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2020

FINAL REPORT May 2012

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EXECUTIVE SUMMARY

A Transformational Research Initiative
Envisioning the Future of Business and
the Changing Nature of Work

The Future of Corporate Real Estate
and the Workplace

CORENET
GLOBAL



EXECUTIVE SUMMARY
FINAL REPORT May 2012

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CoreNet Global is the world's leading professional association for corporate real estate and workplace executives, service providers and economic developers.
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INTRODUCTION

Reports include interviews with and direct hands-on input from more than

280

CRE executives, service providers and economic developers around the world.

Forward-facing, transformational research has been the currency of CoreNet Global's thought leadership both inside and beyond the domain of corporate real estate (CRE). The findings from **Corporate Real Estate 2020** are related to all members of CoreNet Global, free of charge, in a series of eight reports reflecting the respective management domains of CRE; plus this special **Corporate Real Estate 2020 Executive Summary** summarizing key findings from the entire report series.

This year-long project brings together hundreds of CRE global thought leaders to analyze the current and future state of our industry. Reports include interviews with and direct hands-on input from more than 280 CRE executives, service providers and economic developers around the world. Overall, Corporate Real Estate 2020 examines a wide range of external and macro-economic, societal, political and other influences, triangulating these drivers against trends affecting the globally networked enterprise and CRE itself.

Explore reports in eight different management domains:

- Enterprise Leadership
- Location Strategy and the Role of Place
- Partnering with Key Support Functions
- Portfolio Optimization and Asset Management
- Service Delivery and Outsourcing
- Sustainability
- Technology Tools
- Workplace

Discover Bold Statements about the future of our industry:

- Trends transforming Corporate Real Estate and Workplace Management
- Challenges ahead – how to anticipate and prepare to succeed
- Research findings that will continue to flow through CoreNet Global and influence future programming

Many thanks to the **work teams from around the world** that helped make this project possible. Thank you to the **sponsors** who make it possible to provide Corporate Real Estate 2020 at no cost to our members.

AT THE NEXUS OF A NEW BUSINESS MODEL

Look around, near or far, and you will observe or more likely experience change as never before. Regardless of industry or profession, we are seeing a lot happening in a compressed time frame:

- Multiple generations collide in the workplace for the first time in history.
- At the same time, many employers have reduced the size of their work forces in the aftermath of the 2009 recession, cutting space but accentuating productivity increases, in part, through wider adoption of flexible and mobile work practices.
- Economies are expanding, even booming, in some parts of the world. But in others, uncertainty caused by fiscal and sovereign debt issues is holding back growth.
- Bottom-up consumerism changed the paradigm of how companies and products maintain their reputations, thanks to social media.
- Oil prices, quality and sustainability issues are redefining the way supply chains are managed, leading to a return of on-shore manufacturing, especially in more economically challenged Western nations.
- Cities that don't even exist today will reshape the urban map of tomorrow's world, thanks partly to the preferences of younger generations.
- Carbon footprint reduction is one of many forms of corporate social responsibility now considered an embedded business practice that is held at the same level of accountability as financial results and shareholder value.



- And, in the midst of it all, technology's relentless advance has only become more concentrated, in part because of its "consumerization."

It's more challenging than ever to navigate effectively in a redefined world. Despite the difficulty in forecasting against this unusually pitched level of complexity, there are ways we can make it more comprehensible.

See related report, [How Business Is Changing: A Framework for the Year 2020](#)

CoreNet Global's Corporate Real Estate 2020 transformational research study can help inform an otherwise uncertain future. Corporate Real Estate 2020 has brought together more than 280 of the industry's top thinkers.

The findings bear out a wide set of key expectations for corporate real estate (CRE) executives and the companies they serve. However, they also convey impacts well beyond CRE, across the corporate enterprise and now society.

AT THE NEXUS OF A NEW BUSINESS MODEL

One of the main points of the study is that work is now viewed as a social experience.

Another is that CRE isn't just about bricks and mortar anymore. In fact, as a CoreNet Global - Steelcase study done in 2011 underscores, "Alternative workplace strategies started as a real estate strategy but quickly became an overall business strategy."

The clear implication is that CRE finds itself in the middle of a multi-faceted dynamic that far exceeds the management of facilities, transactions or projects. CRE is at the nexus of a new business model underscored by the 46 "Bold Statements," or predictions of how the nature of business and work will change by the year 2020.

Together, they illustrate how demographics, economics, technology, talent and sustainability are shaping work-support factors. The latter have moved to the top of the hierarchy of corporate business drivers, and CRE is in the thick of where it all intersects.

How the CRE Model Is Becoming the Business Model

Independent validation is important, too.

The May 2012 edition of *THE LEADER* magazine features a study of senior executives in the Fortune 1000 whose span of influence touches 1.2 million employees. The author, **Dr. Tracy Brower** of **Herman Miller**, reported, "It is clear that the Corporate Real Estate (CRE) model is becoming the business model." Dr. Brower finds "the fact that work environments are now part of executives' definitions of work-life supports is testament to the influence CRE is having on the business."



In other words, CRE has arrived as a strategic asset and function. "**Executive Viewpoints: Work-Life Supports = Organizational Results**" offers proof that CRE expertise in workplace management, talent recruitment and retention, sustainability, location strategies, even brand reputation, and other functions are now enterprise business drivers.

"Fundamentally," Brower emphasized, "work-life supports exist at the intersection of people, place and technology. The workplace needs to be accountable to both the organization and to the employees, and work-life supports are one mechanism through which it is."

