

## Corporate and Public Real Estate management

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# Dear is durable

A red, reflective sphere is positioned in the center of the frame, appearing to float just above a series of concentric, glowing white ripples that emanate from its base. The background is a deep, solid blue. The ripples create a sense of depth and movement, suggesting the sphere is about to touch or has just touched the surface.

Liber Amicorum for Hans de Jonge

## **Liber Amicorum for Hans de Jonge**

# **Dear is durable**

Presented on 30 September 2016  
at the farewell of Hans de Jonge as professor of  
Real Estate Management and Development  
at the Faculty of Architecture of the  
Delft University of Technology

Delft / 2016



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# Corporate and Public Real Estate Management

Theo van der Voordt & Monique Arkesteijn

Real Estate Management from an end user's point of view – the demand side - regards the management of the buildings and portfolios of organisations for whom real estate is not their core business but an asset to facilitate their business processes. In case of private organisations this type of REM is called Corporate Real Estate Management, abbreviated as CREM. In *Successful Corporate Real Estate Strategies* (Dewulf et al., 2000) the editors define CREM as “the management of a corporations’ real estate portfolio by aligning the portfolio and services to the needs of the core business (processes), in order to obtain maximum added value for the business and to contribute optimally to the overall performance of the corporation” (Krumm et al., 2000). In case of buildings and portfolios of public authorities, i.e. real estate owned or rented by ministries, municipalities and other governmental agencies, we speak of Public Real Estate Management, abbreviated as PREM (see for instance Van der Schaaf, 2002; Evers et al., 2002; and the annual Social Real Estate Barometers of Veuger, 2013, 2014, 2015). Real Estate Management from an investors’ point of view – the supply side – regards the acquisition, exploration and disposal of real estate by organisations for whom real estate is their core business. Its main aim is to supply and manage real estate that fits with market needs, in order to make a return on investment.



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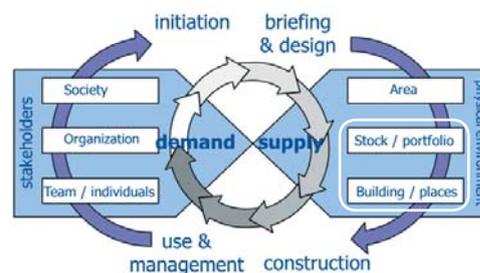
***Our focus is on real estate as a facilitator of business processes, an enabler of human needs, and ways to align real estate strategies with organisational strategies, to get the best possible fit between demand and supply and to add value through real estate.***

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## Delft: focus on Corporate and Public Real Estate Management

When Hans de Jonge was appointed as professor of Real Estate Management and Development, he decided to focus on CREM and PREM and leave the supply side of REM and Real Estate Finance to the Amsterdam School of Real Estate. Together with his colleagues he designed a new curriculum at the Faculty of Architecture of the Delft University of Technology (see the contribution by Prins and Hobma). He also started a successful international course on successful CREM strategies that attracted renowned speakers and a mixed audience of academics and practitioners. The contributions of the speakers and other experts have been published in the book *Successful Corporate Real Estate Strategies* (Dewulf et al., 2000). Furthermore, staff and PhD research projects were started, with Peter Krumm being the first one who devoted a PhD to the CREM policies of seven Dutch multinationals (Krumm, 1999). Many other PhD theses would follow (see the last section of this *Liber Amicorum* with an overview of all PhDs that were (co)supervised by Hans de Jonge and the brief summaries of these PhD theses.

There are various reasons to give so much attention to corporate real estate from an end users' point of view (Dewulf et al., 2000). Most Western countries have been progressing from an industrial to a post-industrial information society, with a strong service sector. Globalisation, changing political systems, and economic and demographic developments have led to growth, shrinkage and mergers of organisations. Fast, mobile, and affordable Information and Communication Technology (ICT) stimulated new ways of working with increasing flexibility regarding when, how and where to work, resulting in new office concepts. These organisational and contextual changes have an enormous impact on the demand for real estate, both qualitatively and



Visualisation of CREM as a discipline that aims to create the best possible fit between demand and supply during the whole life cycle of buildings, portfolios and areas, taking into account the needs, interests and conditions from different stakeholders (adapted from De Jonge et al., 2009). The REM section focuses on the scale levels of portfolios, buildings and places.

quantitatively, in all sectors: offices, education, retail and leisure, health care, and the industry. Incorporating flexibility and adaptability in new and existing buildings and scenario analysis are nowadays widely used strategies to cope with an uncertain future. Within this dynamic context, corporate real estate managers have to steer on usability, effectiveness, efficiency, sustainability, ways to express corporate identity in a well-balanced way, and ways to balance the current and future needs and interests of different stakeholders.

