



# A game changer

**How corporate strategy drivers are elevating the strategic importance of corporate real estate**

KPMG International

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# Foreword

As the COVID-19 pandemic wanes, a new era is emerging for businesses. It is digital. It is sustainable. It is people-centric. And it is agile. Business transformation is no longer a choice in this new reality. Corporate strategies are being rewritten. Business and operating models are being redesigned.

In KPMG's view, three key drivers are influencing the direction and shape of this strategic transformation. Companies are responding to the rapid pace of digitalization that accelerated as a result of the pandemic. They are seeking to reduce their carbon footprint and become more sustainable in their race to net zero. And they are responding to the future of work with new workforce trends and ways of working. At the same time, companies continue to seek out topline growth and profitability on the back of a continuous business cycle of performance enhancements.

The corporate strategy drivers can create a game-changing opportunity for Corporate Real Estate (CRE) to be a catalyst for change as a key business function. CRE sits at the confluence of the three drivers of digitalization, the future of work and the race to net zero. It also has a significant influence over financial performance and is central to driving operational excellence. It's no wonder many organizations are bringing CRE to the top of their strategic transformation agenda.

This report provides insights into how leading organizations are responding to this evolving reality. The findings are based on 15 in-person interviews with senior CRE executives across a variety of industry sectors. Their insights and views paint a picture of the important role CRE plays in strategic transformation. And it suggests how these key corporate strategy drivers are changing CRE strategies and operating models.



## Takeaways for business and CRE leaders:

1. Among the key corporate strategy drivers are the race to net zero, digitalization and the future of work.
2. CRE plays a crucial role in delivering on a company's corporate strategy objectives.
3. The CRE function is elevating its strategic importance and should be prepared to respond quickly to keep pace with business change.
4. Those companies that integrate both CRE and business strategies are expected to deliver greater value in the short and long term.

What this report finds is that the CRE function is elevating its strategic importance — from a quasi “estate agent model” to a strategic business partner — to support their organization’s future around digitalization, the environment and the future of work. Financial and operational efficiencies are funding the transformation agenda. And the leading CRE functions are responding with an intelligent and data-driven operating model, helping them succeed as a strategic business partner and deliver on the transformation objectives.

On behalf of KPMG’s global network of real estate professionals, we would like to thank those CRE leaders who participated in the development of this report. We hope this publication helps shape the future of CRE in this new era of business transformation.

**Andrew Weir**

Global Chair, Asset Management and Real Estate, KPMG International

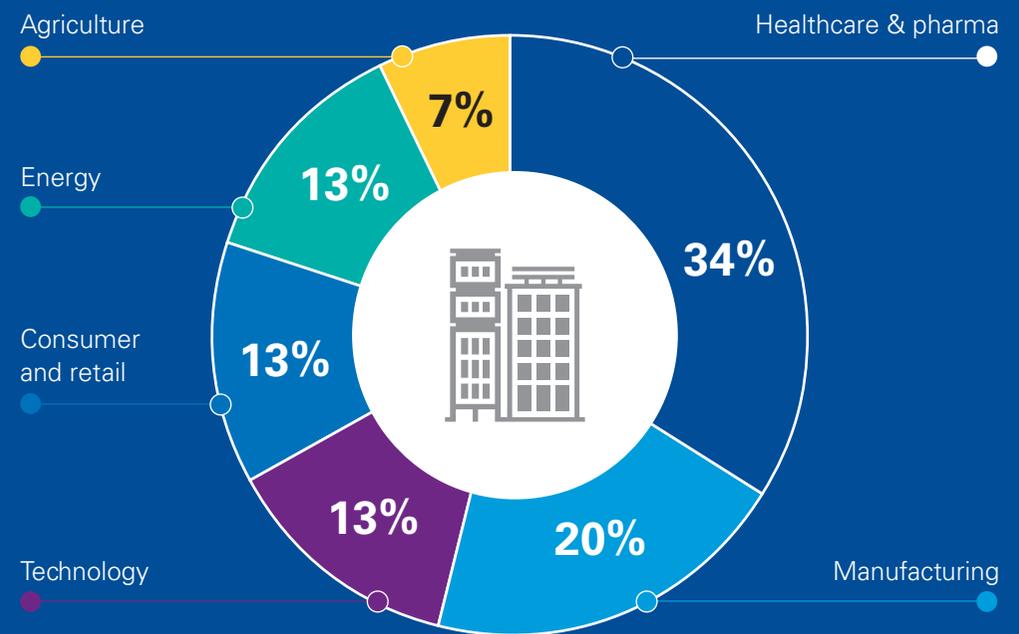
**Remco van der Mije**

EMEA Head of Corporate Real Estate Advisory KPMG in the Netherlands

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**Participant companies by operating sector**





The rules of  
the game have  
changed

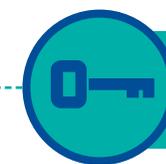
The status quo of global business was already changing long before COVID-19 emerged. The pandemic only accelerated the pace of change and sharpened the direction. It also created a new reality, one in which digitalization and sustainability are the norm and customers are at the center of every interaction. It is a world of complex interdependencies and interactions — one of hyper-competition, unhindered innovation and rapid market transformations.

At KPMG, we believe there are three main drivers now influencing decision-making as corporate strategy leaders plan for the new world.

1. **The race to net zero.** Sustainability has become a top priority for companies around the world. Indeed, 93 percent of the CRE executives we interviewed said that environmental, social and governance (ESG) factors, sustainability and the race to net zero emissions are now critical agenda items for their organization. They see progress on this agenda as a way to deliver new growth. And they are keen to reduce their company's carbon footprint across their value chain by becoming cleaner and

more sustainable with a lower impact on the environment. One global pharmaceutical manufacturer told us they plan to be carbon neutral by 2030. Another has set greenhouse gas emission (GHG) levels for not only their direct emissions (Scope 1), but also their indirect emissions from the generation of purchased power (Scope 2). Many talked about decarbonizing their real estate and car fleets as a key priority.

