



The next frontier

Charting the changing landscape
of corporate real estate

A report by MRI Software
in partnership with

WORKTECH™ ACADEMY

1 Introduction

Hybrid working has become the go-to strategy in many organizations across the world for the future of work. While it offers employees more flexibility and choice over where and when they work, it also presents a new set of challenges for corporate real estate and facilities management teams. Gone are the days of a predictable flow of people to offices during the working week.

New hybrid approaches to work have forced companies around the world to reassess their real estate – how much of it to have, how to use it, and how much to spend on it. There is more pressure than ever for corporate real estate (CRE) leaders – whose role has always been primarily responsible for translating business strategies into physical workplaces – to understand how their real estate is performing and to make decisions to ensure it is performing at its best.

There are new priorities and considerations regarding how office real estate is managed. Research from CBRE and CoreNet Global has noted an evolution in CRE priorities. Before the pandemic many CRE leaders prioritized financial and cost saving values. Now, almost two-thirds state that health and safety in the workplace (62%) and creating a compelling workplace experience to attract and retain talent (60%) are the top two priorities for CRE teams (1).

However, a potential looming recession may see cost saving values come into play as CRE leaders start balancing optimism with budgetary restraint.

Meanwhile, companies are also facing increasing demands from employees and policymakers to prioritize environmental, social and governance (ESG) initiatives.

This paper outlines the changing landscape of the corporate real estate market to offer a fresh perspective on how workplaces now need to be managed effectively, responsibly, and with the building user in mind.

As building management systems become increasingly intelligent, workplace operations teams have leveraged data to better understand space and resource utilization in the workplace. But the pandemic turned the traditional workplace on its head; now CRE teams – and the systems they use – need to be agile and nimble to proactively manage real estate portfolios. This report explores the evolution from Integrated Workplace Management Systems (IWMS) to Extensible Workplace Management Systems (XWMS) as the next frontier to manage corporate real estate in the age of hybrid working.

‘There has never been a more exciting time to be in corporate real estate. Our profession is leading the way in redefining the workplace. We are seeing companies reduce their portfolio size to accommodate for the reality that some level of hybrid work is going to be the norm. The inconsistencies are tremendous not only from industry to industry but office to office inside organisations. It is clear this period of redefinition is in the initial stages and will play out over the next few years. Those with the proper systems and data will be best suited to take advantage of this Darwin moment and redefine the workplace of the future.’

- Craig Gillespie, Vice President of the Occupier Division at MRI Real Estate Software

2 Six areas of change for corporate real estate

The corporate real estate industry is experiencing a revolution as it adjusts to more flexible workplace strategies. This revolution is bringing with it a shift in responsibilities for CRE departments – once in place to support and manage real estate and facilities, but now transitioning into a more strategic role as their decisions are having greater impact on key C-suite agendas and business initiatives.

The revolution is also redefining the value of corporate real estate. Real estate specialist Robert Harris commented in his paper ‘The Age of Unreal Estate’ that ‘value’ in real estate was traditionally defined solely in financial terms. Now, this is changing as occupiers and investors are expecting more from their buildings and decisions are being driven by factors other than cost, such as talent retention, wellbeing, environmental performance, and social value (2).

As CRE departments uncouple from the finance department, new priorities are emerging. This section will look at what some of those priorities are and how they are redefining the traditional model of corporate real estate.

Customer-centric real estate

Flexible work strategies provide employees with the power and autonomy to choose where and how they work. This shift has stripped the office of its position as the primary – and sometimes only – work location. The office now must respond to the needs of its users, and CRE teams need a better understanding of how people behave and use spaces within the office.

According to a recent report by CBRE on US office space, 85% of the 185 corporate real estate executives surveyed want their employees to return to the office for at least half of the working week. The average office occupancy of those surveyed was 43% in April 2022 (3). Data from MRI Software’s Market Insights Report found that more than half of the companies surveyed are still provisioning seats for between 75% and 100% of their workforce and only 13% are planning to seat less than 50%. This suggests that there is still a lot of underutilized space which needs to start responding to ‘customer’ needs to pull people back into the office.