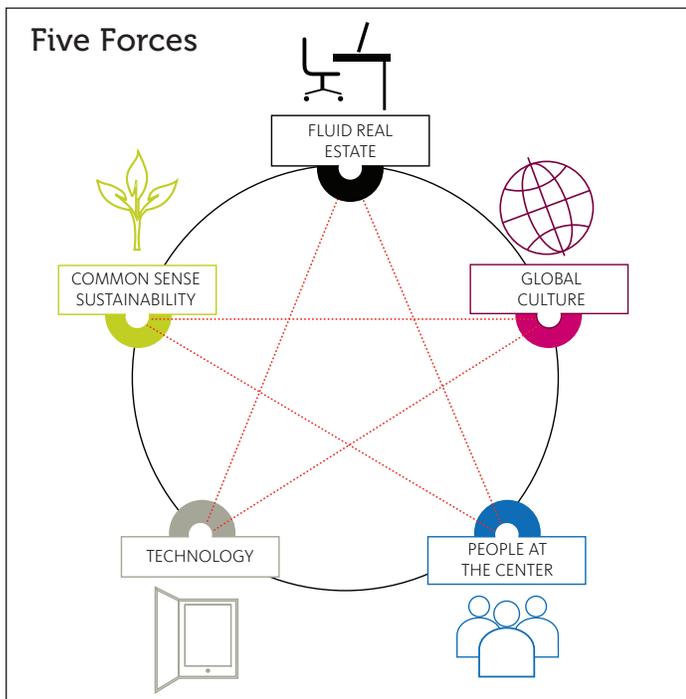
As the precursors of Corporate Real Estate 2020 validate, CRE represents many different but convergent skill sets. If Corporate Real Estate 2000 and Corporate

UPWARDLY MOBILE CORPORATE REAL ESTATE

Real Estate 2010 began to legitimize the concept of “enterprise leadership,” above the level of “order taker” and “cost center” to the stature of “trusted advisor” and “strategic value-add,” then Corporate Real Estate 2020 demonstrates how CRE itself is viewed by the business as a strategic function integral to the competitiveness of the corporate enterprise.

As outlined, recent events have permanently changed CRE, if not business itself. **Mark Gorman, MCR, SLCR, Vice President of Real Estate and Facilities for Ciena Corporation**, puts it this way: “The economic downturn proved to be a ‘great reset’ for corporate leaders.”

One central facet of that reset is the convergence of **five new forces** for CRE, as described by **Sven Govaars, MCR, SLCR, South Central Leader for Gensler Consulting** in CoreNet Global’s April 2012 *Industry Tracker* newsletter. The forces represent the



Real estate is not as valuable today as a cost-versus-market arbitrage for profit as it is for translating organizational strategies into physical designs that support higher productivity and lower costs.

core productivity or output model that successful companies of the future will deploy.

Govaars believes, “We are seeing a continual shift in the way work gets done.”

“Often the culture of a company is its strategy, and how CRE translates and delivers value in relationship to it is crucial,” Govaars contended. Consequently, he added, there are no “easy buttons” for an economic and cultural reset that will bring clarity to CRE discussions. “Rather than focusing on one factor, we need to focus on a number of factors simultaneously. It’s complicated, and it’s messy.”

Real estate is not as valuable today as a cost-versus-market arbitrage for profit as it is for translating organizational strategies into physical designs that support higher productivity and lower costs

An alternative view of this so-called “great reset” is the idea of a “great transition” away from the practice many companies have used to treat employees as if they are component parts of a system – an outgrowth of industrial age thinking.

The integration of people, place, sustainability, global culture and technology as the hub of a new busi-

SUPER NUCLEUS TO SUPPORT NEW MODEL

ness model for major companies requires operational enablement. Corporate Real Estate 2020 predicts the development of a “Super Nucleus” model will serve this purpose.

The study finds that by the year 2020, employees considered “digital natives” will be served by a super nucleus of real estate, human resources, technology, finance and other support services, while sophisticated data platforms will transform real estate portfolio optimization, strategic planning and workplace management alike.

However, with a growing number of meaningful super nucleus models already in place today, as the report will detail, it’s clear this version of integrated support services is being taken to a higher level of acceptance and actual use. In fact, more than two-thirds of the CRE executives surveyed about the prospects for a super nucleus model expect the concept will earn wide acceptance.

One reason is how the super nucleus is less of an administrative, back-office function and is more directly connected to the company as a leading enterprise resource to enable a quality work experience and higher levels of engagement on the individual level, along with higher productivity and lower costs on the company level.

“Delivery of services to the business units will continue to be the primary role of the legacy support functions,” as participants in Corporate Real Estate 2020 projected. “But strategy, including internal business unit relationship management, planning and

innovation will be elevated and integrated within this new support group entity.”

Unlike previous versions, the new model stresses collaboration over control. It’s also an example of how CRE’s lexicon is becoming more and more about the business.

Key rationale for formation of a super nucleus:

- Leading resource to enable quality of work experience, satisfaction and productivity
- Emergence of new integrated workplace leadership
- Importance of joint objectives and unified metrics
- Enhanced decision-making capabilities
- Continued importance of service delivery
- Service provider alignment will become more important as internal resources are increasingly refocused on strategic roles





BOLD STATEMENTS ANALYSIS

How Realistic Are Predictions Coming from Corporate Real Estate 2020?