2. **Digitalization.** Companies have been striving to digitally transform for years. COVID-19 made their efforts urgent. And our conversations underpinned the wide range of ways that digitalization is changing the corporate strategy. All of the executives we interviewed say they are either driving digital disruption, developing new digital products or digitizing their existing processes. One global research and biotech company talked about how they are using digitalization to change the way the business organizes and executes their research activities. A consumer goods player told us how digitalization had opened up new business-to-consumer channels and enabled new business models. Others talked about using data analytics to improve their store concepts based on deep insights on customer behaviors and needs. Some were in the middle of their digital transformation journey. Others,



## Takeaways:

- The COVID-19 pandemic accelerated existing trends and created the necessity for new corporate strategies.
- Organizations are competing to transform to respond to the race to net zero, digitalization and future of work dynamics.
- Financial performance and operational excellence remain important priorities and are used as a lens to view digital and sustainable transformation investments.

like the maker of smart appliances we interviewed, were already well advanced in leveraging digital and new technologies to achieve business outcomes.

3. **The future of work.** The way people “work” has changed. Advanced automation technologies like robotics and artificial intelligence (AI) are changing jobs, the nature of the work and the skills requirements. The accelerated digitalization process triggered by the pandemic has spawned new virtual collaboration techniques, allowing people to work from anywhere, leading to greater workplace and workforce flexibility. And that has had broad

impacts on almost every aspect of corporate strategy. The executives in our research say that the future of work redefines and reshapes their company’s talent needs and strategies. And they are adapting their corporate strategy in response. One pharmaceutical organization said they were reaching into new markets, closer to universities where competition might not be as fierce. Some are working to capture new talent earlier in their development cycle. Many of our interviewees talked about the impact that brand, sustainability and an attractive workplace had on their talent strategy — and how new work models were influencing their investment decisions.



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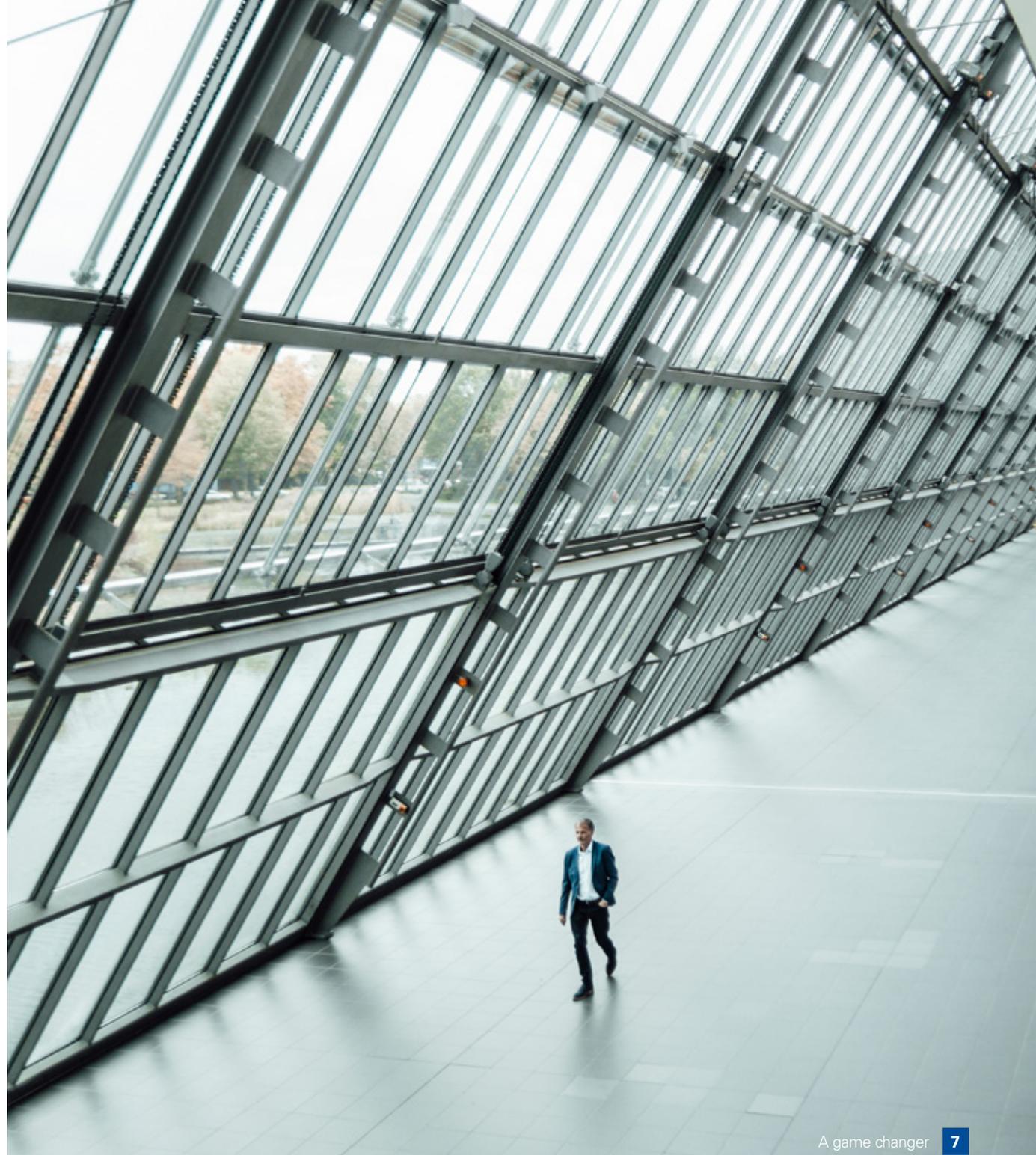


## Optimized and value-driven

On the back of bottom-line savings programs instigated by the economic impacts of COVID-19, organizations are now looking to leverage their transformation initiatives to deliver their financial performance and improve their operational efficiency. Recognizing the interdependency of financial performance, operational excellence and the strategic drivers listed above, organizations are using financial performance as a lens through which to view their sustainability and digitalization investments.

As one of our interviewees noted, future investments must always be prioritized with a strong focus on cost. Yet, the right decisions must be made to reflect the company's future transformation objectives.

At the same time, corporate leaders are looking to achieve performance enhancements across their business and operating models, and in all areas of the organization. They are simplifying and optimizing their processes and eliminating inefficiencies to achieve higher levels of productivity and to identify new cost savings. And, as companies seek to develop and execute new, more agile business models, they are prioritizing their focus on using transformation to support their operational excellence objectives.



