

Stay or move – a key de

In the past, when a company or other organisation decided to move offices, it was generally for a very concrete reason, such as the existing building having become too old or too small... Now, however, there is much more to this decision, and not only cost.



Vincent Gérin, CEO of Anixton identifies the top three criteria when the 'stay or move' question is first asked : cost and location first and second, but with the environmental factor now clearly on the podium too.

To find out how this new concept works in practice, we first asked Vincent Gérin, CEO of Brussels-based advisory company Anixton, which has made a speciality out of 'Stay or Move'. Firstly, he explained under what circumstances a company might ask itself the question of whether it should stay in its current building or move. Vincent Gérin explained that the question generally becomes relevant at a lease break or end, when an owner may wish to increase the rent. So in this context, stay, move or renegotiate terms is initially a matter of cost. Alongside this, other factors may also lead to the question being asked: the building may no longer meet modern requirements in terms of occupancy comfort, it may have become too small – or too big – or the company may wish to become more environmentally friendly and move to a 'greener' building. In this last case, the trend is to have offices which are very low consumers of energy, and this of course also has a positive financial impact. Then there is the question of optimal architecture – some buildings which offer 5,000 sqm of gross space may only contain a much lower amount of truly usable space (from 3.000 sqm for a "bad" building to 4,500 sqm for a "good" building) – which equates to paying a certain amount of rent for nothing.

Image

Another factor which companies may have to take into account is the image their building gives them. In certain sectors this is important, especially if the location of the existing building has become old-fashioned and does not reflect what the company wants to say about itself. The question is therefore clearly strategic, as Vincent Gérin explains: "In these cases top management gets involved because the directors understand that the choice of building is more and more strategic, even if cost had been the initial driver". In many cases, therefore, the Marketing Director will be looking for a certain image, the Human Resources Director may be arguing for a particular type of layout. There is also the question of access, and more and more often this includes the mobility aspect. Offices located close to good public transport facilities are not just a matter of political policy (in the case of Brussels) but a

matter of employee comfort and of the company's environmental footprint. The top three criteria when the 'stay or move' question is first asked, are cost and location first and second, but with the environmental factor now clearly on the podium too. This is not just a matter of projecting the right image, but really does ensure that a company can meet its own environmental objectives.

Analysis

When Anixton is mandated with the question of helping a client to decide whether to stay or move, it is able to analyse the situation with a high degree of objectivity, because it does not engage in any 'agency' activities. Whether the client eventually decides to stay or move therefore has no impact on Anixton's revenues. This objectivity involves establishing a score-card which includes all of the client's main criteria. The client and Anixton together decide on the weighting to be given to each of the criteria already mentioned (and others). "What we often find", explains Vincent Gérin, "is that at the beginning a company may state that cost reduction is its principal objective, perhaps accounting for 50% of the weighting. But as the process unfolds, the client begins to realise that the financial side in fact only represents 40% or even less of its objectives. Because a well laid-out building, well-located and equipped can enable the personnel to be more motivated and as a result more productive. This in itself leads to a financial gain, and not just by going down the 'cost reduction' route". Attracting and retaining the best talent is a major challenge for companies these days.

One of the outcomes of the analysis process may be that the occupant is advised to stay in its current building, but to go to the owner and request a refurbishment of the space, an upgrade, a rental adjustment... this situation has arisen several times in the case of Anixton.