More than 280 CRE industry executives in Asia-Pac, EMEA and North America provided direct primary input and substantial secondary research to forge a total of 46 Corporate Real Estate 2020 “Bold Statements” predicting what business and CRE will look like in less than a decade.

Although there is a degree of subjectivity involved in forecasting such a wide set of future outcomes, similar thought leadership exercises conducted before Corporate Real Estate 2020 proved to be largely on target.

The fact each prediction is anchored in numerous applied case studies about trends, developments and case studies happening now is the proven denominator in a scale of probability defining a very wide set of future outcomes.

Technology’s relentless advance has only become more concentrated. It is hard to imagine another external factor with as far-reaching effect.

The Bold Statement on technology’s relentless advance is a good example, starting with the highly interconnected nature of the prediction and its direct relationship to the other eight domains. Like the domains themselves, many of the Bold Statements are highly textured because of their overlap with other predictions.

Technology’s relentless advance has only become more concentrated. It is hard to imagine another external factor with as far-reaching effect.

Special Panel Discussion

Visionaries Foresee the Future of CRE

San Diego Global Summit General Session 2 via Summit Connect, May 1, 2012

Click here to view an insightful 90-minute deep dive into what the future holds for CRE

How likely are the Bold Statements to turn out as seen today through the eyes of many of the CRE industry’s best thinkers? No doubt, many will indeed happen, some are even playing out right now. Some others, however, may seem less likely, as we learned from our Corporate Real Estate 2000 and 2010 transformational research series.

Some of the predictions seem contradictory. Start with the paradoxical state of the global economy and go from there. Four generations working at the same time in “smaller and smarter” settings; that’s another big paradox. We say that virtual work won’t trump the physical office. Another prediction for 2020 is that continuous cost cutting will give way to value creation, implying effectiveness will win out over efficiency. Or, we saw sustainable practices move down the list of priorities during the 2009 recession, but now it’s rated again as an embedded management function.



BOLD STATEMENTS ANALYSIS

Enterprise Leadership

By 2020, the corporate real estate (CRE) leader will evolve from a subject matter specialist to a strategic partner with a broad knowledge of business strategies. He or she will display a mastery of the core functions of the CRE role while demonstrating an ability to add value to the enterprise by identifying potential synergies and efficiencies across the organization.

Multi-disciplined Skill Sets

In this respect, the CRE leader of 2020 will demonstrate a **diverse set of skills** beyond basic transaction management to better enable access and opportunities to influence strategy with other group leaders to gain status as an equal partner in a collaborative role, also shaping and advocating their company's sustainability and corporate social responsibility agenda.

This domain is a watershed that clearly overarches the other seven. Partnering with Key Support Functions is primary among them. That's because CRE will leverage its collaborative relationships with IT and HR to proactively advocate for the adoption of emerging technologies and, of course, for work enablement.

There is a Workplace Strategy and Portfolio Optimization emphasis overlapping with the leadership role. As evolving technology increasingly encourages mobility in the work force, CRE leaders will focus on optimizing costs while driving employee productivity by designing collaborative, flexible workspaces that are

By 2020, the corporate real estate (CRE) leader will evolve from a subject matter specialist to a strategic partner with a broad knowledge of business strategies.

adapted to the specific needs of the work force and reinforce the organization's culture and values.

Technology Tools also touch on Enterprise Leadership. As CRE leaders integrate technology to achieve effective workplace solutions, it is incumbent upon leaders to demonstrably measure the impact of such enhancements on various phases of workplace productivity to align workplace design initiatives with overall corporate strategies.

Alignment is critical to attaining leadership status, as are reliable performance metrics. Whether measuring the impact of workplace infrastructure on productivity or the enterprise, there remains much room for growth and a tremendous opportunity for CRE to assume leadership to drive innovation in this area. Increasing CRE's value within the corporate environment requires advancing our conversations from cost alone to both cost and value. Measuring the impact of workplace infrastructure on business units and the enterprise is fundamental to that progression.

Delivering on a Global Scale

CRE leaders will continue to face headcount and cost constraints because of persistent global recessionary conditions, so that Outsourcing and Service

