

Starting your property procurement journey



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Every project needs a starting position and has a predefined number of activities from initiation to closeout as KAREN SKILLINGS reports.

Before the executive and property teams of any business start looking for suitable accommodation, they need to understand where they've come from, plus the strategic aspirations for their new workplace.

The latter could be shaped through consultation with the wider business in the Lease Strategy Phase that can occur 12 months before commencing your property search. Essentially, the Lease Strategy phase is where your leadership team may explore industry benchmarking and good workplace practices that will complement any new business model. The findings from this phase may result in a direction to proceed with a move, or perhaps even staying put.

Whatever the result, your executive and property teams will benefit from a clear direction and understanding of the complexities in procuring the right property

WHAT IF YOU HAVEN'T EXPLORED YOUR BUSINESS NEEDS?

Before you start looking for properties, you need to explore three key aspects that will influence your property search – people, place and technology.

It is important that consultation on specialist business functions and non-standard requirements is captured at this point. Don't try to integrate a specialist facility after a new lease gets signed; by far the best way forward is to negotiate the right building to incorporate it in the first place.

Don't think this would never happen because it does – all the time. There have also been scenarios where landlords deem having certain facilities housed in their property less than desirable or unacceptable after the lease is signed. Don't leave anything to chance. Do a full User Requirements exercise and develop a brief before you go any further down this path.

If you need a nudge as to what themes you should be exploring with your business, consider any one of these:

- **Location** – Where do you sit in the marketplace? What style of workplace are you trying to create for your organisation and people? Is your look/feel premium, A grade or B grade? What are the values of the business? What's important?
- **Barriers** – Are there any clients or suppliers you cannot share a building with? Are large technology changes planned? Are there any technology and digital barriers that may affect the workplace selection?
- **Attraction** – What are the opportunities and impacts for changing or not changing your street address? Think about potential effects on your talent pool and how a new location may attract, develop and engage people.

Property procurement

So what is the next process, assuming you are confident that you understand the direction of your business? You need to start working with your property adviser. This person will apply a structured and strategic approach in the procurement of your corporate accommodation.

Real versus expectations

Some businesses may think they want to change, be more progressive and competitive, but they need to understand the pros and cons. Your property adviser can help manage these discussions about what you want, what you are looking for, the staff impacts and barriers and the productivity – again assuming you haven't done this.

If you have – great, it's time to move on. If you haven't, go back. You are not ready.

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DIY property procurement?

If you're considering this, perhaps you should wait until you see what's involved.

Finding the right property for your business is rarely a straightforward venture. Do you really want to run the gauntlet, giving prospective landlords the opportunity to offer less than optimal occupancy terms for the next 10 to 15 years? Probably not.

So what can your property adviser do for you once you have the strategy development in hand? At this point we're looking at about 80 pivotal activities that you and your property team may or may not have the time, resourcing or capability to pull together. It's time to look at the Property Acquisition Project Plan, a powerful process that forms the baseplate of experienced real estate practitioners.

Insights from many of Australia's leading real estate experts have helped me put this roadmap together, creating an in-depth analysis of the operational aspects of the procurement phase. Its great benefit is that it offers a holistic view to the decision-makers in your business. Here's the process that your property adviser will manage for you through your next acquisition.



123RF's Cathy Yeulet
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PROPERTY ACQUISITION PROJECT PLAN

This can be broken down into five sections and the steps are identified for each. From my experience there is common feedback from clients regarding the role of the property adviser in each section.

Here's a selection of quotes that outline client expectations at each juncture. For section one, needs analysis and strategy development, as well as section three, evaluation and analysis, property advisers need to:

- "Do all they can to facilitate agreement between differing parties on business direction."
- "Identify road junctions that are slowing down progress."
- "Identify roadblocks in governance."

For section two, market search and shortlist, clients say:

- "We need to keep it real – we want our property adviser to remind us there is no free pass in any offer."
- "We need help to stay objective about the incentives and shiny toys on offer."

In section four, negotiations and heads of agreement, property advisers are expected to:

- "Chase the absence of finalised commercials."
- "Achieve final sign-off – getting above the amber flag."
- "Advise on availability to site and deployment."

And, finally, in section five, exit obligations, clients want their property adviser to:

- "Monitor risk scenarios."
- "Manage recourse and resolve."
- "Manage integration of the project team."

1.0 Needs analysis and strategy development

1.1	Strategy development
	Getting the tenant representative onboard
	Business strategy and alignment
1.2	Review existing lease and occupancy terms
	Lease essentials
	Rental structures
1.3	Undertake needs analysis and space planning
	Space planning and headcount review
	Workplace strategy
	Opportunities to reduce floorspace requirements
1.4	Technology considerations
	Cost comparison benchmark current and potential locations
1.5	Benchmarking and checking viability of staying put
	Meet with existing landlord
1.6	Ending your commercial lease
	Confirm client requirements
	Location decisions
1.7	Workplace strategy and design brief
	Develop strategy
	Quantity surveying budget
	Calculating costs for projects
	Own versus lease
	Why own real estate operating assets
	Planning the strategy for a facilities portfolio
Sub-leasing	

2.0 Market search and shortlist

2.1	Prepare and issue expression of interest (EOI) to the market Market search and shortlist
2.2	Review submissions and develop a preliminary shortlist
2.3	Shortlist review
2.4	Inspect premises shortlisted

3.0 Evaluation and analysis

3.1	Seek proposals on preferred options
3.2	Financial analysis of offers Landlord contributions Leasing incentives Leasing incentives and tax
3.3	Comparative analysis of commercial terms Market rent review
3.4	Due diligence/building review The building certifier check Quantity surveying due diligence report The tenant adviser check Electrical engineer check
3.5	Test fit planning
3.6	Preferred premises selected with back-up options identified

4.0 Negotiations and heads of agreement

4.1	Undertake negotiations on preferred option and secondary options
4.2	Achieve commercial terms, lease flexibility and other lease obligations Outgoing recoveries Tenant and landlord perspectives
4.3	Ongoing financial and comparative analysis
4.4	Conclude HOA at preferred location
4.5	Request lease preparation
4.6	Business case preparation and approval
4.7	Assist legal counsel with commercial review of the lease Commercial review of the lease
4.8	Finalise lease documentation

5.0 Exit obligations

5.1	Review lease and agree scope of works with lessor Commercial and industrial tenancy exit obligations
5.2	Source quotes to comply with scope of works
5.3	Negotiate with lessor to finalise/appoint contractor



Complexity of the process

There is much more to property procurement than you could ever imagine. Understanding the lease decision models, probity and governance, market search opportunities and pitfalls, design decision models, code compliance and dynamic project teams is just the start.

If you need more help and a clear direction for your accommodation project and you would like some unbiased contributions with best practices in mind, I invite you to download the complimentary Property Procurement Roadmap from my website and enjoy this resource centred on making the right accommodation decisions for the needs of your business.

In the next issue of *FM*, I'll take you through the change phase of your corporate accommodation journey. ●

→ *Karen Skillings is the principal of Skillings Education and an expert in information management, change management and relocations. An accomplished author, she has several publications to her name and has developed nationally recognised training programs.*