

A black and white photograph of a modern, curved glass skyscraper with multiple levels of windows and balconies, set against a cloudy sky. The building's architecture is characterized by its sweeping, circular forms.

# Impact of Corporate Real Estate on Business in the UK

Howard Cooke & Dr. IR. Rianne Appel-Meulenbroek

# Introduction

- Business continually seeks 'competitive advantage' (Porter)
- All operational aspects should be aligned with business strategy
- Hence, CRE should be aligned with business strategy
- CRE: a 'strategic resource' (Apgar) or a liability or both?
- If aligned then during the financial crisis and recession (2007 to 2012) there should be signs of alignment:
  - Profile of CRE
  - Correlation to business metrics
  - Potentially sectoral variation



# Literature

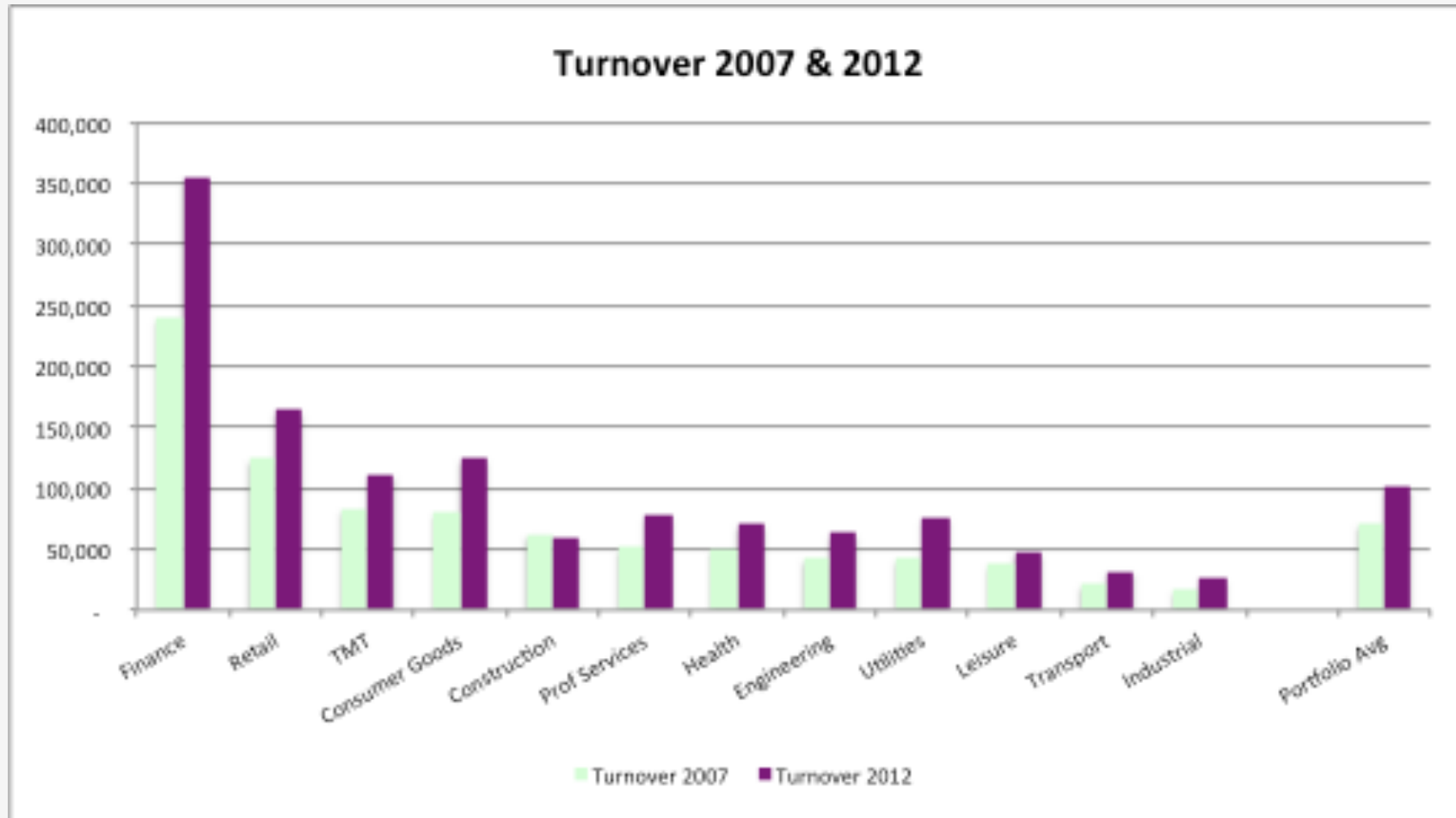
Focus on ownership and theory of alignment:

- Issues with changing Accounting Regulations (Baltussen et al 2014)
- Lease v Buy decision (Barkham & Park 2011)
- Ownership position (Brounen & Eichholtz 2003)
- Optimal Own - Lease ratio (Lasifer 2007)
- Models of CRE and alignment with business (Gibson & Barkham 2001); Gibson & Lizeri 2001; Jordon et al 2009; Haynes 2012)
- Commitment to CRE - limited work and historic

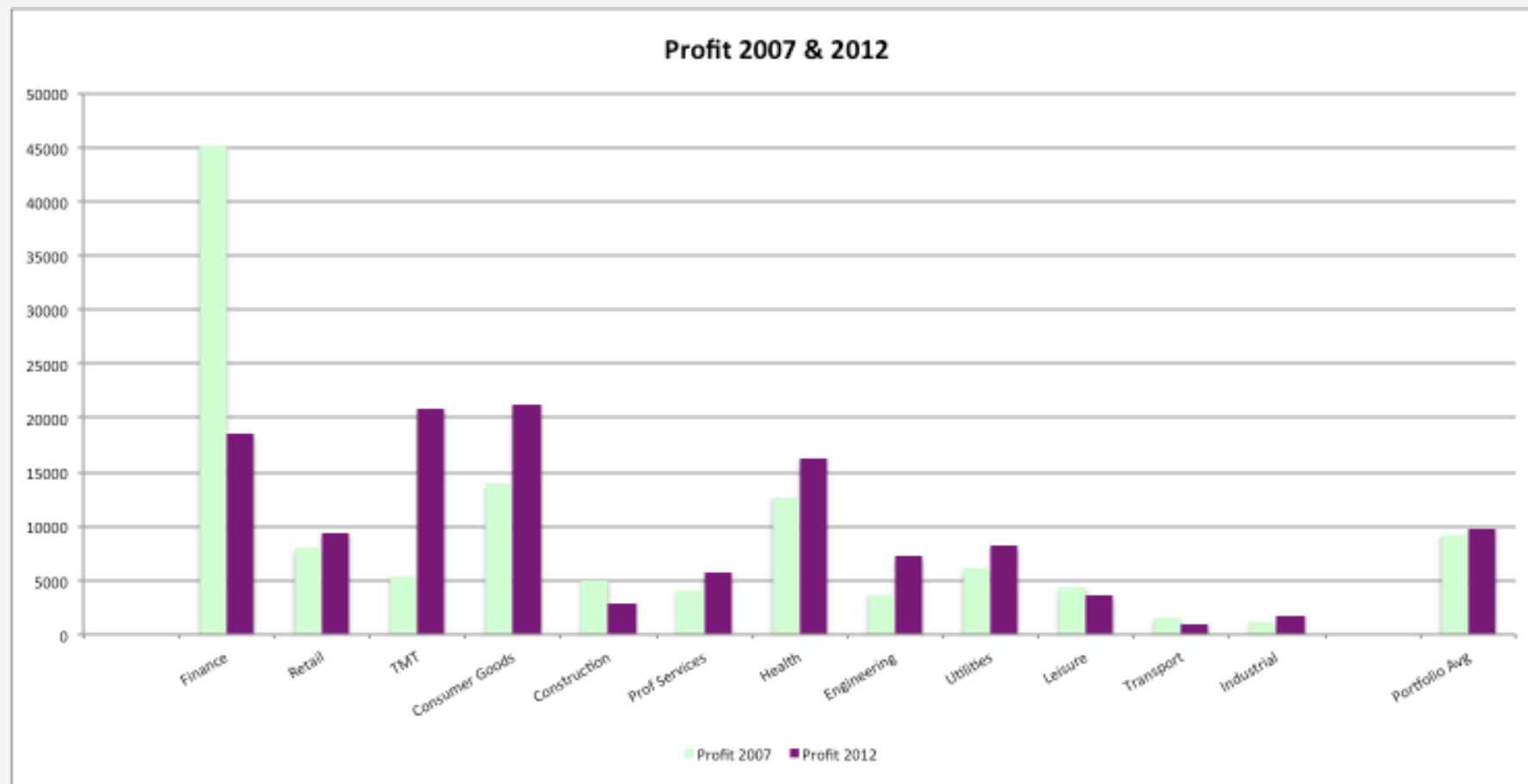
# Research Approach

- 233 Companies in FTSE 350 for 2007 to 2012
- Analysis by Sector
- Establish through the recession
  - Cost of CRE to the business
  - CRE as an Asset
  - Scale of provision for surplus property
  - Length of commitment to CRE
  - Response to business change

