

Rise of the Insider Specialist

The Outsourcing of Corporate Real Estate Services



Matter of talent

As more global companies expand their operations into key markets in Asia and cost pressures rise, there has been a growing trend towards the outsourcing of corporate real estate (CRE) services to specialist service providers.

These providers are taking on roles that have traditionally been performed by the CRE departments of corporations, ranging from simple facilities management to managing entire portfolios of properties. Outsourcing has become even more prevalent as companies seek to contain costs in a volatile economic environment with slowing growth in Asia.

This trend has significant human capital implications for service providers, who are facing a shortfall in talent to meet rising demand for their services. The talent gap between demand and supply is widening across the various countries of Asia, and there is not enough skilled labour to match the needs of today's highly competitive global corporations.

This is especially prevalent within the CRE industry where there is a global shortage of qualified Real Estate professionals, said Steve Simmonds, Associate Director at Spring Property & Construction, Singapore.

"Our regular discussions with corporate real estate service providers have identified a common trend. Nearly all of them recognize that the scarcity of talent is their biggest threat to business growth," he said.

This problem could be especially acute in still buoyant markets like China, where companies continue to open offices in key cities like Shanghai, according to David Goodman, the Shanghai-based Director, Office Services, at CBRE, one of the world's leading real estate services companies.

"If we're talking about the Asia Pacific, one motivating factor for outsourcing is that companies are doing a lot more investment here than previously. There are lot of satellite offices or rep offices being opened in Shanghai and other parts of China, and real estate is a function of the business," he said.

1 Choosing the Right Model

There are many benefits that come with the outsource model, not the least of which is cost containment, an important priority during periods of slower growth. Beyond costs, however, companies also benefit from outsourcing certain functions as it allows their internal CRE departments to focus on their key role of strategically supporting business units.

“Corporate occupiers are increasingly analysing their businesses and concluding that significant cost savings can be achieved through the use of outsourced service providers,” explained Liam Williams, Director, Spring Property & Construction Shanghai. “Additional benefits include access to a broad range of technical expertise and increased flexibility in managing risk.”

CRE outsourcing can take many forms, from the transfer of one or two simple functions to handing over all aspects of managing a corporation’s property portfolio. Today, many companies have adopted fully developed outsourcing models that cover a wide range of real estate services.

“There are multiple levels of outsourcing, and very large sophisticated companies can take a very systematic approach to their real estate portfolio. They would outsource transactions management, brokerage, project management, including the construction of the real estate and facilities management,” said Mr Goodman.

Smaller companies with less centralized management are also likely to do more outsourcing as they are unlikely to have a dedicated real estate function. When these organisations set up operations in a new city, in many cases it is the chief financial officer who makes the decisions on where to locate and the costs associated with that, explained Mr Goodman.

Yet there is no one right model, and the choice of how to do it will very much depend on the needs and objectives of the company. Some even choose to work with more than one service provider, with each focusing on a different area of the CRE function.

2 Navigating the talent conundrum

Regardless of what model a company adopts, having the necessary qualified manpower to execute the outsourcing plan chosen is key to success.

With the increase in outsourced CRE services, service providers are increasingly aware of the value of attracting, developing and retaining the best, brightest employees both locally and internationally in order to achieve their business growth forecasts. Talent is undoubtedly each organisation’s most important asset and companies are now creating and implementing multi-faceted strategies to compete for top tier talent.

“The bigger corporates will continue to outsource, so the majority of graduates coming out of universities and looking for a job in corporate real estate will definitely be looking at the major real estate consultancies,” said Bill Jones, Managing Director, ASEAN, at the Royal Institution of Chartered Surveyors, an international professional body with over 100,000 members in the land, property and construction sectors.

Furthermore, bigger service providers are facing now also facing competition from peripheral players – such as security and cleaning companies – that are providing some specific real estate services, such as facilities management. This could intensify the competition for certain types of skillsets.

How can the service providers ensure that they get ahead in the talent race? They have to ensure that have a clearly defined exclusive value proposition (EVP) communicated to potential employees. Numerous factors affect a potential employee’s decision to firstly join an organisation, but also their longevity within the business. These include Financial Remuneration, Incentive Schemes, Career Progression opportunities, Skills & Career Development, Brand Perception, Company Culture, Location of Work Place and Corporate Social Responsibility policies.

Meanwhile, job seekers in this market should work towards acquiring the broadest range of skills in the industry – whether it’s project management, financial skills or procuring, advised Mr Jones.

“There aren’t university courses that cover this, so the best way to get these skills is to move around the industry into different roles. The ones with the widest range of skills will be the most employable,” he said.

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3 Moving up the value chain

Many corporations begin their journey down the outsource route by handing over one or two services – such as transaction management and lease administration - to external service providers, with minimal changes made to the structure of their internal CRE team. At this stage the internal team is still involved in many aspects of the real estate function.

As the real estate needs of a company increases and it becomes more comfortable with the outsourcing model, more functions and decision-making powers are likely to be handed over to the service provider. This increases the need for service providers to have enough talent with the requisite skills to meet their client's growing needs.

At its most sophisticated levels, service providers usually have their staff on the company's premises providing a variety of different services. By this stage of development, the company's own CRE departments are

no longer handling the day-to-day real estate operations of the organisation. Instead, their resources have been freed up to concentrate on helping the company achieve its more strategic objectives.

As outsourcing models grow in sophistication, global service providers will find their roles transitioning from merely managing real estate to that of a strategic advisor providing expertise in areas as diverse as strategic planning, occupancy analysis and forecasting, to even designing new and innovative workplaces.

Demand for such strategic services is expected to rise as companies continue to expand into China and other parts of Asia. To meet this need, leading CRE service providers must in place the correct strategies to attract and retain the necessary talent to stay ahead amid intensifying competition.

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