According to Joroff et al. (1993), the traditional role of a the corporate real estate manager as a 'taskmaker' - with a focus on providing physical space and technical maintenance - has shifted towards a more strategic role, with a cumulative integration of understanding and minimising real estate costs ('controller'), standardisation in order to create financial value and flexibility ('dealmaker'), matching real estate with business plans of the units and market options ('intrapreneur') and contributing to the company as a whole by focusing on the company's mission ('business strategist') (see also the contribution of Joroff and Becker in this *Liber Amicorum*). In the field of public real estate, a similar shift is going on. Here, too, attention is increasingly paid to the political, financial and functional performance of the real estate portfolio and its strategic role (Van der Schaaf, 2002; Evers et al., 2002; Veuger, 2015). Alignment with the corporate strategy is key to achieve optimal results.

While real estate resources were initially controlled and managed by the individual corporations and public authorities, activities and responsibilities are nowadays often outsourced to shared service centres and professional parties outside the organisation. Van der Schaaf (2002) described a shift from decentralised real estate management with a focus on facilitating primary processes towards integration of Facilities Management (FM) and CREM in centralised shared services (Van der Schaaf, 2002). Introducing a user-pay system aimed at a more efficient use of accommodation. Due to the many similarities between CREM and Facilities Management (FM) many experts expect that CREM/FM will converge into a united discipline that will increasingly be integrated with IT, HR and Finance (Van der Voordt, 2016).

### Aims and objectives of the Delft REM research

Professional corporate and public real estate management requires scientific knowledge about the best possible fit between the objectives, structure, culture, and activity patterns of the organisation on the one hand, and solutions for accommodating people on the other hand, including site selection, building layout, spatial concept and interior design. Criteria for a best fit include, inter alia, the contribution of real estate to business performance, client, customer and end user satisfaction, labour productivity, creativity and innovation, health and safety, cost effectiveness, value of assets, and sustainability. A complicating factor is the dynamics of society and organisations, whereas buildings are rather static. It often occurs that even before a building is finished the organisation and its processes have already changed drastically. Clients, designers and real estate managers have to cope with many uncertainties. Adaptability is needed to cope with change. Scenario techniques may help to forecast future developments.

To develop an appropriate body of knowledge, insights are used from various disciplines such as (strategic) management, architecture and urbanism, business administration, economics, law, mathematics, technology, and (environmental) sociology and psychology. By this multidisciplinary approach, the REM section aims to contribute to:

- A better understanding of the real estate market and the spatial impact of context factors, economic and demographic change, trends on the labour market, organisational change, changing activity patterns and work flows, and technological innovations in communication.

- Identification of performance criteria regarding spatial quality, access for all, user satisfaction, productivity, health and well-being, affordability, cost effectiveness and sustainability, in a complex and dynamic market of individuals, commercial companies, not for profit organisations and public authorities;
- Identification of probable, possible and desirable real estate interventions to create the best possible match between supply and demand;
- Ways to add value by real estate to organisations, individuals and society as a whole;
- Ways to cope with vacancy and dynamics in the demand for real estate;
- Theories and empirical evidence on how to design, implement, monitor and adapt successful accommodation strategies, performance measurement and management, and adding value by corporate and public real estate;
- Tools to support innovative and evidence-based multi-actor decision-making by clients, developers, investors, architects, engineers, consultants, policy makers, product developers, contractors and end users in planning, briefing, design, management and use of the built environment.

### Main REM themes

Since the creation of the REM section in 1991, the research and education focuses on the phases prior to design (initiation, briefing, defining performance criteria, stakeholder analysis) and after construction (maintenance, renovation, transformation, adaptive reuse). Furthermore, it focuses on the non-residential building sector, with a particular attention to offices, accommodations of higher education, and health care facilities. Due to our roots within the Faculty of Architecture and the Delft University of Technology, the functional aspects of real estate are taught and studied in combination with its economic and financial dimension.

Our education and research about the techniques to align real estate with the expectations of its users is organised along three subjects:

- The expectations of the real estate user and his criteria to judge real estate performance;
- The real estate object in general and the properties that have an impact on the user in particular;
- The management techniques used to organise the matching, on different levels of decision-making, from operational to strategic.