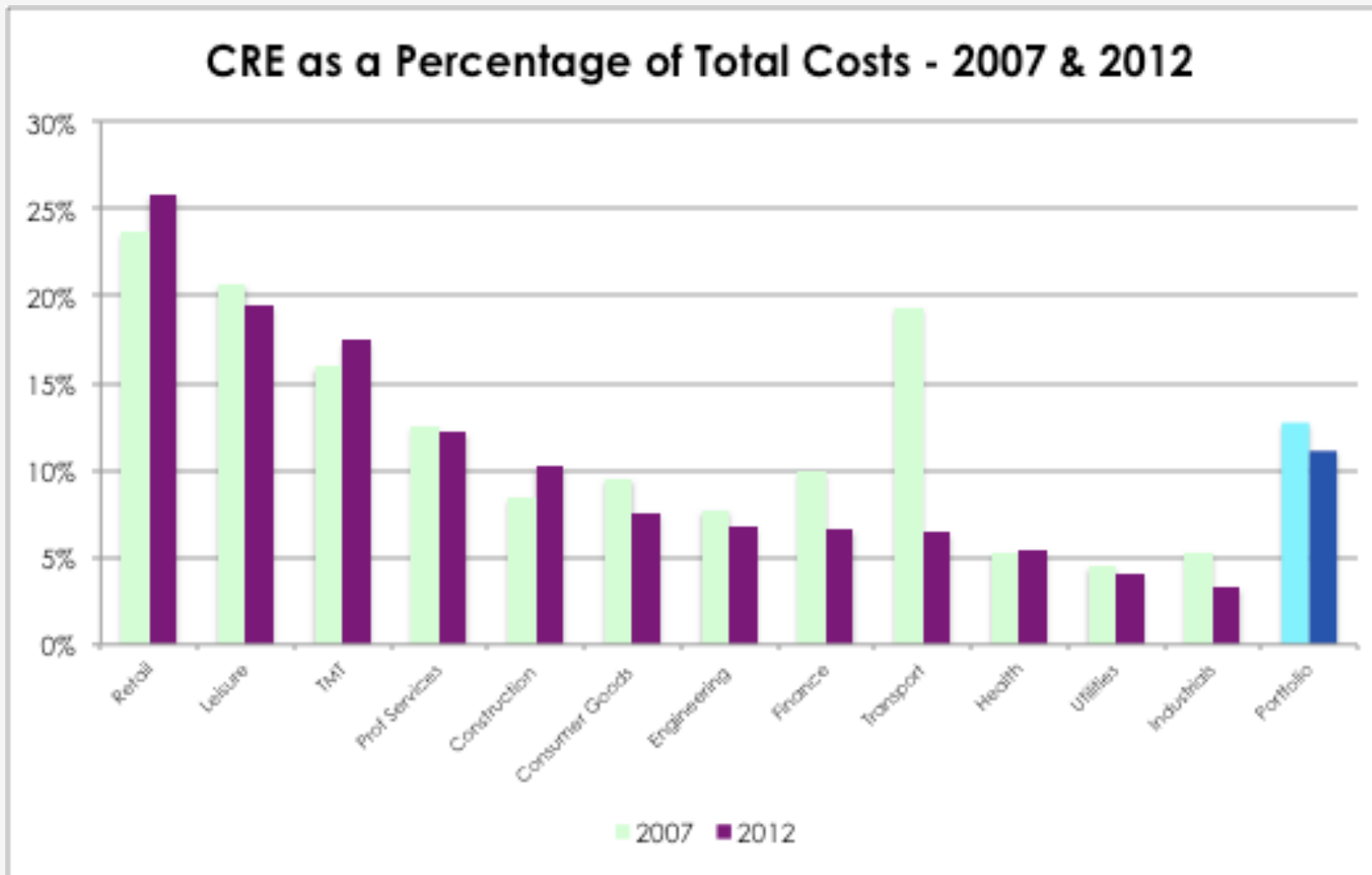
# Turnover



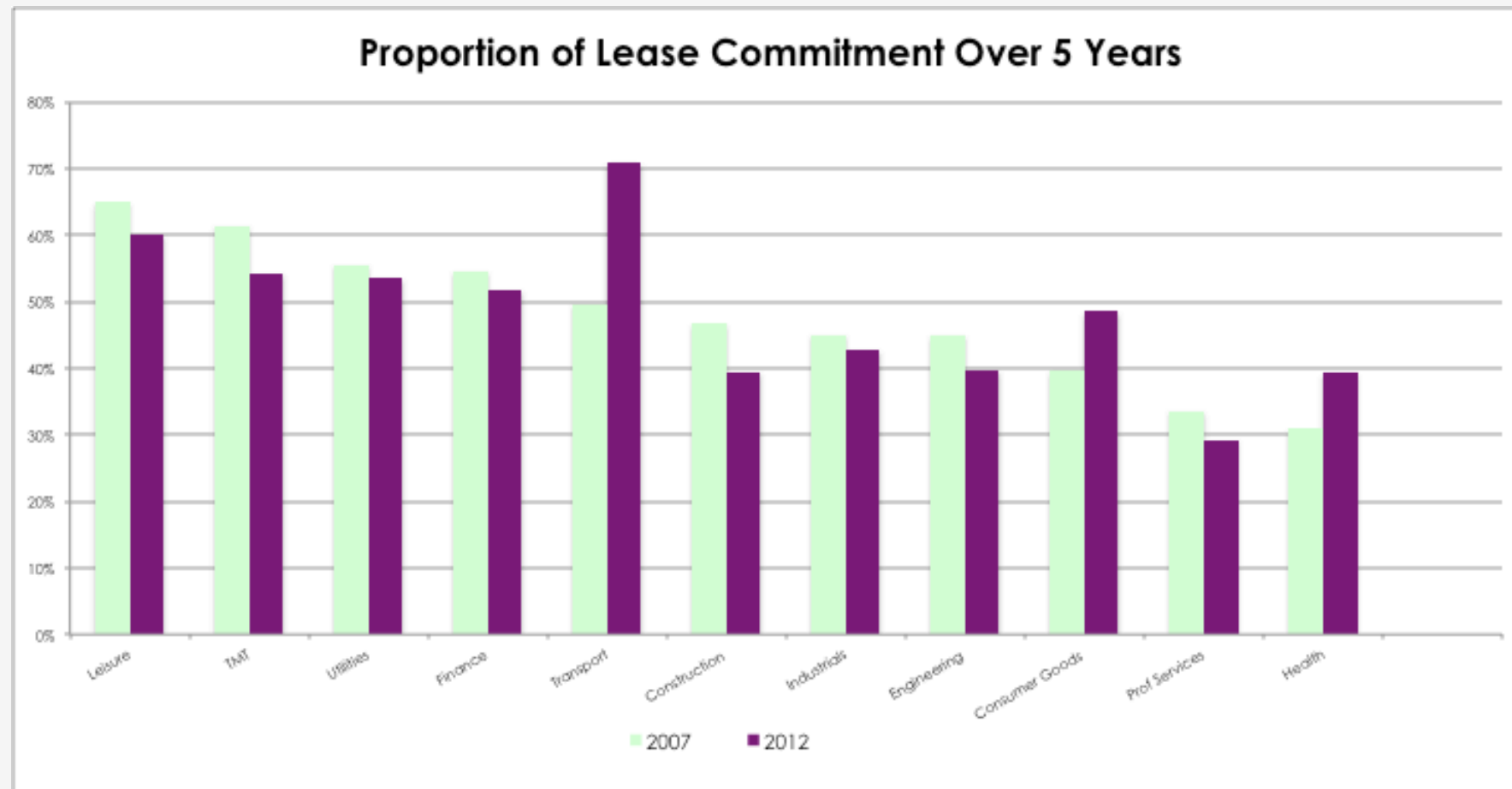
# Profit



# CRE Relative Cost

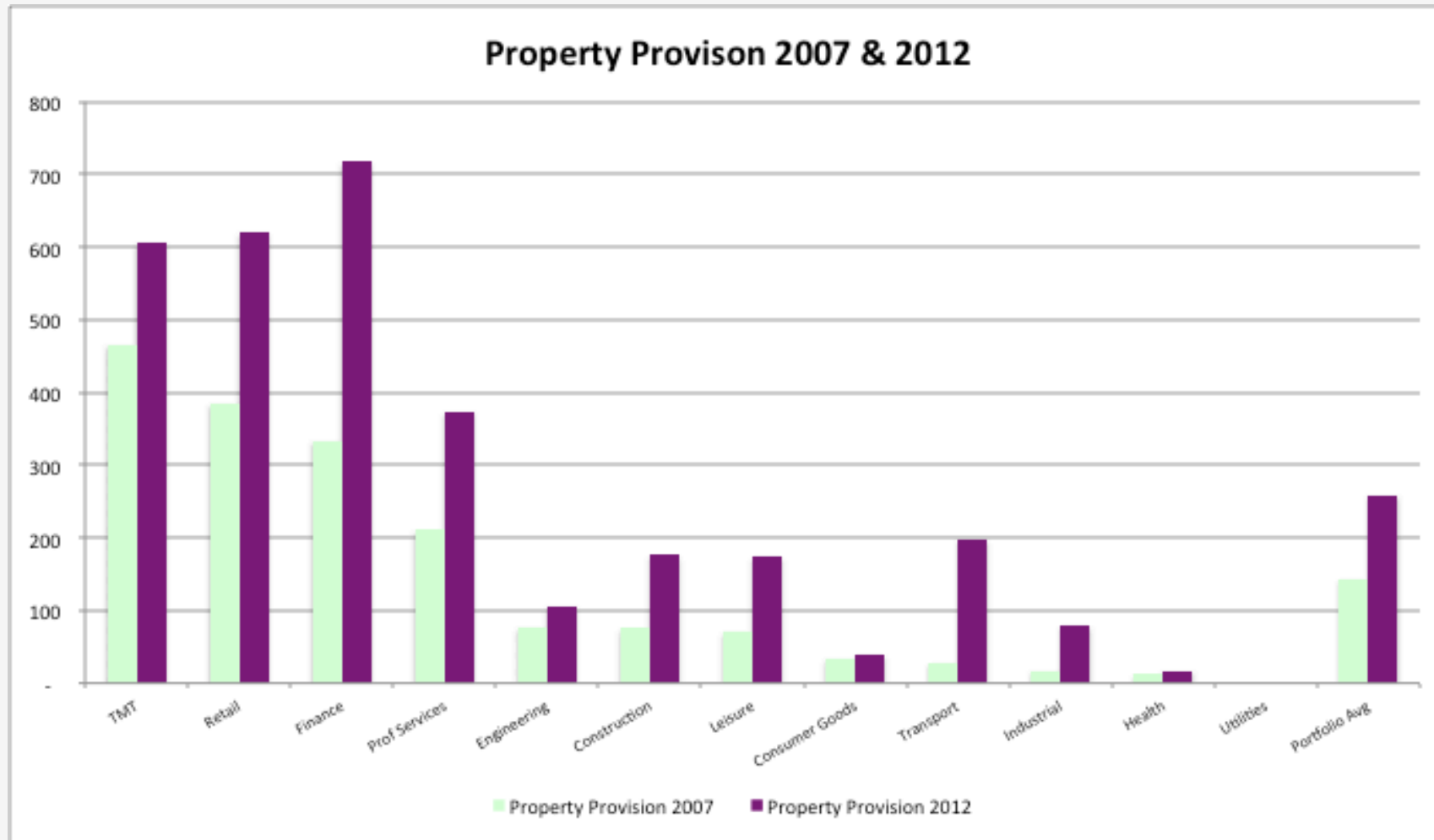