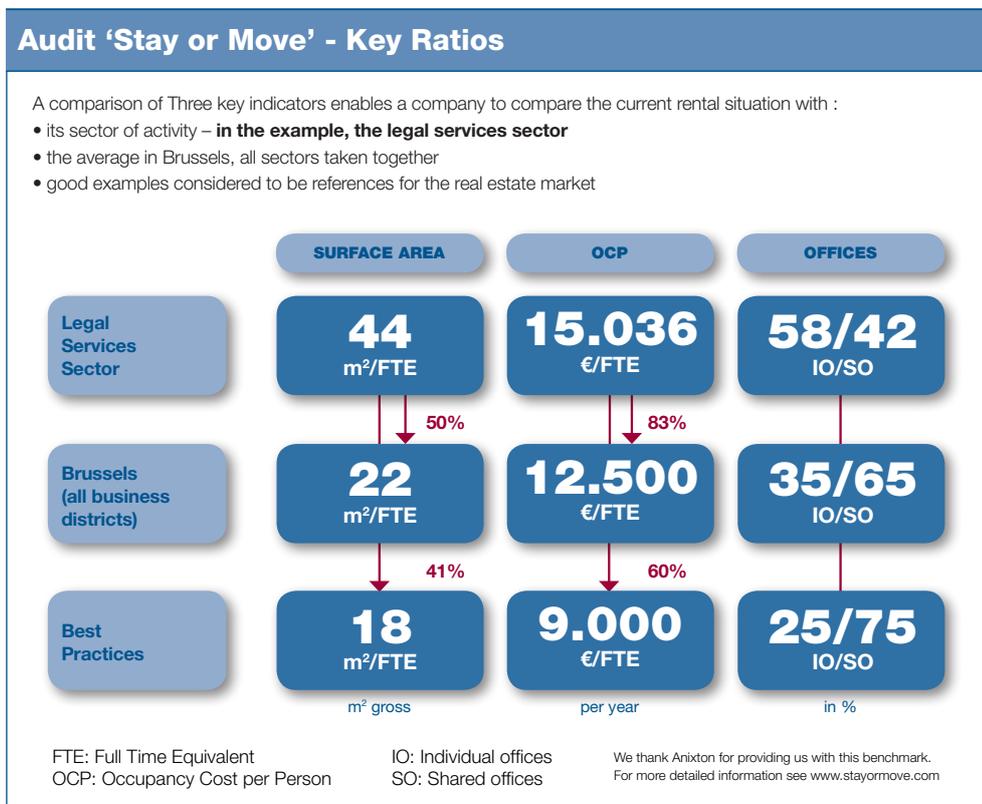
Consolidation

For a second opinion on this emerging 'stay or move' notion, we also asked real estate advisors CBRE for their views. Isabelle Vandeur, Partner - Head of Global Corporate Services also confirmed that companies are looking at this area, and she told us: "In our experience around 40% of



Isabelle Vandeur, Partner - Head of Global Corporate Service at CBRE emphasizes that for large corporates, the consolidation of multiple office locations into one is currently a popular approach

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companies that are envisioning a move to another building will eventually renegotiate their existing lease after having examined all parameters. Against the backdrop of the volatile economy and the high degree of uncertainty, cost-containment remains a key business driver for most corporates.... Although the economic recovery remains very fragile, many occupiers – particularly the early movers who cut costs decisively in the initial stages of the downturn – now have stronger balance sheets and are looking to make strategic decisions”.

Isabelle Vandeur went on to say that in terms of real estate, the top cost-reduction initiatives are reductions in space occupied, renegotiation of the financial terms of the lease and the renegotiation of the length of the lease. When the ‘quick win’ savings have been implemented and/or exhausted it becomes harder to identify further cost-cutting measures that do not jeopardize business stability. And returning to the question of strategy, Isabelle Vandeur said: “More positively, we can detect a renewed focus on strategic planning for the future. For larger corporates, the consolidation of multiple office locations into one is a popular approach”. The green question also plays a role in all of this, and the experience of CBRE is that here has been a perception that the importance of sustainability

issues had diminished or disappeared as a result of the recession. Isabelle Vandeur disagrees with this perception: “This is not the case as in my opinion more than half of our occupier clients would be prepared to go for a green building. But the green agenda needs to find its place in the spectrum of the overall building-selection factors. And we might not forget that there is still a shortage of green buildings, partly because so little has been built recently”.

Perhaps the greatest evolution in all of this is that in the past the decision would simply ‘whether to move’. ‘Staying’ would not considered as constituting any sort of decision at all, but now, this too has become a positive, strategic question which merits the same professional attention as the decision to move.

Tim HARRUP ■

Taking all options into consideration

A good example of this is a major international train operator which realised that its existing rental level, negotiated at a time when the real estate market was in good health, was expensive in the current ‘crisis’ market. But the location was very good, and the decision was taken to stay, but provided that the rent was adjusted, which Anixton was able to negotiate. Vincent Gérin explains ‘Sometimes, a client comes to us and says that they want to stay in their building, they are sure of that, but they need better terms. However, it sometimes happens that because we nevertheless believe it is our duty to show them all the options, as our mission evolves, they decide it may be better to move after all! ‘Once again, the client takes all of the strategic aspects into account and comes to a decision totally the opposite of what they originally intended.