

Transforming real estate operations

Leveraging high performance operating
models in public sector real estate
service delivery

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Private sector organizations have moved toward direct/center-led real estate operating models

Many private sector organizations have transformed their corporate real estate operating models over the last decade, and this transformation provides tremendous opportunity and “lessons learned” for public sector real estate operations around the globe. Specifically, many organizations are moving away from highly fragmented, inefficient operating models, and are turning toward center-led, high performance operating models to deliver a wide range of services for their diverse organizational real estate requirements. This article outlines the opportunity for public sector real property organizations to fully embrace digital disruption, transform their property operations and portfolios, and benefit from the learnings of the private sector.

Digital disruption is affecting virtually all sectors of the economy and real estate

The global economy has been experiencing synchronized, broad based and strengthening economic expansion. Digital disruption is affecting virtually every sector, including all property types that influence demand and supply for office, retail, industrial, institutional, land and specialized property asset classes. As a result, property operations and platforms need to fully embrace digital disruption, and specifically impacts on property in order to help their business to remain relevant and modern within the dynamic economy. Unfortunately, Deloitte’s “Future of Work” research has identified that public policy tends to lag behind technological advancements. As such, organizations should consider exploring high performance real estate operating models to potentially help organizations embrace technological change.

Public sector real estate service delivery operations have a unique opportunity to transform and deliver effective and efficient services to benefit their client organizations

The public sector is collectively the world’s largest service provider. Any favorable amelioration in public services will favorably impact millions of people, which calls for a radical transformation of the existing real estate operating models. The need to centralize operations, reduce the cost of back-office processes, and minimize inefficiencies is the standard expectation across businesses today, which has benefitted the private sector tremendously. The public sector can learn and implement many of the lessons learned from this experience.

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Decentralized operating models result in tremendous inefficiencies

The existing public sector decentralized real estate operating model presents a wide range of inefficiencies that affect their respective client organizations including:

- Higher costs due to the need for more resources to deliver services
- Inefficiencies and duplication across multiple teams
- A larger footprint to serve the multiple programs
- Space “ownership” costs, entitlements, and inefficiencies
- Highly complex governance, budget, and approvals processes
- Limited budgets for technology/operations/capital and asset management

- Limited real property expertise to lead and deliver solutions across multiple property asset classes
- Fragmented outsourcing arrangements that fail to deliver true cost and efficiency benefits
- Traditional use of space, often with outdated workplace environments that fail to inspire innovation and new ways of thinking
- Wasted opportunities, typically available through a location, holistic strategic perspectives and teams

The real estate and construction market has been changing over the past few years. In this regard, Deloitte real estate conducted research with our many global clients and the CoreNet Global professional industry association to analyse market trends. [➤](#)

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CoreNet Global/Deloitte Research provides direction toward a centralized high performance real estate service delivery model

Three key findings indicated by recent CoreNet Global / Deloitte Consulting research are listed beside:

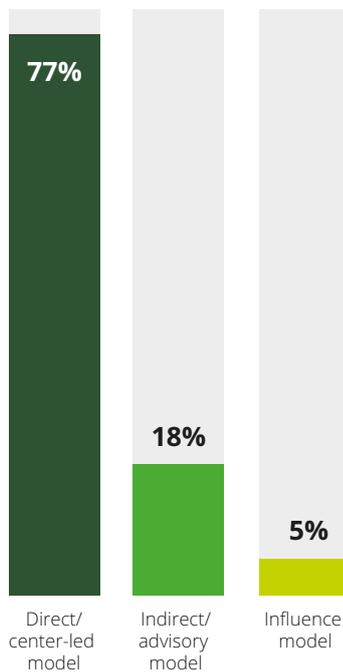
Organizations should consider the benefits of the direct/center-led operating model to drive change and deliver within an ever-changing environment.

01

Commercial real estate (CRE) organizations continue to deploy direct/center-led operating models

Many corporate real estate organizations have recently redesigned or are planning to redesign their operating models and organizational structures. As shown in Figure A, research participants indicate that they are shifting towards center-led operating models in order to drive strategic alignment, cost reduction, economies of scale, standardization, and continuous improvement.