CRE can help  
you win the  
game



Leading organizations understand that CRE will be instrumental in aligning business transformation with the corporate strategy drivers of the race to net zero, digitalization and the future of work over the coming years. Indeed, we believe that CRE will become a key business function contributing to transformative change.

As organizations transform for the future, there are a range of “levers” that executives can pull in order to understand where and how they should play in the future. CRE can trigger multiple value levers, often in concert, to help organizations achieve their strategic objectives.

The levers that CRE can influence (and how strongly it can influence them) largely depends on the type of company and its business and operating model. The transformation strategy for a professional services firm with a CRE portfolio of offices is expected to be significantly different from that of a production-oriented business with a mix of production and non-production assets. As such, the organizational CRE needs, and the value levers that CRE can influence, vary by company, CRE portfolio and strategic objectives.

Therefore, a key to leveraging CRE as an operational catalyst of transformative change is

to understand how the main corporate strategy drivers interact, and how that influences the business and operating models of the company (present and future). This can allow organizations to properly determine how strategic their CRE assets actually are to their corporate strategy.

### **Green, digital and empowering**

We believe the journey ahead for CRE is exciting. Yet we also anticipate it will be complex and interconnected. The future revolves around digital, green, people and culture. CRE leaders are now anticipating the emergence of new digital business models and advanced technologies. They are considering how these changes will influence the future of work and workforce strategies. They are asking how they intersect with their sustainability ambitions. And they are wondering how all of this translates into new workplace models and business location strategies. CRE portfolios are being realigned as a result.

For many of the executives we interviewed, financial performance remains an important value lever and performance indicator on the CRE agenda; CRE is, after all, one of the highest expenditures on a company’s profit and loss statement. However, it is no longer the most important performance indicator as business



## Takeaways:

- CRE sits at the confluence of three of the main corporate strategy drivers of the race to net zero, digitalization and the future of work, and remains central to helping to boost financial performance and operational efficiencies.
- The relationship between CRE and these corporate strategy drivers is nuanced and interconnected.
- With the right CRE strategy and operating model, CRE can become a corporate strategy influencer.

transformation objectives related to ESG and sustainability, new work models, talent strategy (including diversity and inclusion) are now playing a growing role in performance measurement and business competitiveness. Instead, CRE executives are looking to uncover CRE savings from improved financial performance or operational efficiencies to help capitalize on their own transformation agendas.

It is key for CRE executives to adopt an integrated CRE strategy planning approach to help ensure the corporate strategy drivers and objectives are carefully considered. As one pharmaceutical CRE executive in our research eloquently stated: “We are going through a number of portfolio right-sizing programs. One of them is to move to better quality locations and buildings that are centrally located with better accessibility to public transportation. This, in turn, supports our sustainability and environmental objectives. Better quality buildings are more expensive, but we are trying to balance the cost impact with smaller footprints based on new ways of working. Portfolio right-sizing aims to optimize our cost base and improve the workplace quality which supports employee satisfaction. And it allows us to reduce our carbon footprint by reducing our square meters and locations.”

## Beyond “bricks and mortar”

As CRE executives prepare for a transformative future, it is of paramount importance to understand how their organizations plan to transform, how that influences CRE strategies and how CRE strategies support the corporate strategy objectives. CRE strategy planning is not about “bricks and mortar”; it’s about what buildings can do for a net-zero future; it’s about how digital solutions enable new ways of working and how that contributes to employee satisfaction and well-being; it’s about how buildings, the workplace and its services can be used to attract and retain talent; and it’s about executing the right business location strategies to gain better access to talent, allow for green mobility solutions and compete in new markets and territories.

When companies start planning their CRE strategies aligned with the corporate strategy objectives, they should be looking at four levels: location, workplace, asset and facility services.

At the location level, due to the growing skills gap and talent scarcity, companies are rethinking their business location strategies to put the right real estate asset type in the right markets and close to the right pool of skills and capabilities to attract the right talent. This also enables organizations to critically assess

where business functions should reside — for example, providing options for a decentralized research and development (R&D) or production model, or a more centralized off-shoring model. In our view, indicators related to innovation, digital infrastructure, quality of life and start-up ecosystems are becoming increasingly important in location decisions.

At a workplace level, digitalization is allowing employees to test new ways of working (many interviewees noted the influence of new hybrid work models on their existing organizational footprint) and reduce an asset’s carbon footprint simultaneously (by, for example, reducing car use through digital work models). New workplace and location strategies — like hybrid workplace models where one anchor head office eliminates the need for hub locations — not only stimulate social interaction, collaboration and innovation at the head office and help prevent cultural deterioration, they also influence strategic decisions related to business locations.

As changes to the workplace influence strategic decisions on at the asset level, decisions to centralize and/or offshore business functions could ultimately make an asset obsolete. The demand for a shift to net zero is also very clear at an asset level. As companies set out their path to net zero, sustainable buildings offer a

perfect showcase to practice what they preach. However, this could also lead to obsolescence of those assets companies now perceive as strategic, particularly those that do not fit their sustainability goals.

Last but not least, the location, workplace and asset-level decisions should be in sync with the facilities services level. New workplace models will likely require facility services contracts to be amended and right-sized (consider, for example, how catering, security and on-premise sports facilities demand might change in a hybrid work environment). This can lead to new facility management models as vendors pivot to safeguard their profitability margins. At a facility services level, sustainability objectives should also be embedded. This can lead CRE executives to rethink their current operations and seek out ways to embed new sustainability policies and requirements into facility management processes and, ultimately, out to their suppliers.

### More than just certifications

CRE is a key pillar to achieving ESG and sustainability objectives. In fact, the commercial real estate industry is responsible for 40 percent<sup>1</sup> of the world's carbon emissions. Organizations know they need

to develop robust decarbonization plans and CRE should be considered to get to a net-zero glidepath.

As one interviewee noted, "Our corporate ESG goal involves reducing our CO<sup>2</sup> footprint, both in new buildings and existing ones. Assets that do not fit into the strategy should be divested. And every new building should be viewed as giant step forward, technologically and environmentally."

