the overall value-add of the CRE function? Hint: a powerful CRE brand is the first step.

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2013 Benchmarking Process and Participants

1. Diagnostic Development
   Define the key attributes to test through the diagnostic.

2. Member Validation
   Seek feedback from member organizations on attributes.

3. Survey Participation
   Administer diagnostic to 70 member organizations.

4. Comparative Analysis
   Analyze results to establish benchmarks, create peer groups, and understand trends.

5. Launch Peer Group Activities
   Publish key findings from the diagnostic.

Select Participants in REEB’s 2013 Benchmarking

ABB Asea Brown Boveri Ltd.
Advanced Micro Devices, Inc.
Agilent Technologies Inc.
ANZ Banking Group
Asurion, LLC
Autodesk, Inc.
Bell Canada
BMO Financial Group
Canadian Imperial Bank of Commerce
The Clorox Company
The Dow Chemical Company
EMC Corporation
Export Development Canada
Fannie Mae
Federal Deposit Insurance Corporation
Federal Reserve Bank of New York
Fidelity Investments
Genentech, Inc.
General Dynamics Corporation—Advanced Information Systems
HSBC Bank USA
The Huntington National Bank, n.a.
Humana, Inc.
Internal Revenue Service
International Game Technology
J. P. Morgan Chase & Co
JDS Uniphase Corporation
The Lifetime Healthcare Companies-Excelsus
BlueCross BlueShield
Logitech S.A.—Logitech, Inc.
Merck & Co., Inc.
Morgan Stanley
Motorola Solutions, Inc.
Nedbank Group
Northern Trust Company
Novo Nordisk A/S
PG&E Corporation
Polycom, Inc.
Portugal Telecom
Public Works and Government Services Canada
Quintiles Transnational Corp.
Royal Dutch Shell plc
South Africa Revenue Service
Statoil
Symantec Corporation
TD Bank Group
Thomson Reuters Corporation
Thrivent Financial for Lutherans
T-Mobile International
Ag-T-Mobile USA, Inc.
Union Bank
UnitedHealth Group Incorporated
USAA
Vanguard
The Western Union Company
Westinghouse Electric Company
Wyndham Worldwide Corporation
Yahoo! Inc.
DEVELOP A VIEW OF WHERE TO FOCUS

CEB Real Estate Performance Outcome Pyramid

Total Occupancy Metrics
- Rent
- Taxes
- Depreciation
- Insurance

Structural Cost Metrics
- Cleaning Costs
- Utilities Costs
- Repair and Maintenance Costs
- Security Costs
- Landscaping/Roads and Grounds Costs

Operating Cost Metrics
- Square Feet per Employee
- Square Feet per Workstation
- Employees per Workstation
- Vacancy Rate

Space Metrics

Source: CEB, CEB Real Estate Leadership Council, 2011.
# METRICS

## Space Channel Metrics
- Total SqFt/Meter per FTE
- Total SqFt/Meter per Workstation
- Occupied SqFt/Meter per FTE
- Occupied SqFt/Meter per Workstation
- Vacancy Rate
- Unavailable Vacant Space per Total SqFt/Meter
- Available/Marketable Vacant Space per Total SqFt/Meter
- FTEs per Workstation

## Structural Cost Metrics
- Rent per SqFt/Meter
- Depreciation per SqFt/Meter
- Total Rent & Depreciation per SqFt/Meter
- FFE Depreciation per SqFt/Meter
- Reconciliation per SqFt/Meter
- Cost of Funds per SqFt/Meter
- Rent per FTE
- Depreciation per FTE
- Total Rent & Depreciation per FTE
- FFE Depreciation per FTE
- Reconciliation per FTE
- Cost of Funds per FTE
- Rent per Workstation
- Depreciation per Workstation
- Total Rent & Depreciation per Workstation
- FFE Depreciation per Workstation
- Reconciliation per Workstation
- Cost of Funds per Workstation