Figure A: Tracking the shift towards center-led operating models

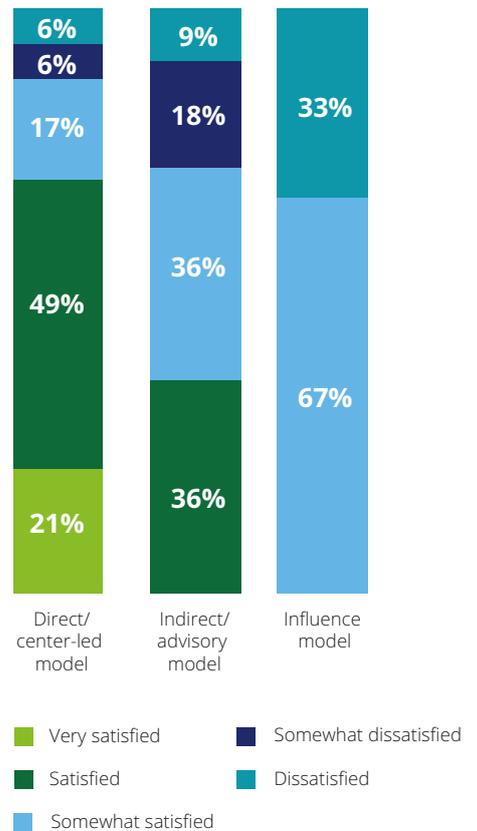


02

Decentralized operating models drive lower levels of satisfaction from CRE organizations

As shown in Figure A, 77 percent of survey respondents have deployed a direct/center-led operating model. Furthermore, as shown in Figure B, research indicates that the direct/center-led operating model is associated with the highest level of satisfaction (70 percent very satisfied or satisfied), compared to other more distributed operating models.

Figure B: Respondent's level of satisfaction with the corporate real estate operating model



03

CRE organizations are increasingly serving in the role of strategic partner

Corporate real estate is moving up the value chain and, in many cases, earning a “seat at the table” with senior leadership. That said, CRE organizations that aspire to be a strategic partner are often challenged to do so based on the current positioning of the CRE function. The industry-wide War for Talent and important role that CRE can play in creating innovative and high performance workplace environments provides an opportunity for the CRE function to inspire the enterprise and improve its positioning.

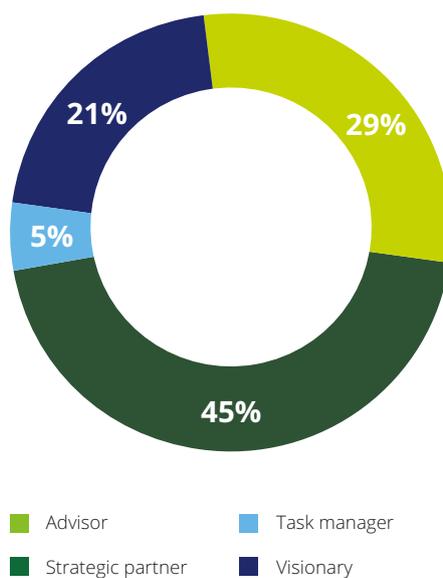
As shown in Figure C, CoreNet Global/ Deloitte Consulting research indicates that most organizations have evolved their CRE functions to incorporate the concept of strategic partnering:

- Nearly half of the survey respondents indicate that their CRE organization serves as a ‘Strategic Partner’ in supporting customer demands by designing and delivering end-to-end strategies and solutions
- The balance of the CRE organizations serve as an ‘Advisor’ (corporate real estate is proactive in interacting with customers and primarily focused on transactions and projects) or as a ‘Visionary’ (corporate real estate focuses on unlocking enterprise value and a key business partner leading to leverage real estate as a value protector and creator)

- Across research participants, only a small portion (5 percent) of CRE organizations serve as a traditional ‘Task Manager’ that largely responds to requests and is task oriented

For the public sector, moving beyond a Task Manager role toward a strategic partner or visionary role represents a tremendous opportunity and enables evolution towards a high performance delivery platform.

Figure C: The role of the CRE organization in supporting customer demands



In Summary: Deploying a center-led operating model accelerates high performance service delivery

Real estate and real property organizations that are structured in a decentralized manner often leverage generalists across property types and requirements. These organizations may or may not possess deep functional skills and may need to source these capabilities from third party service providers. In contrast, organizations that have deployed direct or center-led operating models tend to internally host the functional skills required to drive a wide range of real estate activities, from strategy to planning to asset management to change management.

Corporate real estate operating models continue to evolve with advancements in technology and newly emerging workplace expectations. Never before has it been as critical for the CRE organization to “step-up” its game and deliver best-in-class services across a wide range of property types and occupier groups. Organizations should consider the benefits of the direct/center-led operating model to drive change and deliver within an ever-changing environment.