A report by Locatee and CoreNet identifies the top three important decisions CRE leaders are making right now: changing workplace type mix (62%), changing

from fixed space to flex seating (58%), and determining optimal space ratios (56%) (4). When making decisions on these factors, CRE leaders need to have a strong idea of the 'customer' and what they require from the space to ensure it is effectively utilized.

People-centric real estate

People-centric real estate moves beyond the provision of space that people need and starts to focus on the experience people want. Organisations are moving away from the idea that real estate is a mere cost expenditure, and instead viewing office space as a source of competitive advantage.

This means CRE teams need to build 'super-experiences' to support business initiatives to attract talent and to boost occupancy in the office. But, as Harald Becker of Microsoft commented at the WORKTECH22 Stockholm conference, 'there is no one-size-fits-all approach'. Data from Microsoft's Work Trend Index 2022 confirms this, as employees clearly have polarized opinions of why they come into the office and what kind of experience they want (5). The Microsoft data found that 58% of people say that focus work is the biggest reason for coming into the office, but the same number also said the same about working from home.



'Organisations need to focus on creating dynamic ways to reinforce those elements of serendipity, of occasion, of memorable and delightful experiences'

- Despina Katsikakis, Global Lead for Total Workplace at Cushman & Wakefield, on a WORKTECH Academy and Nestle Professional Podcast Series

When opinions about the ideal work experience can be contradictory, CRE leaders need to rely on solutions which can be adaptable and agile to respond to the changing needs of every employee. There is now a new 'worth it' equation among workers, where employees are re-evaluating what they are willing to give and what they want out of work. It has never been more important for real estate to offer an experience that employees cannot turn down.

Performance real estate

If better workplace experience is the goal, then corporate real estate needs to offer more than just compliance, functionality and efficiency – these are the bare minimum requirements for an office building. Now, the office needs to enhance productivity, provide unforgettable experiences, and contribute to individual wellbeing.

According to data from MRI Software's Market Insights Report, over half (52%) of tenants are planning to make physical alterations to their workplace to make it more attractive to employees. The focus

in this research is on meeting spaces such as break out and conference rooms and the spaces in between desks (6). This suggests organisations are taking significant measures to improve the experience in common area spaces to enhance collaboration and interpersonal connections.

The need to create experiences has seen the emergence of new roles and functions for CRE teams. Titles such as 'Welcome Experience Hosts', 'Community Managers', 'Workplace Operations Hosts', 'Customer Relationship Managers' and 'Sustainability Ambassadors' have come into effect. This shift in job role might see the CRE teams recruit from the hospitality labor pool instead of the traditional FM background.

Research from EY found that the primary reasons to change jobs are when another company offers enhanced flexibility on where and when to work, better wellbeing programs, and a more desirable workplace location (7). This research offers insight in how people value office real estate – it needs to support performance, enhance people's wellbeing and be responsive to the demand for flexibility.

'The story of the office is currently built on outdated measures. The days of cramming employees into office spaces like sardines are long gone, so metrics need to reflect the new types of work and new uses of the office.'

- Paul Edwards, General Manager of Strategy and Customer, Mirvac

Responsible real estate

Real estate urgently needs to align with the climate emergency agenda and the environmental, social and governance (ESG) strategies of companies. In many countries, ESG reporting has become mandatory which demands accountability from every organization.

Both the construction and operation of buildings play a significant role in the adoption of the necessary initiatives to reduce carbon emissions, considering that the sector is responsible for around 40% of global emissions. The factors that contribute the most are: energy efficiency, building materials, air conditioning, lighting and building infrastructure.

The responsibility for reducing carbon output and implementing more sustainable measures has landed on the shoulders of CRE teams, as many business leaders claim that they will become 'net zero'. Net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount added is no more than the amount taken away.

Research from PwC found that, as of February 2021, only 8% of the world's largest companies represented by the Global Fortune 500 had pledged to become net zero (8). The study reflected a disconnect between high-profile announcements on sustainability action and the low participation rates on the ground.

The pace of change needs to quicken. Net zero planning and ESG strategies are a priority for CRE leaders – they need the intel and tools to ensure they are managing the most sustainable

and efficient office spaces. Real estate investors, fund and asset managers are looking at ESG criteria when making investment decisions, so performance and sustainability of buildings will be key factors in the changing landscape of corporate real estate.