## Operating Cost Metrics
- TPO per SqFt/Meter (Total Primary Operating Expenses)
- Janitorial per SqFt/Meter
- Repair & Maintenance per SqFt/Meter
- Utilities per SqFt/Meter
- Landscaping per SqFt/Meter
- Taxes per SqFt/Meter
- Insurance per SqFt/Meter
- Security per SqFt/Meter
- Parking per SqFt/Meter
- Management per SqFt/Meter
- TPO per FTE (Total Primary Operating Expenses)
- Janitorial per FTE
- Repair & Maintenance per FTE
- Utilities per FTE
- Landscaping per FTE
- Taxes per FTE
- Insurance per FTE
- Security per FTE
- Parking per FTE
- Management per FTE
- TPO per Workstation (Total Primary Operating Expenses)
- Janitorial per Workstation
- Repair & Maintenance per Workstation
- Utilities per Workstation
- Landscaping per Workstation
- Taxes per Workstation
- Insurance per Workstation
- Security per Workstation
- Parking per Workstation
- Management per Workstation
### CEB REAL ESTATE COST AND SPACE BENCHMARKING TOOL

**WELCOME Member!**

**HELPFUL TIPS**
- Default (recommended) Total Cost = Rent + Cost of Funds + Depreciation + Total Primary Operating Expenses + Taxes + Insurance – Renal income.
- Default (recommended) Total Space = Vacant (Unavaiable + Available) + Occupied + Space Reconciliation.
- Total Primary Operating Expenses = Janitorial + R&M + Utilities + Landscaping + Security.
- Use this screen to add/subtract parameters from the “default” selections as desired. Please note that default selections yield highest sample sizes.
- Hold down “CTRL” key to multi-select and multi-deselect.
- Strategic Portfolio Planner View factors in buildings with 0.00 values for all the Expenses to enable total-cost-of-ownership comparisons. Facilities Manager View discards buildings with 0.00 values for all the Expenses to enable commodity pricing comparisons.
- The “Impact Scenarios” section allows you to run scenarios based on benchmark numbers. You will be able to...

### GET STARTED:

Please select the universal filters that will govern your data pulls:

1. **SELECT THE COMPANY DATA SUBMISSION YOU WOULD LIKE TO VIEW**
   - No data view is available for your selection
   - Strategic Portfolio Planner View
   - Facilities Manager View

2. **SELECT YOUR DECISION RULES**
   - Rentable Sq Ft
   - Net Internal Area

3. **DEFINE STANDARDS**
   - Space Standard
   - Space Measure
   - Currency
   - USD
   - HKD
   - JPY
   - CAD
   - EUR
   - CNY
   - AUD
   - ZAR
   - SGD
   - GBP
   - DKK
   - SGD
   - CHF
   - INR

Please define how your firm defines “Total Costs” and “Total Space” (these selections do not preclude individual metric pulls like Taxes per square meter):

4. **DEFINE YOUR SPACE MEASURES**
   - Vacancy
   - Occupied
   - Space Reconciliation
   - Available/Marketable Vacant
   - Unavailable Vacant

5. **DEFINE YOUR COST MEASURES**
   - Structural Expenses
   - Operating & Additional Expenses
   - Special Considerations
   - Rent Income received
   - Special Projects

Once you make your selections on this screen, select one of the other four tabs to pull your data cuts:

6. **VIEW YOUR DATA CUTS:**
   - Space Channel
   - Structural Costs
   - Operating Costs
   - Total Costs
CEB Real Estate Pop Groups push the boundaries of benchmarking value to new levels.

Data Actionability refers to the ability of benchmarking data to drive change and build confidence in strategic decisions.

Data Quality refers to the degree to which the data provide true “apples-to-apples.”
# Three Unique Benefits of Pop Benchmarking

## CEB Real Estate Portfolio Optimization Peer (POP) Groups
Pop Groups provide a collaborative and team-based approach to driving best-in-class real estate portfolio and CRE organizational performance.

## Enhance Apples-to Apples Comparisons
Enhance common understanding and compliance with measurement definitions and standards.

## Set Targets for Your Most Important Metrics
Learn which metrics are most important to focus on to drive performance improvement and what best-in-class performance looks like.