The coming years, four research topics will be central in our research program:

#### *1. Real estate management techniques*

This part of the REM research program aims to further explore theories and tools to align real estate with the users' expectations and preferences. Over the last years', significant progress has been made in this field. Key issues are how to design, implement, monitor and revise an appropriate accommodation strategy, and how to align public and corporate real estate on different levels of scale to the vision, mission and objectives of the organisation, its stakeholders and society. It is our ambition to contribute to the convergence of different management schools and to develop approaches that deal with the huge variety of management concepts. A second goal of the research on real estate management techniques is the development of tools that incorporate existing knowledge on real estate use in alignment processes.

#### *2. Value added by real estate*

Adding value by real estate is hard to prove. Due to the simultaneous impact of many internal and external factors, it is often unclear which elements of real estate objects contribute to the performance of the organisation and the objectives and preferences of various stakeholders.

This part of the REM research program intends to further explore the concept of adding value by real estate, to operationalise the many dimensions of added value, and to prove the impact of real estate interventions on profitability, productivity, user satisfaction, sustainability and competitive advantage. As such it aims to make the added value of real estate better manageable and measurable in practice. After so many years of research on programmes of requirements, it was a logical step to investigate the concept of real estate adding value. to contribute to organisational performance,

#### *3. Adaptability and adaptive reuse*

As most of the real estate we need for the next 100 years is already there, scientific knowledge about adaptive reuse is of growing importance.. The third part of the REM section research programme aims at continuing and extending the research on adaptive reuse, developing a theoretical framework and models on adaptive reuse and its subthemes, comprising sustainability and life cycle approach, land use policy, urban resilience and governance, new use and financing models including a circular economy approach, adaptability, and future value. With this research, it is our ambition to improve the strategies to balance demand and supply in the office market, and reduce the tension between the static, slowly changing supply of real estate on the one hand, and the accelerating pace of changing user requirements on the other hand.

#### *4. Data-collection*

The coming years the REM section will also pay extra attention to the collection of valid and reliable data on real estate and its use. The involved researchers assume that the lack of sound data on the experience and use of real estate is at the source of the slow progression of this field of science.

### **REM-contributions to this Liber Amicorum**

The findings of the REM section research are disseminated by many teaching activities, presentations at symposia and conferences, and numerous publications. In this Liber Amicorum only a small selection of our insights will be presented. Each sub-section starts with a contribution by one or more current REM staff members, and will be continued with related contributions from outside and inside the REM section:

1. Monique Arkesteijn explains the concept of alignment between corporate strategies and corporate real estate strategies. Furthermore she discusses different models and the legacy of Hans de Jonge and his team on this topic.
2. Theo van der Voordt shows an overview of the Delft legacy on adding value by CREM and how this topic has evolved and elaborated into various dimensions. How to manage and measure added value are key issues here.
3. Alexandra den Heijer presents her work on managing the university campus and related research projects. By assessing campus models, management models, best practices and smart campus tools this research aims to develop knowledge and tools on how to accommodate the current knowledge society effectively and efficiently.
4. Theo van der Voordt presents an overview of REM research into workplace management, the experience and use of activity-based workplaces, and its impact on employee satisfaction and perceived productivity support. In addition he discusses the findings from the Center for People and Buildings and the work of Duffy, Becker and others.
5. Hilde Remøy discusses the issue of vacancy and adaptive reuse. This theme includes the cause of vacancy in different sectors, and strategies to cope with vacancy in an effective and efficient way. For instance, adaptive reuse through renovation or conversion is discussed as a means to balance real estate markets. Moreover, developing flexible buildings that can easily be adapted to changing performance requirements, are discussed as part of a strategy for resilience of the built environment.
6. Ruud Binnekamp, Ilir Nase, Hilde Remoy and Philip Koppels discuss how preference modelling, computer-aided assessments of multi-actor needs and cost-quality research can contribute to a better alignment between the demand for real estate and the supply of real estate. This theme is related to building economics, assessment of the impact of location, building characteristics and the social and economic context on real estate market prices, value-in-use and value-in-exchange.
7. Herman Vande Putte discusses the alignment topic on the scale level of *Corporations and Cities*. Whereas the former themes mainly regard the best possible fit between corporate and public real estate and the needs of organisations, individuals and society, *Corporations and Cities* investigates the relation between the accommodation of large

scale organisations and urban development and the potential and actual synergy and conflicts between the accommodation policies of cities and corporations

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