# Lease Commitment

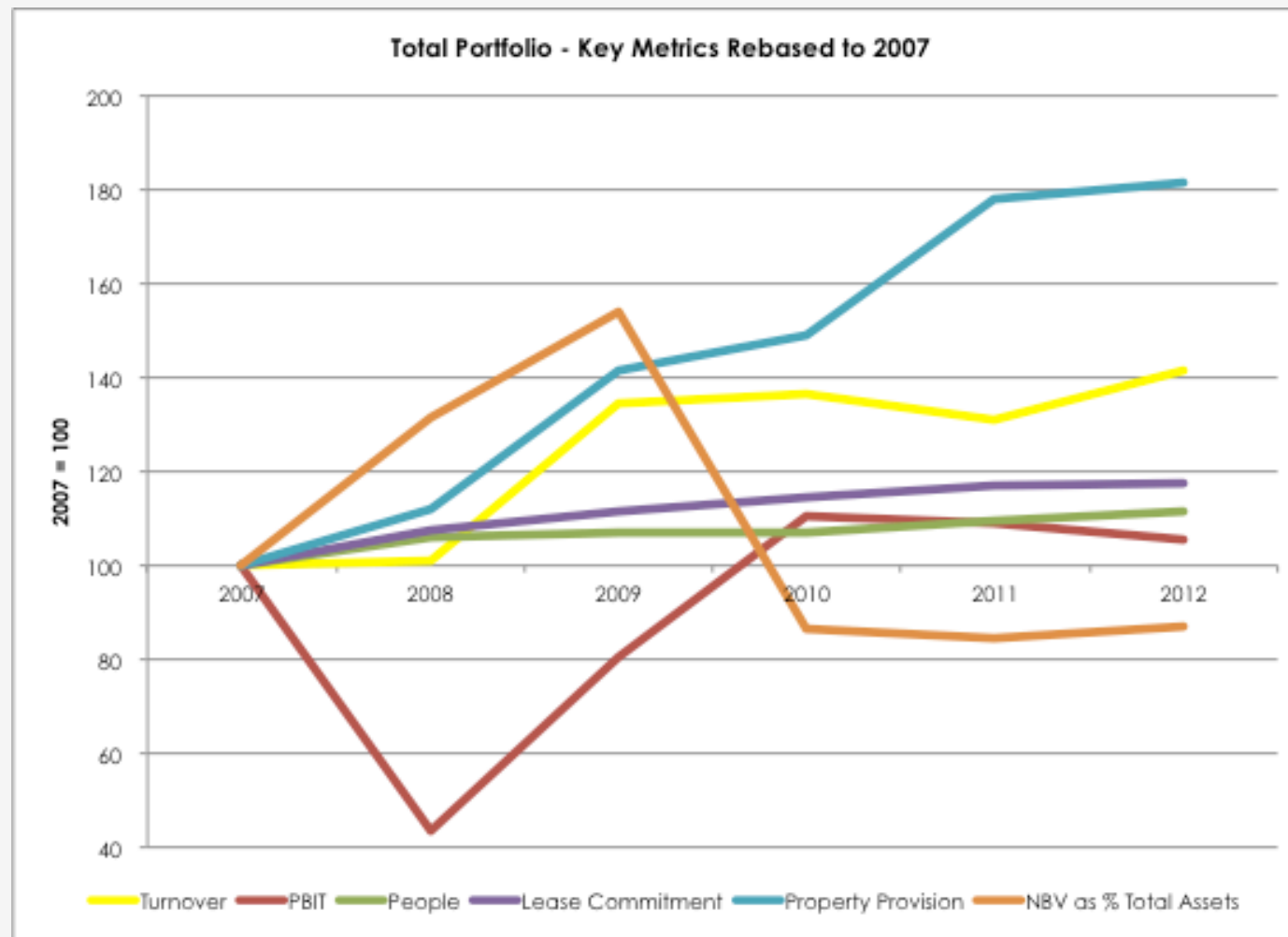




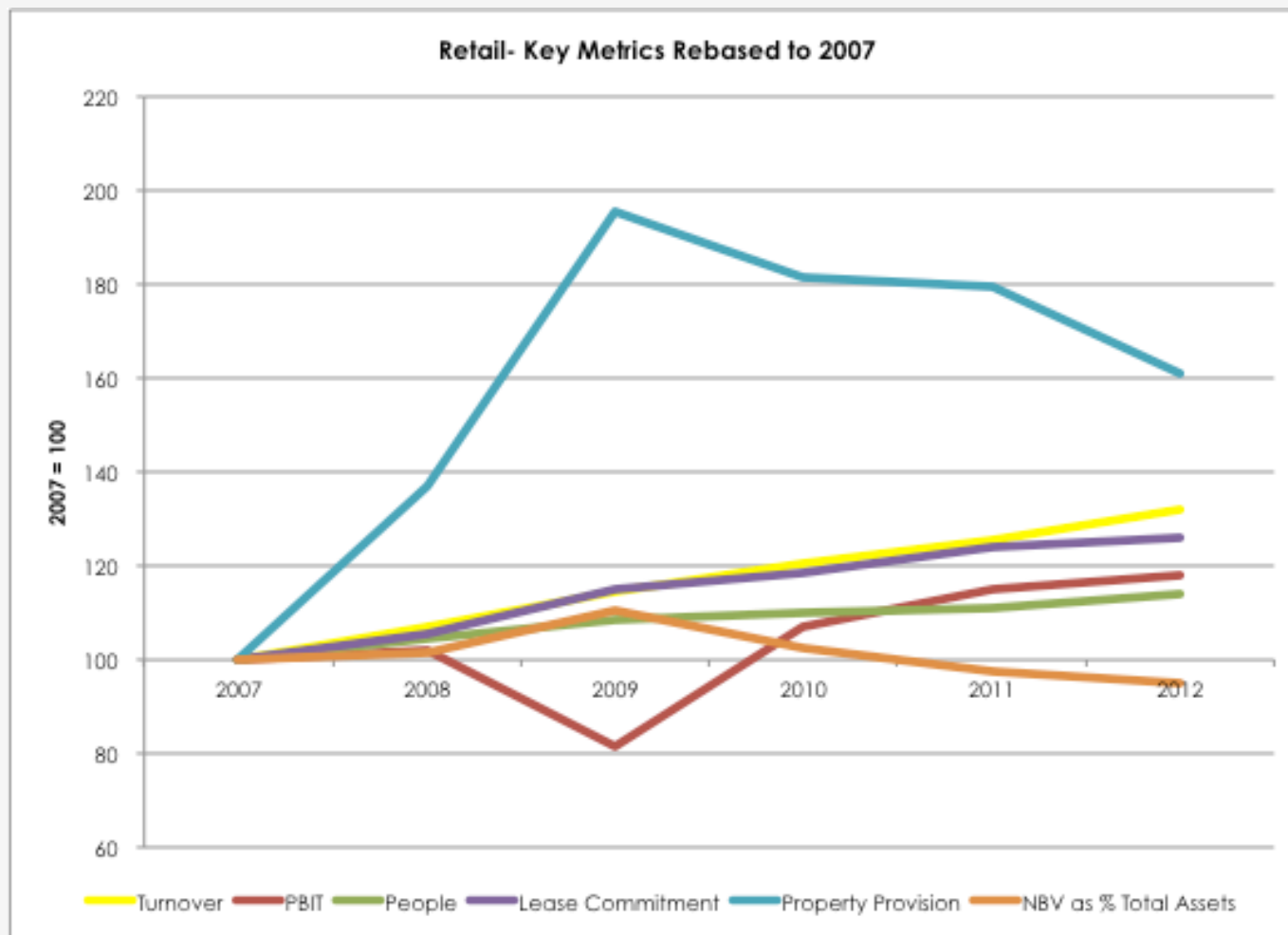
# Property Provision



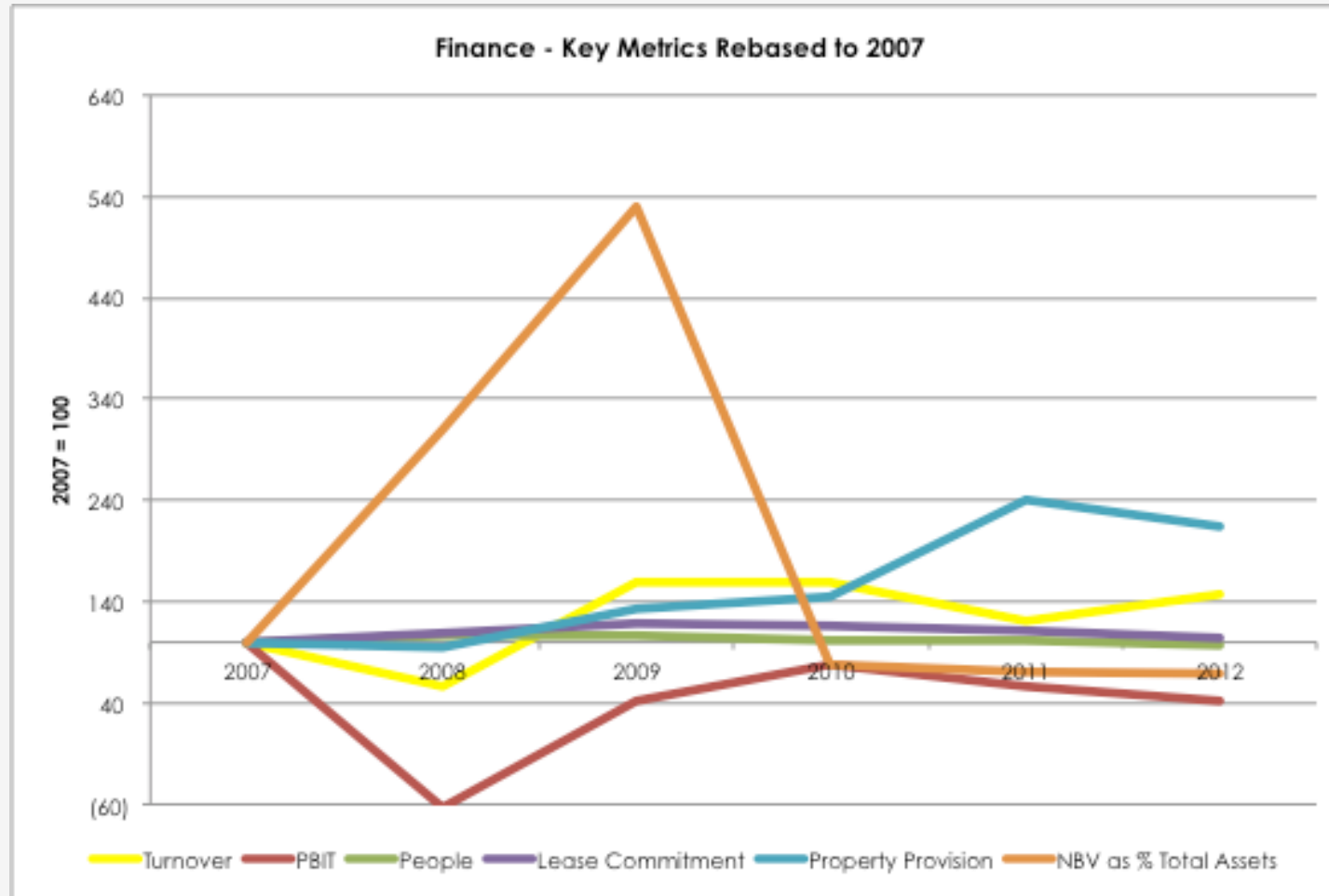