Real estate as a corporate resource

The need for greater flexibility is shifting the real estate market, so that space is becoming a commodity which can be turned on and off based on need. This will see the model of 'Space-as-a-Service' (SaaS) grow in popularity. According to research by Deloitte, over 75% of business leaders say their companies will likely expand partnerships with or invest in PropTech firms that can deploy the SaaS delivery model (9).

The SaaS approach starts with agility of space – this is reliant on making decisions fast and effectively. However, CRE decision-making typically requires factoring in many different criteria, liaising with different stakeholders and increasingly aligning those decisions with business strategies and C-suite initiatives.

According to the Locatee and CoreNet research, more than three-quarters of respondents in the report were in strong agreement that CRE needs to become more agile, while almost all (99%) said that agility is the future of corporate real estate.

‘It’s all about experimentation and learning, old playbooks won’t work anymore.’ – Harald Becker, Microsoft, WORKTECH Stockholm conference 2022



CRE management is evolving to include employee experience and new performance metrics. This means that managers need to cultivate a growth mindset to build agility into the scope of their workplaces for the medium to long term to survive and thrive in the changing landscape of work. The SaaS model requires incorporating more impermanent workplace solutions and allowing for experimentation around the new purpose of the office.

Data-centric real estate

Currently, CRE teams still fall short in exploiting available data sources to measure the utilization and performance of office real estate. According to data from Locatee, 75% of CRE leaders would like to tap into utilization data to inform their strategy and help with decision making. However, most firms continue to depend on legacy technology systems with eight out of 10 business leaders reporting that they do not have a fully modernized core system that could easily incorporate emerging technologies to help collate the data.

That position could be set to change as new global research from real estate experts CBRE and CoreNet found that CRE teams most commonly leverage data for portfolio analysis (82%), operational reporting (78%), and data-driven decision support for business leaders (68%) (10).

One of the greatest challenges that faces the real estate industry is the need to use data to demonstrate value, rather than measure cost. The use of technology to collect data is imperative to bring office buildings alive. Data can be analyzed, and the results used to drive strategic decision making and performance measurement.

CRE teams need the right technology and tools which collect and analyze data on relevant variables to make strategic decisions about space. Ultimately, data underpins the great revolution occurring in the real estate market today; therefore, CRE teams need to ensure they are collecting the right information on who the customer is, how to make a great experience for them, how to make the space productive and effective, how to ensure the building is sustainable, and how to make space more agile.

3 Enhancing the ecosystem

As CRE teams navigate the changing landscape of corporate real estate, the majority have been aided by Integrated Workplace Management Systems (IWMS) which consolidate data and help teams gain visibility and control over how they manage the office. However, IWMS was a term created by Gartner almost two decades ago, and it focused only on meeting the needs of internal stakeholders across corporate IT, facilities, and real estate departments.

Now, the focus is shifting to creating the best experiences in the workplace for employees and optimizing data to enhance those experiences. This means that corporate real estate systems require more than the limited, single database of the IWMS to achieve their strategic business goals – they need a system which can leverage the cloud and draw from multiple streams of data in real time.

Corporate real estate business requirements demand systems that can keep abreast of the flexibility and, increasingly, the unpredictability of the market. In recognizing this, MRI Software originated the idea of an Extensible Workplace Management System (XWMS), which is an interoperable cloud-based platform. MRI define XWMS as an open ecosystem that enables integration with best-in-class technologies so organisations can strategically plan, manage, and optimize real estate, facility and leasing portfolios without limits.