However, they also recognize that their corporate ESG objectives are not limited to reducing their environmental impact. ESG is also about employee well-being, diversity and inclusion, and how a company interacts with stakeholders. Today's employees are highly motivated by a company's purpose and ESG credentials. And, as such, sustainability and ESG objectives are as much about creating the future of work as they are about saving the future of the planet.

It is clear that CRE executives are being challenged to go beyond green building certificates when considering their sustainability objectives. Everyone is looking for a balanced approach to ESG-related objectives. And CRE leaders are being catalyzed by the company's purpose and ESG ambitions, investors and

## A sample of CRE sustainability initiatives:

- Providing skate parks or football courts for local communities.
- Creating sustainability certified buildings and workplaces (e.g. BREEAM, LEED or WELL certificates).
- Purchasing green energy.
- Reducing the energy consumption of manufacturing, R&D or office activities.
- Reducing waste and water consumption, and reducing and recycling plastic.
- Moving to central office locations with better public transport accessibility to reduce car fleets.
- Implementing smart, energy-efficient and circular lighting solutions.

<sup>1</sup> The building and construction sector can reach net zero carbon emissions by 2050, World GBC, September 23, 2019

stakeholders by greater expectations, and the financial markets by green financing initiatives and regulatory compliance requirements.

While regulation is of vital importance in creating a more sustainable world and CRE industry, it can also have a significant impact on organizations. For example, the European Commission (EC) has set out a European Union (EU) taxonomy with criteria and terminology around sustainability and which economic activities contribute most to meeting the EU's environmental objectives.

As part of the EU taxonomy, companies will have to disclose their impact on the environment in order for consumers and investors to make sustainable decisions. And the EC is working on the Corporate Sustainability Reporting Directive (CSRD) to create a standard by which companies must report. According to the CSRD, reporting will likely become mandatory in 2024, with the retroactive effect of the 2023 financial year. As CRE has a significant impact on a company's carbon emissions, CRE executives will be tasked with supporting the annual CSRD reporting and audit activities.

The digitalization of processes also plays a key role in the achievement of an organization's sustainability goals, the development of its sustainability strategy, and mandatory reporting.

New technologies and digital processes are central to helping ensure an organization can track, measure and manage their sustainability performance. Today's leaders are developing decarbonization plans from an integrated, data-driven perspective. They are using smart building technologies to better understand building performance and utilization and how that translates to building consumption data. They are using their findings to measure performance against their sustainability knowledge performance indicators (KPIs) and baselines to uncover new opportunities for improvement. And they are using AI-enabled technologies and digital twins to stress test decarbonization scenarios to steer their net-zero roadmap.

Ultimately, investment decisions often come down to cost and return on invested capital. That means that investments into the sustainable transformation of CRE should be based on a solid financial performance approach. "Sustainability is one of the KPIs in our building selection process. But that does not mean we always prefer BREEAM or LEED certified buildings. It must make financial sense and it largely depends on the availability of sustainable buildings in our chosen locations," noted a global consumer products manufacturer.

## New work models, new challenges

Considerations related to digitalization and the future of work are catalyzing organizations of all types and sizes to redefine work: where they work, how they work and how that translates into the future workplace — not just in the office but also at production sites, R&D sites and across the value chain. Changing workforce patterns and needs are helping drive a recalibration of asset layouts and location strategies. Advanced technologies and data-driven processes are impacting and redesigning operations.

All CRE executives in our research stated that their future of work strategy and workplace model are in a state of flux. One pharmaceutical executive noted, "We now have a 'distributed working' strategy that requires different workplace designs that are much more focused around meetings rather than functional desk space. Culturally and practically, the organization must be ready to work from everywhere and collaborate in a virtual environment."

Many of the CRE executives said they would need to take at least 18 to 24 months to investigate the optimal workplace model. They plan to take a range of factors into consideration, including workforce skills and demographics,

business functions (white/blue collar), technology solutions, culture, flexibility and choice.

Clearly, most organizations will need to make bold decisions in shaping their future workplace model. Consider, for example, a production-oriented business where the traditional head office and production site structure no longer holds; the distinction is now task-based with the administrative functions on a production site equally capable of working from home.

Those with production sites worry that, if they force factory workers to come to work and allow sales personnel to work remotely, they are essentially creating a two-tier system which can affect employee satisfaction. This is supported by a pharmaceutical CRE executive who stated, “The hybrid way of working is primarily focused on our sales community and sales offices. However, we do receive feedback from our production workers that more workplace flexibility is demanded.”

As many of our interviewees noted, the future of work will likely include a more flexible approach to location. This has provided opportunities to develop new workforce strategies as the work-from-anywhere principle further fades country borders. An energy company CRE executive mentioned, “Virtual collaboration has opened up

possibilities for companies to look at offshore talent hubs or find in-country talent residing in remote locations that would typically not meet talent search criteria.” We also see more companies hiring foreign talent due to talent scarcity and in-country recruitment challenges.

With new workforce strategies and hybrid workplace models, companies should critically assess whether their leadership is ready to manage remote teams. In our research, one CRE executive highlighted: “Our organization is adopting a ‘servant leadership’ style and we are training our leaders to successfully lead remote teams and become more people-focused. We believe this is mandatory to effectively implement a hybrid workplace model.”

