A framework for identifying and measuring value added by corporate real estate

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Linking real estate strategies to corporate strategy

Maximum wealth of shareholders
Vision, Mission

Business strategy

Added value to firm

Operating decision

Real Estate Strategy

Facilities Management

Additional value to the firm

Value adding attributes of CREM

Four primary questions

• What is the added value of CREM and FM from the core business point of view?
• What are the value adding attributes of CREM and FM?
• How to measure the added value of CREM and FM?
• How to develop a tool based on the measures?

How CREM adds value

Shareholder value theory

Kaplan and Norton:

Revenue growth

Profitability growth

Revenue growth

Productivity growth

Reduce costs

Reduce costs

Real estate strategies

Revenue growth

Profitability growth

Real estate decisions

The methodology

Identify the added value of CREM/FM

Literature review, interviews

Focus

Expert analyses, workshops

Identify the added value of CREM/FM

Measurement methods and systems

Develop the framework of added value of CREM/FM

Tools for measuring the added value of CREM

Identify potential measures

Interviews, surveys, workshops

Identify the value adding attributes of CREM/FM

Literature review:

• CREM, FM
• Performance measurement
• Case studies
Change 'testing' to 'test' the model
kls02ac; 10-06-2005
**Applying the model**

- **Goal of the firm**: Maximize wealth of the shareholders
- **Financial strategy**: Profitability growth
- **Customer strategy**: Improve use of assets
- **Internal processes strategy**: Probability growth through increasing the value of assets
- **CREM strategy**: Increase value of real estate portfolio
- **CREM decisions**: Obtain current valuations, select suitable locations, manage risks associated with properties, make lease/purchase decision on a facility by facility basis, redevelop obsolete properties, create and maintain IT-system
- **CREM measures**: Percentage of properties valued, increase in value, number of quality audits, to be developed, number of development projects, percentage of developed buildings

**Results and more info**

http://www.tkk.fi/Yksikot/Kiinteisto/sivut/lisaarvo