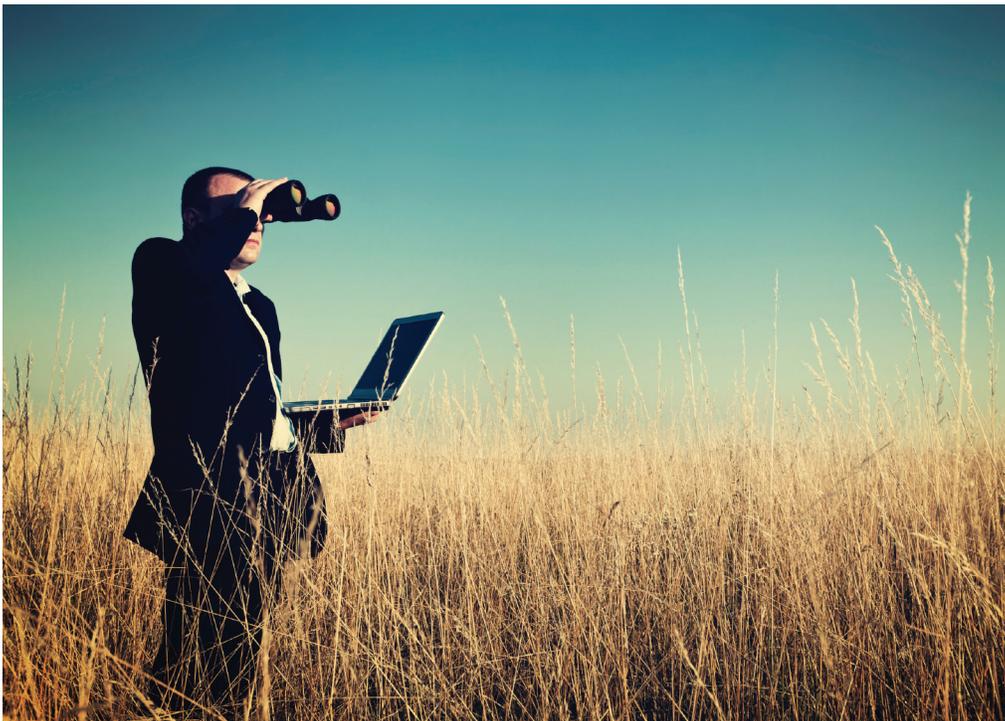


BOLD STATEMENTS ANALYSIS

Delivery models become engrained in the CRE leader's repertoire. In this environment, CRE leaders will be further incentivized to leverage increasingly strategic and collaborative relationships with supply-side service providers to champion initiatives that senior leaders have.

The CRE leader of 2020 will embrace this vital collaborative role in their company, from which

they are able to manage process, strategy and transaction. He or she will also gain a deeper appreciation for the effect of policy implementation on infrastructure and will leverage this knowledge and these skills to actively promote the culture, brand and employee engagement of its organization, ultimately connecting the CRE leader directly to the key business drivers that corporations are prioritizing most of all.





BOLD STATEMENTS ANALYSIS

Location Strategy and the Role of Place

With growing emphasis on sustainability, the volatility of oil prices, major demographic and urbanization shifts, and other macro-economic forces, the importance of ensuring that companies make the best possible location choices cannot be underscored enough.

The role of place is now influenced by other Corporate Real Estate 2020 domains including Portfolio Optimization, Sustainability and Workplace.

The bold statements that received the strongest support from CRE executives interviewed by CoreNet Global are:

- There will be a notable manufacturing renaissance in the U.S. and several other developed countries, especially those that have redressed labor regulations.
- Supply chain optimization/balance and business disruption risk will spur more regional manufacturing.
- Alternative work force strategies will not cover a wide swath of total employment as physical space will continue to be important for most companies.

There was moderate support for the two bold statements relating to global labor shortages and the importance for communities to adopt green/sustainable policies to attract business growth. Although most agree that there will be global labor shortages related to skilled trades, views are mixed regarding labor shortages related to other skillsets, such as engineers and scientists. What is clear is that the availability of labor will play a bigger role in driving location decisions for multinational corporations (MNCs) in 2020.

Companies acknowledge that green/sustainable policies will be increasingly important in 2020, but opinions were mixed as to how much influence sustainability will carry in future location decisions. For example, sustainability is a bigger priority among high-tech firms, such as an Apple or a Google, because of the types of workers those firms are trying to attract, while green/sustainability is not as essential for the typical branch plant operation.

Opinions are split when it comes to identifying emerging hot spots. Although there was broad agreement on South America as a hot spot, MNCs remain wary of the risks and numerous hurdles to expansion in Africa. In addition, although it was not addressed in the bold statements, many interviewees believe that lower-cost Asia and Central/Eastern Europe (CEE) will represent key markets for expansion in 2020.

Manufacturing Returns to Developed Nations

Developed countries are experiencing a rebound in domestic manufacturing that will continue to gain momentum in 2020. That resurgence is most apparent in the U.S., but also is occurring in other developed countries such as Germany and the U.K. The rebirth of domestic manufacturing moves counter to the wave of offshoring that has been rampant in recent decades.

Manufacturers are beginning to recognize that many of the variables that go into location analysis, such as transportation and labor costs, have changed dramatically in recent years – eroding the clear cost advantages that once existed for offshore locations.



BOLD STATEMENTS ANALYSIS

The shrinking cost arbitrage for offshoring and higher productivity in developed nations are fueling the shift to “reshore” manufacturing. Other benefits to reshoring also include:

- Locating in large, affluent, stable markets
- Maximizing quality and minimizing product defects
- Cost advantages of a more balanced supply chain
- Shorter order lead and product delivery times
- Lower inventory carrying cost
- Presence of efficient/moderate cost suppliers/outsourcers (in U.S. and other developed countries)
- Brand benefits to “buy American” or buy “local”

Virtual Office Won't Trump the Physical Workplace

Technology is clearly changing the way companies work. The wired – and wireless – world continues to shine a spotlight on alternative workplace strategies such as telecommuting, hoteling and other flexible workspace options. Yet, while the virtual office will gain ground in the coming years, the brick-and-mortar space will continue to be essential for companies.

Most people want to come together to work each day, and the recognition that work does have a strong social component to it will continue in 2020. Physical space will still be important for collaborative activity, corporate branding, and for all the activities for which alternative work locations do

not suffice. That said, the form and function of real estate is continuing to evolve.

Companies are facing more pressure to improve efficiencies and cut costs, which will have an impact on the physical footprint. Another recurring theme across property types from manufacturing to headquarters will be striving for flexibility that will allow companies to change as needs change, use space efficiently and not be stuck with out-dated legacy properties.