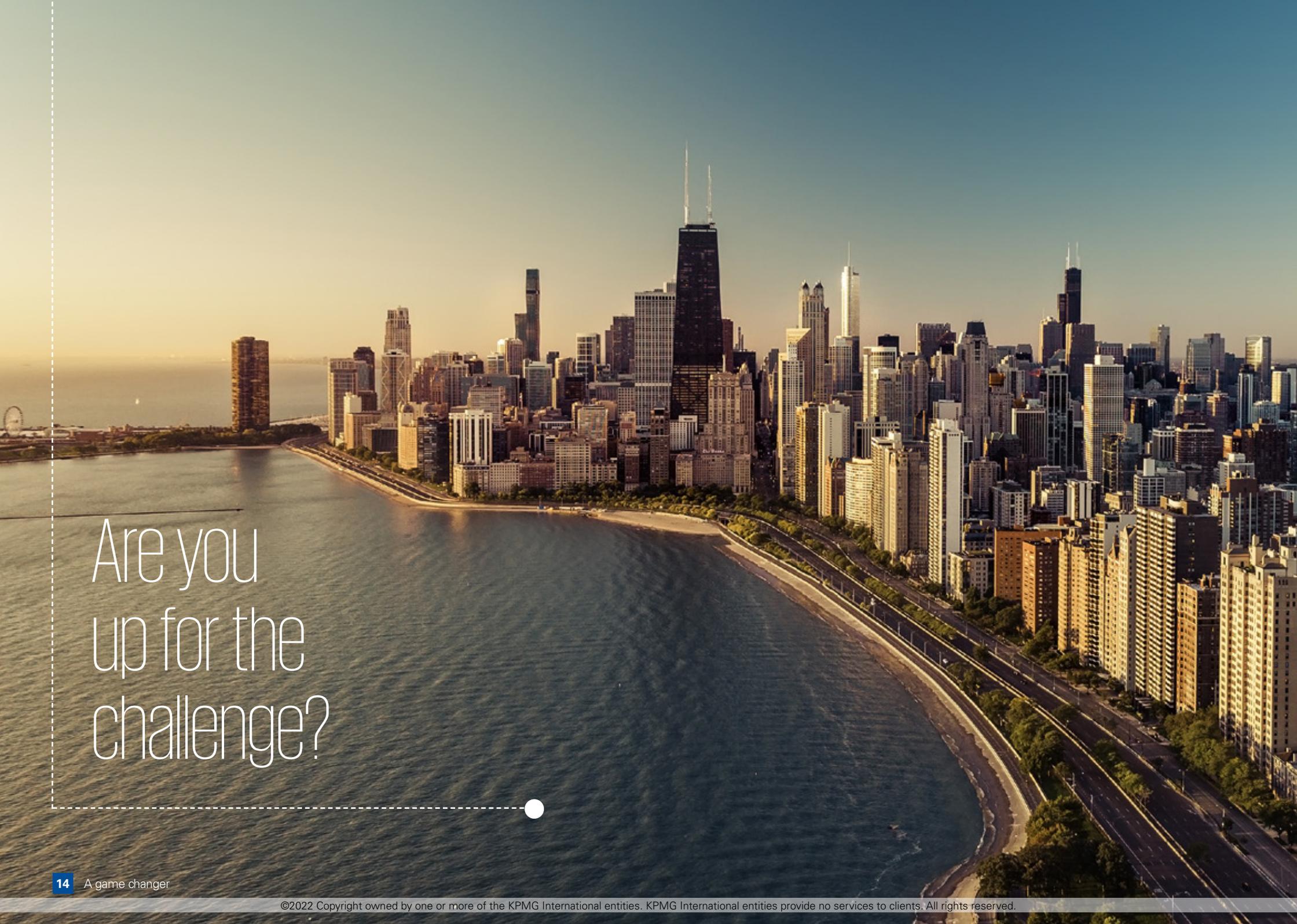
Our interviews suggest CRE executives see the shift to a new future of work as an opportunity to positively influence key employee indices. CRE executives, in partnership with HR, operations and business leaders, are positioning CRE assets to create the right work environment in which their employees can excel while also stimulating employee health and well-being, diversity and inclusion, and employee experience. In doing so, they are helping to reduce employee attrition, increase employee satisfaction indices and attract and retain the best talent.

## **CRE, a corporate strategy influencer**

The convergence of three of the main drivers of the race to net zero, digitalization and the future of work is helping to create a perfect opportunity for CRE to become an influencer of corporate strategy. CRE is central to transforming ahead of these drivers as it sits at the cornerstone of a company’s operating model.

However, in our view, using the CRE strategy to deliver on corporate strategy drivers requires leaders to have a deep understanding of the business changes. They should determine how the corporate strategy drivers impact their business. They should assess how their business is changing, how the market is changing in terms of supply chain, if new markets are explored or existing markets are exited, if workforce needs are changing, and if sales channels are affected or expanded. And they should create strategies to deliver the most value possible against the business transformation objectives.

That means CRE leaders should have a robust CRE strategy and transformation plan aligned with the corporate strategy and transformation plans. And they should support it with a well-defined roadmap and a robust, intelligent and data-driven CRE operating model.



Are you  
up for the  
challenge?



We believe delivering on tomorrow's corporate strategy requires a robust CRE strategy and transformation plan that is aligned with corporate strategy objectives. But, to realize your objectives, it also takes a future-ready CRE function.

A CRE function developed with the right operating model is key — one that looks beyond day-to-day CRE operations to also focus on future organizational change and the transformation agenda. CRE executives should keep pace with (or, better yet, predict) future CRE demand. This typically requires a robust, intelligent and data-driven CRE operating model.

When we talk with CRE leaders about operating model transformation, we tend to focus on six key areas central to designing a future-ready CRE operating model.

**Functional processes:** Identifying and developing functional processes.

**People & skills:** Ensuring you have the right team in place to help manage the expected organizational changes and the new CRE activities that will result.

**Service delivery model:** Realigning the sourcing models, capability requirements and activities at an operational, tactical and strategic level.

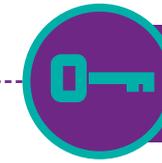
**Governance:** Creating the appropriate governance to help provide a CRE function with a future-enabled organizational design, reporting lines and mandate.

**Performance insights & data:** Connecting performance measurement with the organization's strategic drivers.

**Technology:** Leveraging new technologies and data analytics to help create value across the portfolio.



Source: KPMG Target Operating Model



## Takeaways:

- Delivering on transformation challenges requires a robust CRE operating model.
- CRE leaders are mainly outsourcing at the operational and tactical layers but retaining strategic management.
- KPIs should be revisited to help ensure CRE is performing to plan on transformation objectives.



Interestingly enough, a CRE function says a lot about the identity of a company. We talked with two CRE executives who are building up their respective functions and experiencing hypergrowth in their organizations as a result. Both organizations are now taking the time to consolidate operations, eliminate inefficiencies and uncover opportunities for operational excellence across functions.”

## Committing to growth and innovation

So what is the right operating model for a future-ready CRE function? Interestingly enough, a CRE function says a lot about the identity of a company — depending on its structure, it can tell you where the company is in the business life cycle, whether it sees CRE as a strategic lever, or whether it views CRE simply as a function to help accommodate workforces and operations.