## Learn What Drives Performance
Uncover the practices, strategies, and organizational decisions that drive best-in-class performance across your office space and portfolio.

## Have More Confidence in the Numbers
“We will be able to confidently tell our stakeholders exactly what went into the numbers so they can make decisions with complete confidence.”

Real Estate Planner
Financial Services Industry

## Know What Good Looks Like
“I’ll finally be prepared when my CFO asks if we are setting the right targets and to explain how we are delivering value to the company.”

Head of CRE
Telecom Industry

## Know What to Do
“Now I will not only know what good looks like, I will know how I can get there.”

CRE Director,
High Tech Industry
2013 BENCHMARKING & POP GROUP TIMELINE

Key Dates

April–June 2013
Data Collection

June & July 2013
Data Validation

August 2013
Preliminary Data Available in the Online Tool

September 2013
Final Data Set Locked September 30

November 2013
POP Group Key Insight Reports

- Participate in POP Group Specific Office Hours Sessions
- Attend Preliminary POP Group Findings Webinars
- Attend POP Group Best Practice Sharing Webinars
- Review Your POP Group Aggregate Report for New Quantitative Insights

In the 2013 Online Reporting Tool, Organizations Can Pull Data According To:
- Industry
- Asset Type
- Revenue Band
- Geography
- POP Group
Calendar of Upcoming Events & Deliverables

CEB events expose you to cutting-edge insights and arm you with practical take-home tools. All events are kept vendor-free, attended by your true peer group, and constructed to foster an atmosphere of candid idea sharing.

Full-Day Executive Meetings
Join your fellow heads of corporate real estate to see our latest best practices and discuss the pressing challenges for CRE.

- **Sustainable Portfolio Optimization (High Tech Industries)**
  - Senior Leaders of CRE Teams
  - 5 February 2014, San Jose, CA

- **Sustainable Portfolio Optimization (Financial Services Industries)**
  - Senior Leaders of CRE Teams
  - 25 February 2014, New York City

Bootcamp Training Sessions
These full-day, live trainings combine lecture with interactive breakouts to train mid-level real estate staff on the topics below.

- **Vendor Management for Strategic CRE Organizations**
  - Members of CRE Teams
  - 20 March 2014, Washington, DC

Webinars
Dial-in to our webinars to accelerate your team's performance and learn about our latest research.

- **Key CRE Organizational Benchmarking Trends**
  - 15 January 2014, 1100 EST

- **CEB Real Estate Website Refresher**
  - 4 February 2014, 1300 EST

- **Research Recap: Communicating Increases in Employee Productivity**
  - 11 February 2014, 1100 EST

- **Research Recap: Educating Business Partners to Get More for Less in Workplace**
  - 13 March 2014, 1300 EST

- **Latest Business Alignments Trends—CRE360 Survey Aggregate Results Discussion**
  - 10 April 2014, 1100 EST

- **CEB Real Estate Website Refresher**
  - 30 April 2014, 0900 EST

- **Driving Employee Engagement through Workplace Investments**
  - 14 May 2014, 1300 EST

- **Setting Priorities for the First 180 Days on the CRE Job**
  - 12 June 2014, 1100 EST

Cost and Space Benchmarking Initiative

- **Cost and Space Benchmarking Initiative 2014**

  - **Click Here for Online Tool**

  - **Aggregate Benchmarking Reports Available**
    - 4 March 2014

  - **Peer Groups Invitations**
    - 18 March 2014

  - **Data Template Launch**
    - 25 March 2014

  - **Data Submission Deadline, Validations Begin**
    - 14 June 2014

  - **Preliminary Data Available in Tool**
    - 30 August 2014

  - **Data Finalized and Locked in Tool**
    - 15 October 2014

Other Upcoming Deliverables

- **Organizational Alignment Diagnostic**

  - Deploy this tool to discover where your current organizational structure aligns with your business priorities, and where there are gaps.

- **CRE360 Business Alignment Survey**

More Information

Take part in our 2014 cohort to better understand the voice of your internal customers.