Sustainability

It will be increasingly important for communities to have green/sustainable agendas, policies and strategies in place to compete for a talented work force and business investment. The vast majority of companies want to be in physical locations that are green/sustainable. Companies want that as part of their image, and as a means to enhance their ability to recruit and retain workers. Sustainability will be a bigger priority, especially for those companies that need to attract Gen Y talent.

Ultimately, the Location Strategies and Role of Place report highlights the changing role of the CRE team in 2020. The shifting global landscape magnifies the need for CRE executives to sharpen their skillset, utilize technology and work collaboratively with the executive team to develop effective and efficient location strategies. Those strategies will need to anticipate market shifts, mitigate a variety of risks and also be flexible enough to adapt to change in the increasingly complex global environment.



BOLD STATEMENTS ANALYSIS

Partnering with Key Support Functions

The super nucleus is rich with opportunity for measurable business improvements, ranging from cost reduction and increased efficiency to enhanced decision-making capabilities. The most important impacts will be supporting business unit strategy, boosting efficiency of enterprise resources and empowering a more enabled employee.

Formation of a Super Nucleus

The groundwork has been laid for this innovative super nucleus, with some companies embracing early stages of collaboration and others already enjoying the benefits of highly advanced, integrated resource models. Our report shares insights and experiences of companies across the spectrum – from those in the process of building a super nucleus to those with mature global models already in place.

While the composition of the new corporate entity will vary at each organization, components may include all or parts of CRE, HR, IT, finance, purchasing, legal and others. The super nucleus will not be a “one size fits all” and will vary depending on a company’s organizational structure, culture and business needs.

The benefits of a super nucleus are extensive, ranging from increased efficiency and productivity to cost reduction and enhanced decision-making capabilities. Our research shows the intersection of collaborating support functions will help ensure enabled employees are more productive, better equipped and have higher satisfaction levels – resulting in significant returns for the corporation.

The super nucleus is the integrated relationship management, planning, systems and strategy for support functions. It includes CRE, IT, finance, HR and potentially other support functions.

Creating the kind of collaboration and integration of key support functions to drive toward a super nucleus is often a gradual – and challenging – process. Top-down leadership and cultural volition are needed to drive this type of dramatic change in any corporate environment.

CRE is already familiar with the super nucleus structure because day-to-day activities require interaction with other support functions. CRE professionals are adept at managing projects that involve collaboration and integration throughout the organization. These partnerships lay the groundwork for more formal integration in the future.

As the super nucleus evolves, the increased integration of support functions is creating more opportunity for the evolution of CRE. As such, CRE executives have a unique opportunity to assume new leadership roles based on core competency project management skills and their valuable experience in integrating HR, IT and other support functions for large-scale projects.

There are still many obstacles to navigate, such as internal political opposition, the task of trying to integrate so



BOLD STATEMENTS ANALYSIS

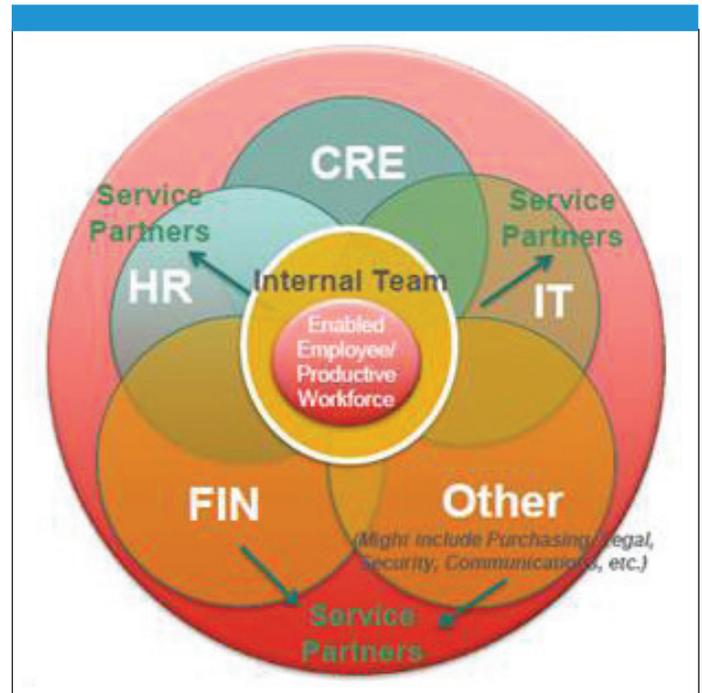
many different functional areas, the struggle to overcome traditional silos and limited resources devoted to change management.

Continued Importance of Service Delivery

The delivery of support function services will be enhanced by the greater collaboration and integration of support group functions.

The primary role of the legacy support functions will remain delivery of services to the business units. They will continue to leverage external providers to deliver their services more efficiently. However, the super nucleus will provide the corporation with a central, strategic group for service delivery.

As corporations seek to better align and integrate internal support functions, it is reasonable to expect that their service providers will look for ways to support this integration. It could drive collaboration among CRE, IT, HR and finance service providers. The alignment among service providers to support this new function could take on a variety of different forms, ranging from project-based initiatives to enterprise-wide alliances that mirror the client's internal structure.



External service provider alignment and integration will be more important and necessary as internal resources are increasingly refocused on strategic roles.

Many executives see a natural trend toward relying more heavily on external service providers in the future. Some have already adopted strategic outsourcing models where they establish strategic partner relationships and leverage a comprehensive set of services.