The CRE executives in our research demonstrated some interesting differences regarding CRE function maturity. Some are now designing their first generation CRE operating models. For example, we talked with two CRE executives who are building up their respective functions and experiencing hypergrowth in their organizations as a result. Both organizations are now taking the time to consolidate operations, eliminate inefficiencies and uncover opportunities for operational excellence across functions.

We also spoke with CRE executives at mature, leading organizations. They have been making significant investments into innovation and are in their second or third generation of a CRE operating model. They have built their infrastructure, governance and processes, have substantial experience with CRE organizational design and have slick data analytics tools to manage their portfolios.

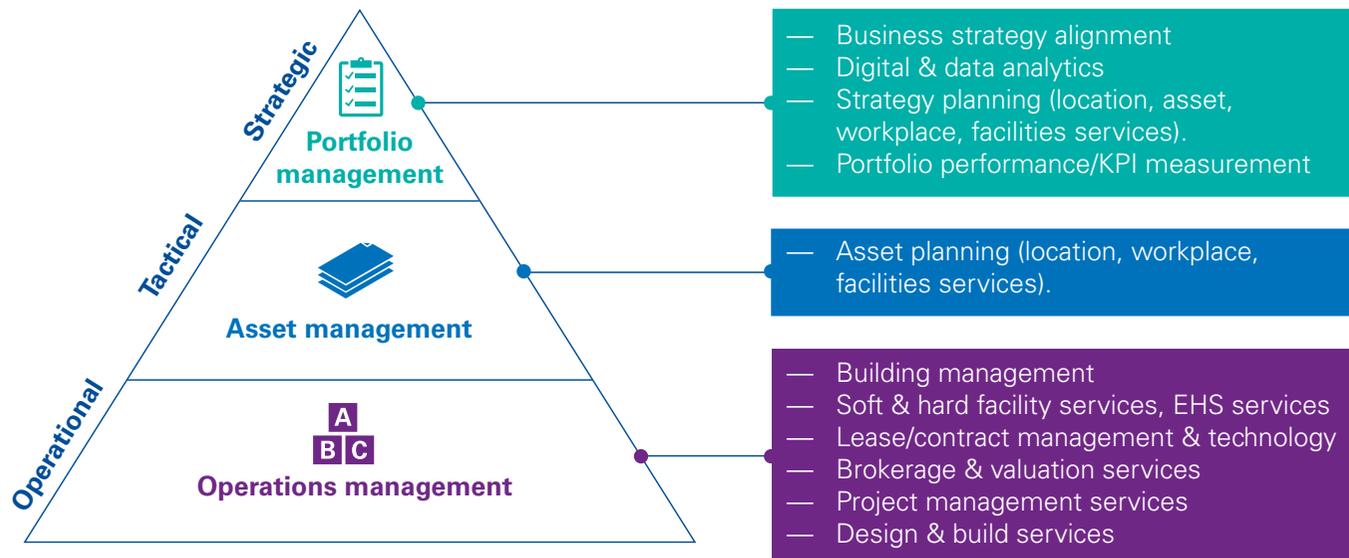
However, there are also mature companies in more traditional industries that are subject to disruption. These companies are generally in their first generation of a CRE operating model, with a non-synchronized outsourcing model across business units and key markets, and with limited data analytics maturity.

Ultimately, we believe the right model is the model that best suits the organizational requirements. But this can also depend on the industry sector, the business model and strategy of the respective organization, the portfolio size and asset types, and the CRE service requirements.

## A world of service delivery models

Our research suggests that organizations typically adopt a pyramid structure to cluster CRE services and activities. At the strategic level (also known as portfolio management), CRE executives engage with business leaders to obtain strategy alignment. This is where CRE strategy planning is aligned to the business strategy.

At the tactical level (referred to as asset management), the strategic objectives get converted into asset plans and performance is measured at the asset or site. The operational level is all about the daily CRE operations and where the strategic objectives and asset plans are implemented.



Generally speaking, our interviews suggest a clear trend towards outsourcing the operational and tactical layers, while in-house functions tend to retain asset performance measurement responsibilities as well as those key on-site personnel that are on the company payroll and who act as liaisons between CRE and the business.