# Portfolio Metrics



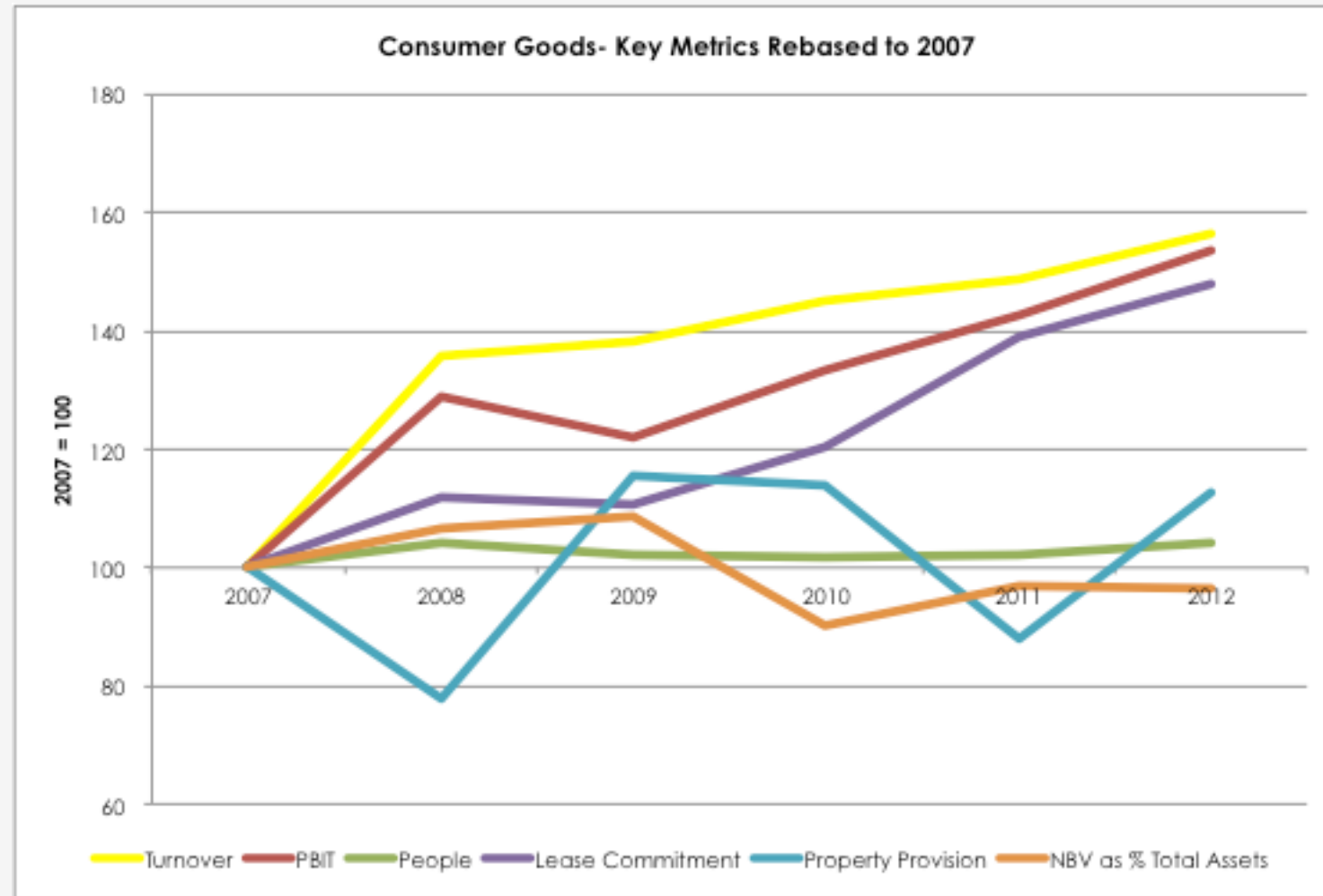
# Retail



# Finance



# Consumer Goods



# Research Outcome - Portfolio

- FTE's not aligned to Turnover or PBIT
- Lease Commitment not aligned to Turnover or PBIT
- FTE's & Lease Commitment aligned
- PBIT & Property NBV inversely aligned
- PBIT & Property Provision loose inverse alignment
- CRE accounts for 11% of total costs (range 3% to 26%)

# Research Outcome - Sectors

- Retail –
  - Reasonable alignment overall
  - Negative alignment on PBIT & Provision
- Finance –
  - Reasonable alignment overall
  - Negative on PBIT & Book Value
- Consumer Goods –
  - Some alignment
  - Atypical





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ERES June 2015