BOLD STATEMENTS ANALYSIS

Portfolio Optimization and Asset Management

Today, portfolio optimization has come to mean far more than leasing strategy or lease administration. The so-called ‘smaller and smarter’ portfolio we see today isn’t just the result of the 2009 recession and ongoing cost containment pressure. It’s also the result of flexible work strategies and flexible workplaces – both of which emphasize mobility, telework and other forms of ‘distributed work.’

So what’s driving the corporate real estate portfolio of tomorrow? The answer is found within this and other Corporate Real Estate 2020 domains such as Workplace, Outsourcing and Service Delivery, Partnering with Other Key Support Functions, Sustainability, Technology Tools, and of course Enterprise Leadership.

The concept of portfolio optimization in the corporate world continues to change and adapt to business cycles, technology and even new business theories.

In Pursuit of the Holy Grail

Demand forecasting will improve and significantly narrow the band of uncertainty in regard to future requirements. Forecasting will become less dependent on management’s predictions, and better able to use external factors to predict demand.

“The biggest gap in our strategic planning is demand forecasting,” said one CRE executive for a major consumer brands manufacturer.



Accurately predicting headcount is considered a “Holy Grail” of CRE because it gets you a seat at the table. But the main concern isn’t so much about CRE’s ability to drastically improve real-time data gathering and information analysis in support of key decisions like future demand for work space, it’s about the inability to control external factors as the 2009 recession is still demonstrating.

The key takeaway here is that demand forecasting has improved and will continue to get better, but truly accurate and reliable long-term forecasting is probably unachievable.

As another Bold Statement on portfolio management shows, industry professionals are more confident about their ability to future proof with built-in flexibility to respond to “residual uncertainty.” In other words, there is greater assurance that firms can adjust for uncertainty than that they can eliminate it.



BOLD STATEMENTS ANALYSIS

Effectiveness Prevails over Efficiency

Organizations will recognize the potential detrimental impact of cost cutting on productivity, changing the conversation from cost containment to value creation.

“You can’t cut your way to greatness,” one CRE executive for a global energy company remarked.

It’s true. We saw in the early days of alternative workplace strategies how very few companies grasped the opportunity to increase productivity, and thus profits, by investing in the changing nature of work. It’s a progressive viewpoint associated with effectiveness.

The main drawback to the argument for effectiveness is economic downturns. In times of recession,

The idea of a fully networked enterprise without geographic boundaries has replaced the traditional view of the corporation as a fixed entity defined by its geographic location.

companies often postpone any number of changes in favor of cost control. But 2009 showed that it doesn’t have to be that one sided. Companies can have it both ways.

The question of value creation over value protection is also hard-wired to corporate social responsibility.





BOLD STATEMENTS ANALYSIS

Service Delivery and Outsourcing

Outsourcing, like globalization, remains at the top of the CRE industry drivers list, as proven out by high-level business drivers that industry executives predict will shape CRE by the year 2020.

Experts interviewed today rate the following drivers as leading influencers of CRE management:

- Globalization
- Technology and data-driven business intelligence
- Value- and cost-based metrics
- Evolving outsourcing models
- Industry consolidation and expansion
- Access to well-trained and experienced workers.

Always-on connectivity is changing the perception of the workplace and redefining “corporate space.” Technology also is changing the corporate real estate’s traditional modes of operation and the expectations CRE executives place on service providers. The service provider of the future must go beyond task-oriented accomplishments to become a strategic, collaborative partner whose data-driven insights can help end users make informed decisions.

The future is more about services and strategy than square footage.

This presents a challenge to an industry that traditionally measures success by the square foot, but it also opens the door to unprecedented opportunities. To seize upon them, end users and providers must rethink the role and function of CRE. The future is less about space and more about services and strategy.

The future is more about services and strategy than square footage.

For the purpose of this research effort, the service provider includes everything from the provision of tactical, day-to-day operations support to the design and delivery of a strategic vision for an organization. This broad view of the market supports the ever-expanding roles that service providers are being asked to assume.

Changing Supply-Side Dynamics

In the future, CRE executives will look to service providers not only to deliver more administrative services but also to manage those services provided by other vendors. A corresponding degree of risk and responsibility will shift to the service providers: They will be expected to deliver multi-domain services using highly skilled and efficient teams. They will be expected to advise upon and add to the end user’s strategic vision. They will be expected to compete on value, as well as price.

Real estate outsourcing is now modus operandi for most large companies, but one single methodology does not fit all. Desires to meet the demands of rapid globalization while continuing to manage costs are universal. But corporations are employing a variety of outsourcing strategies and structures to achieve these goals – among them best-in-class, bundled and integrated outsourcing models.



BOLD STATEMENTS ANALYSIS

2020 Predictions on Outsourcing

Clientele will drive service providers to grow their platforms globally.

End users will expect service providers to anticipate global business drivers and emerging markets and have established service offerings before corporate real estate executives request them. To enable that nimbleness, service providers increasingly will partner with local providers in key markets.

Due to economic pressures, there will be continued consolidation of service providers, and we expect to see a nontraditional service provider enter the race.

Nontraditional providers will enter the market to compete outright with mainstream CRE offerings or to erode the value proposition of specialty services offered as part of service provider bundles. Mid-size



Because of economic pressures, there will be continued consolidation of service providers, and we expect to see a nontraditional service provider enter the race.

and small service providers will combine to compete against the largest firms.

With CRE executives utilizing their service providers as an incubator/training ground for noncore business, human resources and training capabilities will become a heightened requirement.