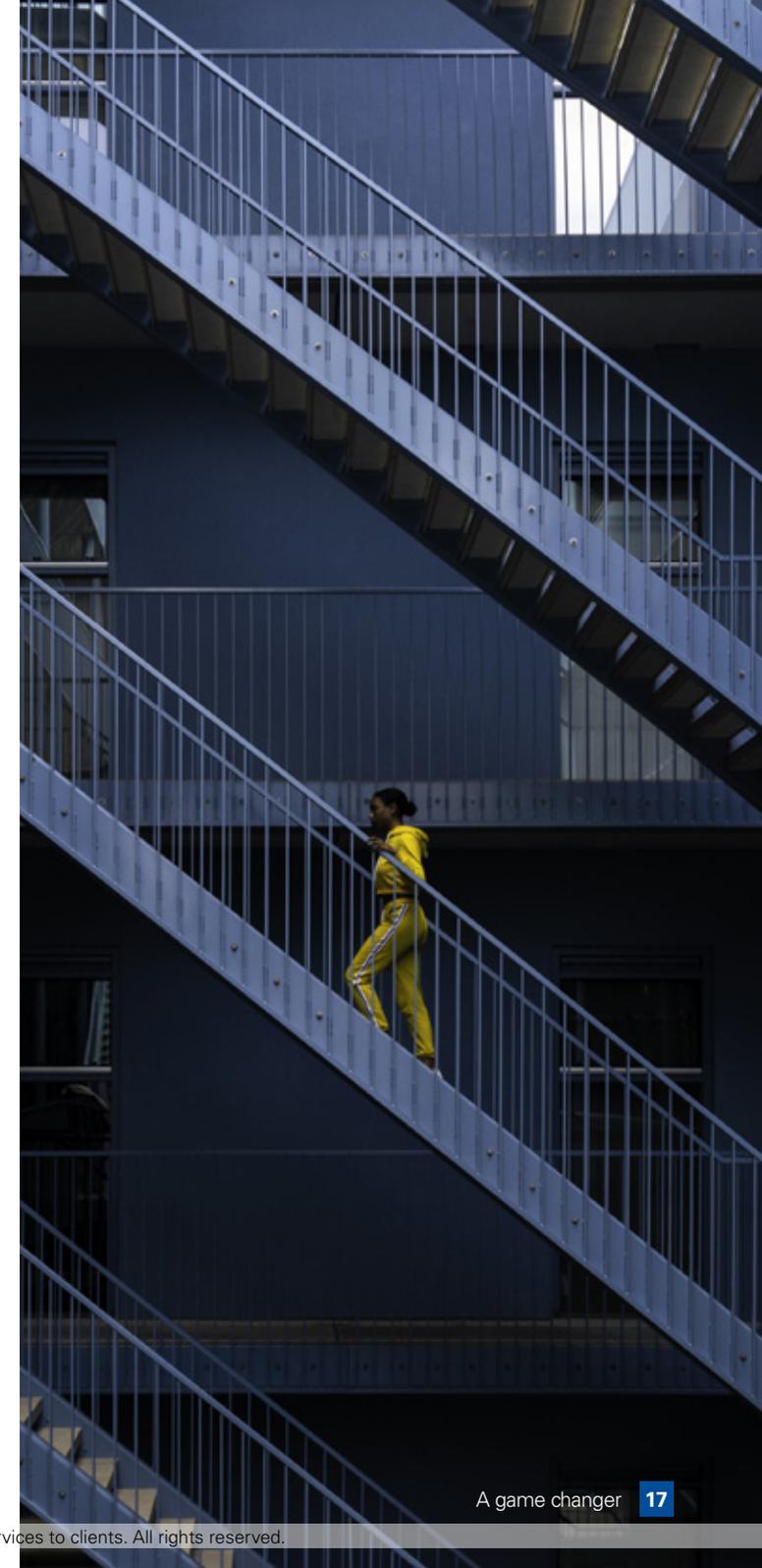
While one of our interviewees reported using a vested outsourcing model (based on a formal relational contract using shared values and goals and outcome-based economics), the vast majority of the CRE executives we interviewed reported having preferred provider models in place for operational and tactical services. Most leverage a panel of service providers, with the

long-term intention of securing a single global or regional service provider for their soft and hard facilities services.

Some CRE executives in our research stated that they continue to manage a range of different models, often depending on the geography and market. As one interviewee told us, "In the UK, our facilities management services are outsourced. But in Germany, we use a hybrid model with in-house functions complemented by service provider staff."

### A mix of capabilities

The changing capability requirements of the CRE function should also be considered when making the service delivery model decision.





Indeed, as companies find operational excellence business improvement areas and execute on new business and operating models, CRE executives should consider if they have the right in-house capabilities, service providers and service outsourcing agreements to allow their organization to meet their strategic objectives.

We believe a CRE workforce with the right mix of capabilities is foundational and will therefore require CRE executives to think carefully about their choice of service delivery models and how they hire, upskill and reskill their existing workforce.

Our research findings also suggest that ESG, smart building technologies and data analytics will require adaptation of both the service delivery models, in-house skills of CRE teams and further investment in digital and data analytical solutions.

### **No backbone, no impact**

As the CRE function shifts to deliver on the corporation's strategic objectives, it is pivotal to have a robust digital and data backbone in place. We discovered that the vast majority of CRE executives do not have sophisticated solutions in place.

Those that referenced their digital and data analytical solutions mainly talked about property contract management systems, computerized

maintenance management systems, computer-aided facility management systems or integrated workplace management systems. Some confirmed the application of smart workplace sensors to obtain a better understanding of employee behavior, primarily in an office space.

The minority of CRE executives were able to pull critical data points in a matter of seconds using powerful dashboards in which various data sources have been integrated. Although three CRE executives stated that they have data analysts in-house, none of them have reached data maturity to perform predictive analytics (what will happen?). Instead, all data reports produced are either of a descriptive (what happened?) or diagnostic nature (why did it happen?). Measuring key performance indicators is a key to reach the stage of predictive data maturity.

### Measure to engage

In our view, the measurement of KPIs will become increasingly important. There are a wide range of KPIs that CRE executives can (and are) monitoring depending on their asset types and operations.

A greater opportunity, however, is to measure new KPIs that underpin the corporate strategic drivers and objectives. For example, as offices and workplaces become more focused on socialization and collaboration, we expect to see

office space KPIs get recalibrated as companies reconsider space and desk assignment per full-time equivalent. Other KPIs being measured are things like space utilization, service quality and site accidents, in the case of production and/or R&D facilities.

A number of our interviewees noted that they expect KPIs to be complemented by reflecting their organization's focus on sustainability and the future of work. New KPIs measuring factors such as CO<sub>2</sub> production and reduction, water usage, energy consumption and overall CO<sub>2</sub> decarbonization targets are coming into scope or should receive greater attention. This also accounts for employee satisfaction and diversity and inclusion in the workplace.

For CRE, we believe it is crucial to work shoulder to shoulder with HR, IT and operations and build an integrated data set. Key to this are data and analytics capabilities. Without high-quality, complete data sets, measurement can become challenging. Therefore, delivering CRE value requires the enhanced use of data and analytics tools and technologies that can help capture and process the data into actionable insights on CRE performance. Being able to perform advanced analytics enables CRE executives to proactively engage leadership for CRE improvements which, in turn, can lead to direct business benefits. The reward will be the recognition of a strategic business partner.

## Sample of current KPIs:

- Portfolio and building vacancy
- Employee satisfaction
- Service quality
- Space utilization
- Site accidents
- CRE operating costs per square meter and FTE
- Number of buildings under management
- Number of leasehold and freehold properties
- Total square meters (by asset type, business unit and country)
- Total operating expenses under management
- Total capital value under management
- Sales proceeds
- Data quality and completeness

A woman with her hair in a bun, wearing a white blouse, is seen in profile from the waist up, working on a laptop. She is standing in front of a large window that offers a view of a cityscape. The lighting is soft and natural, suggesting daytime. The overall mood is professional and focused.

New game, new position:  
From “estate agent”  
to “strategic business  
partner”

CRE has matured significantly over the past decade. Those working in CRE in 2010 will remember the last decade starting with another great portfolio reshaping. This one was caused by the Lehman Brothers bankruptcy and the resulting snowball effect on the global economy.