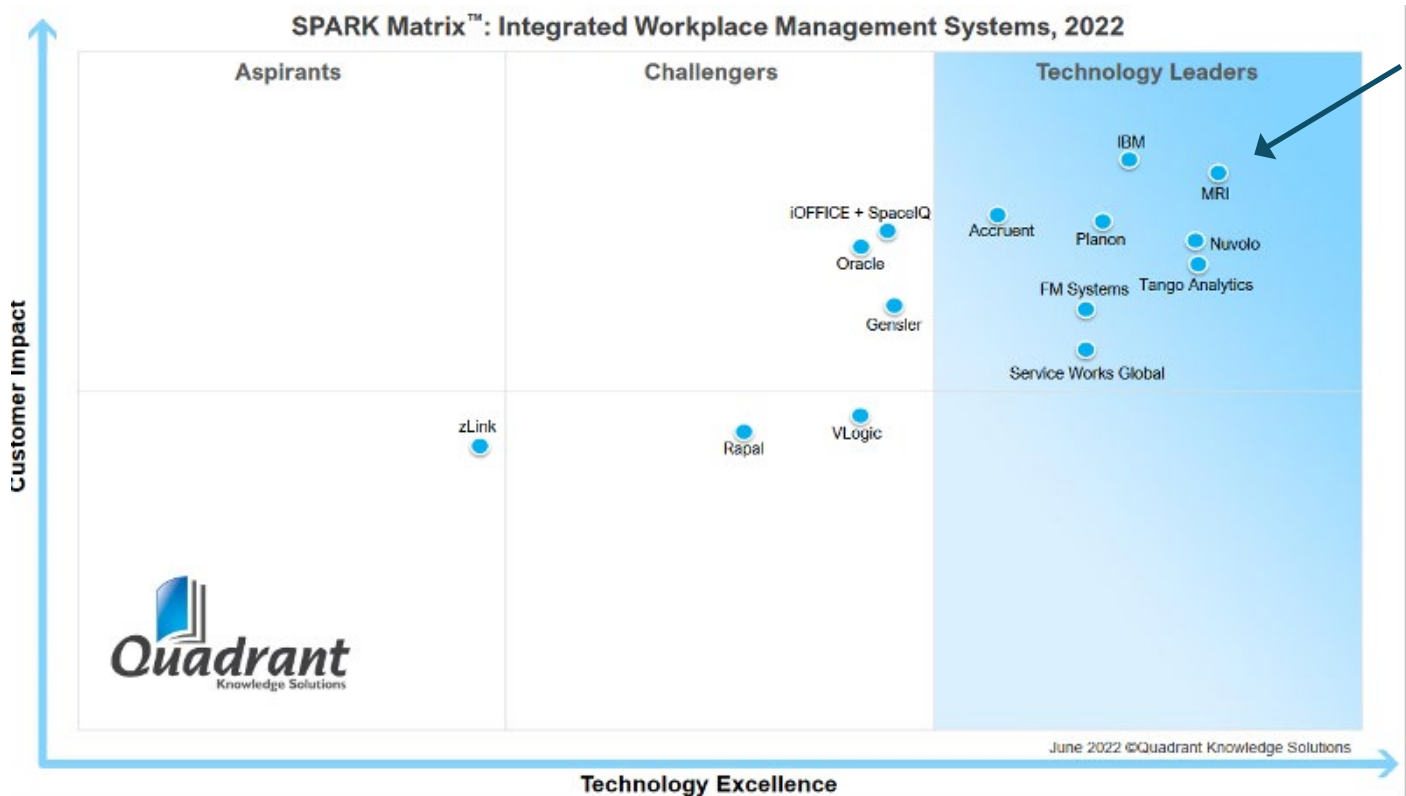
As the corporate real estate market continues to evolve, XWMS evolves in tandem by responding to the shifts in three categories: real estate, workplace management and operations management.

Real Estate

The shift towards a SaaS model and the desire for increased flexibility in offices means that traditional leasing models are quickly becoming outdated. An XWMS has a centralized lease management platform which provides greater insight and better management of the entire real estate portfolio.

The system can integrate disparate lease management solutions to help build a centralized lease portfolio in which information can be easily and readily extracted. This process can help streamline the process of consolidating real estate and help achieve cost savings across the portfolio.

MRI Software is a leader in deploying XWMS and has developed the framework in which this new technology is evolving. In June 2022, Quadrant Knowledge Solutions recognized MRI Software as a technology leader in IWMS. The XWMS services go a step further and aim to save time for CRE teams while they focus on creating better workplace experiences and performance.



Source: Quadrant, 2022. Integrated Workplace Management Systems, 2022

Workplace management

The shift towards a people-centric, experiential approach to building real estate requires different functions of the supporting real estate software. Workplace experience now goes hand-in-hand with the performance and applicability of space to an individual's needs. An XWMS integrates space management solutions into its ecosystem to help increase holistic visibility over how space is planned, used and optimized.