End users will require service providers to contractually ensure adequate human resources/training capabilities, and HR and training capabilities will become competitive differentiators among service providers.



BOLD STATEMENTS ANALYSIS

Sustainability

Successful sustainable strategies are all about integrating every element of business to reduce environmental impact. For this reason, many of the bold statements described in the Corporate Real Estate 2020 Sustainability Report overlap with other 2020 themes. Sustainability initiatives – their existence, robustness and rate of adoption – can vary significantly at the global level, even within the same organization, so wide generalizations are difficult. For this reason, this report calls out regional variances where possible.

The report analyzes six key Bold Statements that are likely to influence corporate real estate strategies in 2020.

1. Regulatory incentives for resource efficiency and market penalties for resource inefficiency will meaningfully increase by 2020.
2. Buildings, sometimes connected by micro grids, will be both consumers and producers of energy. The evolutions in energy storage will impact building operations, transportation and planning.
3. Access to reliable and renewable energy, potable water and waste distribution will influence real estate strategies across all industries.
4. Technology advances and understanding of sustainability will result in dramatic restructuring of real estate portfolios.
5. Corporate real estate will take on initiatives to positively change personal behavior and standards surrounding sustainability.
6. Sustainability experts will play an important integrative role within the organization to meet enterprise-wide targets and goals.

Implications for Corporate Real Estate Role

- More subject matter expertise in environmental and social impact of real estate and facilities decisions will be required to achieve desired metrics and goals.
- Measurement of environmental impact is critical for accurately meeting desired targets and proving return on investment. This responsibility often falls in the hands of real estate and must link to enterprise-wide data (i.e. data collected from Integrated Workplace Management Systems or IWMS).
- Stronger influence will be required by real estate leaders to encourage business changes to achieve desired metrics. In addition to just aligning real estate, real estate must influence business leadership, procurement, public relations and communications, marketing, human resources, information technology, research and development, operations and logistics, health and safety, legal and risk management.
- Real estate must be able to weave “environmentally friendly” strategies into a larger story that benefits the organization – for example, work-at-home initiatives can help recruit the best employees, reduce real estate costs and reduce carbon emissions per person. Corporate real estate leaders that expand their business case are more likely to build traction and have their ideas adopted.



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Technology Tools

While the corporate real estate executive works furiously every day to support corporate strategies, unyielding forces outside office walls are creating their own agendas for today's workplace. It's the very nature of technology, and our Corporate Real Estate 2020: Technology Tools provides a glimpse into how today's leaders are coping with these fast-moving dynamics.

These external forces affecting the workplace aren't surprising or particularly remarkable given the now-constant breakthroughs in consumer technology. In 2005, **Gartner, Inc.**, analysts predicted that the consumerization of technology would be the most important trend to affect corporate IT departments over the next decade. The changes are here, and the question lies in whether they are challenged or embraced in the executive suite and what unintended consequences such changes might thrust upon the business enterprise if it is not adequately prepared.

The Security Trade-off

Few caveats to broad acceptance of emerging technology tools rank as challenging among today's CRE executives as security. In fact, security for corporate information, data, and intellectual property is in a very real race with the pop culture of today's technology.

In this culture, access to proprietary information shifts very quickly from one heavily marketed remote device to another, in an increasingly wireless – and vulnerable – way. The means of risk management here are relatively unfamiliar and certainly costly for the corporation. However, there lies an opportunity, perhaps, to shed overhead by allowing the employee (i.e., the

consumer) to share responsibility for the hardware in exchange for personal choice and mobility.

Such a tradeoff – heightened and increasingly complex requirements of security, in exchange for reduced capital expenditures on computer hardware and a greater degree of employee satisfaction – is just one example of the realities of risks vs. rewards that play out in each of the scenarios prescribed by the Bold Statements in the report.

Distributed Work

Another reality, which also stems from the pervasiveness of wireless networking and the proliferation of truly personal devices, is a distributed work force. For better or worse, more employees have the capability – if not yet management's permission – to work away from the office. While this mobility poses greater supervisory challenges to management, it is viewed as potentially fostering an output-driven worker modality – not a bad bargain for some.

The new mobility also presents a greater opportunity for employees to work closer to or more closely with the client, regardless of that client's location. The same can be said for the rise in video technology, which was given a nod by many of those interviewed for the report as providing a very real and current benefit. The companies they represent are taking full advantage of the access across borders to meet “face-to-face” while saving very real dollars on transportation costs.

Still, with the mobility of today's work force, security once again becomes an issue. Thus, our report covers the CRE's perspectives on means of controlling access at the building level, such as with sensing tech-



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nologies, as well as at the device level, where biometrics could play an important role. These technologies are at varying degrees of buy-in, and only time will tell, say most, in which direction they will evolve.

Investing in Interoperability, or Not

Perhaps the technology type of most concern to our experts with regard to the lack of any real return on what investments could be made now is seen in the area of industry-wide interoperability standards.

Industry-born applications may become the launching pad for CRE data and systems interoperability.

While the development of such technologies has a relatively long history on the collective wish-list of companies large and small, the entire initiative still stands for the most part at the starting gate. Monies – and, currently, the industry’s willingness – to drive it onto the track is hampered by short-term and company-specific, “good-enough” solutions.

Still, many of our experts point to the possibility of industry-born applications, similar to those developed every day for smart devices by their users and then shared, as being the launch pad for these interoperability standards. Such organic development could very well be viewed as a model for how today’s technology so adeptly addresses such industry challenges.