Back then, most companies — regardless of the industry — were focused on stabilization and recovery. Big ticket items were being slashed; CRE was in the firing line. CRE teams spent their time closing down offices and consolidating business units into fewer sites. Transactions were put on hold. CRE operating expenditures were slashed. Open plan concepts became the norm. Every effort was made to avoid capital expenditure.

At that time, CRE teams were fairly unsophisticated. Data was managed in Excel files and data quality was poor. Data warehousing capabilities were immature; CRE data remained in siloes. Smart workplace and building technology was just starting to emerge. Sustainability was still a marketing gimmick. And CRE teams were operating as “estate agents,” just starting to

explore new sourcing models as a way to achieve cost savings. CRE teams had little real strategic value.

By 2013, it was becoming clear that businesses were gearing up their growth plans. Low interest rates catalyzed new investments, strong merger and acquisition activity and robust hiring programs. The need for talent started to heat up, with companies adapting their workplaces to provide employees with better work environments. More people started to work from home.

CRE teams were becoming more strategic. Employee satisfaction started to rise up the agenda. Sustainability moved into the mainstream with sustainable building certificates. Advanced building technologies were coming onto the market, led by first-generation portfolio analytics tools. Initial efforts were made to achieve a more holistic view by integrating CRE data with HR, finance and other business data.

The onset of COVID-19 was a massive shock to businesses and CRE functions. Suddenly, new topics rocketed up the corporate and CRE agenda — forced work from home models, new health and safety requirements, rolling lockdowns and restrictions, and

unprecedented supply and financial gyrations created a new environment for CRE executives to negotiate.

The pandemic accelerated and accentuated key trends for companies and CRE functions — digitalization, work from home and sustainability in particular. It forced companies to ramp up their transformation agendas and rethink their business and operating models. It encouraged all functions to start working together to help solve these great corporate drivers. And it put CRE into the middle of the mix, playing a critical role as a strategic business partner.

Now, CRE stands on the cusp of a new post-pandemic era where businesses compete on the strength of their digital capabilities, their sustainability record and their work models. This is when CRE fully embraces the role of strategic partner, leading the business with strategies and operating models that can help deliver on the company’s strategic drivers and growth objectives.

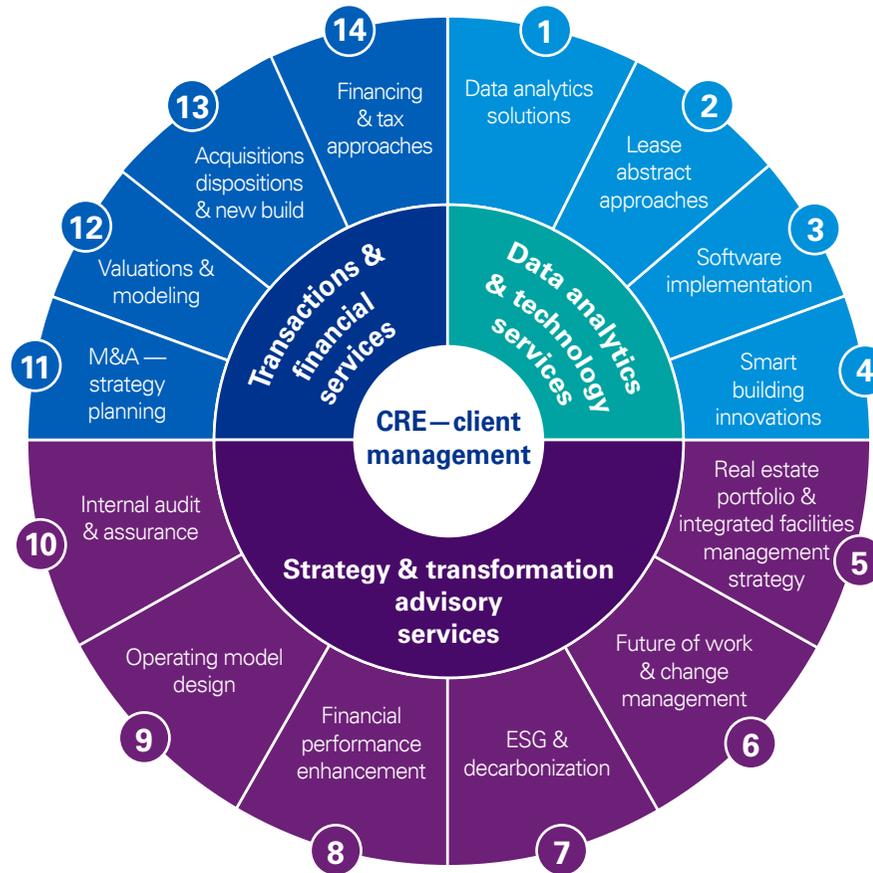
Armed with new technologies, capabilities and operating models — and with a clear view of the role CRE plays in driving the corporate strategy — we believe CRE is entering a new and highly strategic phase.



# How KPMG can help

## Why KPMG?

The real estate industry is packed with potential in today's rapidly changing world — from responsible investing to emerging market growth and innovative technology solutions to evolving demographics and customer demands.



With KPMG's global connections, we are here to help you navigate the opportunities, make bold choices, maximize positive returns and expand your financial horizons. We can make better decisions together.

### Global network & local knowledge

Combining in-depth local real estate knowledge with the extensive reach of the KPMG global organization, our real estate practice comprises almost

8,500 professionals across 145 countries who draw on experience from diverse backgrounds, including accounting, tax and advisory, to provide you with informed perspectives and clear approaches throughout the real estate asset and investment lifecycle.

Our client focus, commitment to excellence, global mindset and consistent delivery help build trusted relationships that are at the core of our business and reputation.

## Providing leading and value-driven benefits

CRE leaders and company executives choose KPMG to help them drive their CRE transformation because we can help organizations:

- Deliver an integrated offering that combines strategy and transformation, transaction and finance, and data analytics and technology capabilities.
- Provide a trusted view from independent strategy consultants with the right real estate expertise to drive CRE strategy and transformation programs.
- Access our network's larger business transformation programs.
- Consistently leverage unique technological and data analytics skills as the backbone of their service delivery.

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