Using the new system, CRE teams have back-end insight to visualize floor plans that fit employees' needs and adhere to safety regulations. On the front end, employees can easily book spaces, desks and meeting rooms on their desktop or mobile.

There is a presence management tool which integrates with the space management solution to oversee space and monitor access to these spaces. This allows CRE teams to manage employees, visitors, and contractors to ensure the building is secure and that everyone has access to the spaces they need.

Operations management

The drive for sustainability is one of the biggest shifts occurring in the corporate real estate market and many of the solutions to enhancing green credentials lie within the operations of the building. Sustainability regulations around construction and real estate management are constantly evolving to adhere to new best practice, and an XWMS can integrate

current and future technologies to perform ongoing condition assessments and improve existing conditions within the building.

With the near-ubiquitous nature of the Internet of Things (IoT), it is now possible to implement an extensible cloud-based solution that can ensure CRE teams take advantage of smart building solutions to facilitate better maintenance and improve the energy use in buildings.

To manage and maintain the real estate portfolio as efficiently as possible, XWMS can sync with sustainability solutions to help improve long-term workplace health and occupant wellbeing.

Shifting to XWMS

The real estate industry has been notoriously slow to adapt to the disruptions of the system in which it sits. However, we have now reached an inflection point where workplace experience, sustainability and

performance of buildings have taken priority and there is no going back.

While these shifts provide a new set of challenges and priorities for CRE teams, they also demand more from the tools and systems they use. After real estate investment in smart building technology suffered in the pandemic, experiencing a two-year dip in funding, things are now looking up again for the smart office. Investment in smart building technology has soared to its highest level since 2018 (11). This means that there is a greater need than ever to have systems which can integrate and talk to each other to give CRE teams full insight and visibility into how real estate is performing.

An XWMS from MRI Software allows CRE teams to take control of the technology that manages the real estate portfolio by incorporating third-party and partner solutions to create an ecosystem that scales and evolves with the shifts occurring in the industry.



4 Conclusions

The landscape of corporate real estate has expanded dramatically since the onset of the global pandemic in 2020. Faced with this new frontier, CRE professionals have adopted new responsibilities and gained an elevated prominence – they are now tasked with defining new expectations of the workplace and creating a portfolio that can adapt and evolve with these uncertain times and new business strategies.

This report has outlined some of the new priorities for the corporate real estate market, and highlighted the tools required to address them:



- Corporate real estate value is being redefined based on the workplace experience it provides. The experience needs to respond to a new ‘worth it’ equation whereby employees evaluate the value of coming into the office by comparing the workplace experience to their home working experience.
- Sustainability initiatives are constantly evolving and CRE teams need to be able to respond immediately and effectively, but they can only do that if they have the right data and information on how the workplace is performing.
- Traditional lease models are changing, and Space-as-a-Service (SaaS) models are coming into play. These new leasing models require agility and flexibility of space which can only be effectively managed by truly understanding how people behave in and use the space.
- Aligning business strategy with real estate requires a deep analysis and understanding of a company’s needs, as well as data to inform decisions.
- Extensible Workplace Management Systems allow organisations to choose tools that align best with the unique needs of their industry. These systems can help CRE teams respond in real time to changes occurring in the market by incorporating new technologies into one ecosystem, providing a holistic view into how the workplace is performing.



About MRI Software

MRI Software is a leading provider of real estate software solutions that transform the way communities live, work and play. MRI's open and connected, AI-first platform empowers owners, operators and occupiers in commercial and residential property organizations to innovate in rapidly changing markets. MRI has been a trailblazer in the PropTech industry for over five decades, serving more than two million users worldwide. Through innovative solutions and a rich partner ecosystem, MRI gives real estate companies the freedom to realize their vision of building thriving communities and stronger businesses.

For more information, please visit:
mrsoftware.com

About WORKTECH Academy

WORKTECH Academy is the world's leading online knowledge platform and member network exploring the future of work and workplace. Sharing the latest insights, research, case studies and expert interviews with its global community of high-level professionals, WORKTECH draws on its worldwide network to harvest the newest knowledge and ideas in six key areas: People, Place, Culture, Design, Technology & Innovation. In a rapidly changing world where investment decisions require hard evidence, WORKTECH Academy provides the practical tools that shape the future of work and workplace.

Find out more:
worktechacademy.com

Sources:

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