Far-Reaching Effects of Technology

The volatility and complexity of the business environment today has made prediction of the future an extremely difficult task. This is especially true with respect to technology.

Technology’s relentless advance has only become more concentrated, it is hard to imagine another external factor with as much far-reaching effect. Envisioning the impact technology will have in 2020 requires some serious thought and to some extent imagination.

Advances driven by **Moore’s Law** have increased memory, speed and application capability for mobile devices. An extension of what we have seen may indicate that future smartphones become miniature application and data servers that maintain connection to secure networks – in themselves “personal clouds” that in aggregate bring the corporate IT infrastructure to the palms of our hands. This enables storage and retrieval of all forms of unified and connected communication: email to voice to video to instant notes, etc. leading to more immediate value creation.

By themselves, smart wireless devices that include, considerable memory, voice, data and video components already represent well-fueled, maturing technologies. But just how ground-breaking the concept is behind this Bold Statement appears to be a case of the whole – i.e., universal adoption at the enterprise level – being greater than the sum of its parts.

Greater, but more challenging.

“People will drive this more than companies will,” said an executive for a global consulting firm. “And those companies will have to respond and react more quickly than they would probably be comfortable doing.”



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Workplace

Key themes evolved around the accelerated impact of technology, expected shifts in corporate power centers and how to blend multigenerational work styles and expectations. We obtained feedback on the expanding roles of outsourcing and out-tasking and on the evolution of service providers from assisting with non-core functions into becoming integral strategic resources in the implementation of the new workplace.

In the midst of this complex arena, CRE is rapidly evolving into a strategic enabler for the “work” of our employees through the continuing evolution of the “workplace” to meet business needs.

Though CRE organizations are advancing on this goal at varying rates, over time we may imagine that CRE could become the facilitator for a network of distributed activity nodes, both owned (on site) and borrowed (in the surrounding community), where knowledge workers from multiple sectors convene for intense virtual and physical collaborative work across the globe 24/7.

CRE will ensure the corporate campus provides safe haven when needed (with the need varying from traditional, anchored “office workers” to the virtual sales force that flies in once a month). And CRE will provide a menu of services and capabilities, from small group meeting rooms and private spaces to technology for virtual meetings, so that the work – wherever it is – gets done.

Finally, CRE will either create on site or locate within the community the “third place” recreational work spaces – those much-needed alternatives for

informal work and social connection, so very critical in the forging of relationships and the building of strong networks of talent.

From Workplace Mobility to Presence

Workplace will expand beyond a focus on “mobility” to include the concept of “presence,” both physical and virtual. Our focus on the expanding range of places where our employees are “present” and actively accomplishing the various requirements of their work, is critical.

Mobility support is rapidly becoming a table stakes condition for knowledge workers

- For many types of workers, presence in the traditional office will become significantly more abbreviated, while office activities will become more intense and highly specific. Today approximately 26 percent of the total global work force of three billion works away from their office at least two days a week. Studies show that work away from the office will grow beyond 40 percent in the next five years.

From Owned to On-Demand Assets

For many organizations, the need for owned real estate as we know it today will decline, replaced by a model where a combination of assets both within and outside of the portfolio are leveraged to meet specific needs. Corporations will increasingly turn to third parties to provide on-demand models of office space and technology to serve the mobile worker and knowledge work as a whole.

- The factors affecting effective portfolio management have become extraordinarily complex in the last 10 years and will not ameliorate over



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the next decade. In our extensive Corporate Real Estate 2020 interviews with end users and service providers, virtually all anticipated corporate portfolio consolidation through 2020 with high office vacancy rates expected to climb even higher in many established markets. The surveys we conducted indicated strong agreement with this assertion.

From Facility Management to Work Experience Enabler

CRE's role in major corporations will become highly strategic in support of the business's requirements. Metrics will shift to the support of the business: innovation, knowledge worker, etc. CRE executives will be "Experience Managers," offering employees an à la carte workplace experience with a menu of services, locations and support.

- Several converging influences in the business environment have presented an unparalleled opportunity for CRE's role in major corporations to shift from facility management to more strategic support of the business. If CRE will rise to the challenge, by 2020 the role of CRE will have morphed to work experience enabler. If CRE does not rise to that challenge, there is a danger that its role will become marginalized, and other shared services providers will take its place.

AWS started as a real estate strategy but quickly became an overall business strategy.

AWS started as a real estate strategy but quickly became an overall business strategy.

Major Work & Workplace Shifts

We identify several major shifts already underway that will continue to intensify as we advance toward the workplace of 2020. As IBM said in its white paper about the new workplace, "Organizations that adapt – and adapt now – stand ready to reap the rewards in the form of new opportunities and a newly honed competitive edge."

A LEGACY OF THOUGHT LEADERSHIP

It seems light years have passed in the evolution of work and workplace since CoreNet Global released “Corporate Real Estate 2010: The Changing Nature of Work and the Workplace” in 2004.

That report, as well as pioneering findings on telework and other forms of AWS culled from Corporate Real Estate 2000 in the mid-1990s, quite accurately predicted the waves of change that would ripple throughout workplace as the globally networked enterprise became the norm.

Corporate Real Estate 2020 reports are available at no cost to CoreNet Global members. Individual reports are available to nonmembers for \$49.95 each. Or get all eight for only \$250 (a 38% savings!).



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