

Inefficiencies in Corporate Property Investment in Australia

Investment In Property

- Facilities Management & Corporate Real Estate
 - Ⓜ *'Rediscover your company's real estate'.*
 - Ⓜ 30% to 40% of business capital held in real property
 - Ⓜ 10% to 20% of organisation's annual operating cost property related.

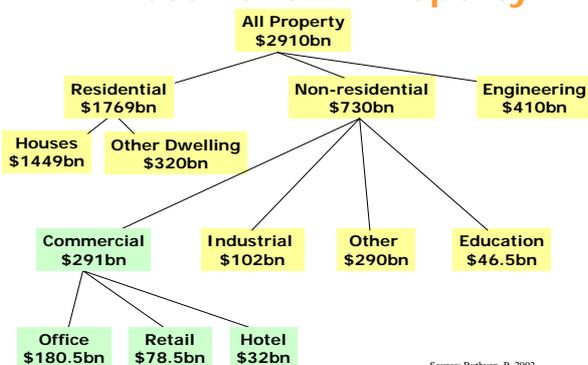
Investment In Property

- *'If you're not sure where you're going, any road will take you there'.*
Varcoe, B. J. (1993)

Investment In Property

- CRE is a significant national investment
- Held by a variety of Public and Private stakeholders
 - Ⓜ Owners, Occupiers, Shareholders, Pension funds,
- Construction represents
 - Ⓜ 4.6% of industrial production
 - Ⓜ 7% of the workforce
 - Ⓜ \$2.3billion added to office / retail
- Australian Investment \$3 trillion
 - Ⓜ or 4 x GDP
 - Ⓜ \$150,000 / person
 - Ⓜ +1.6% added annually

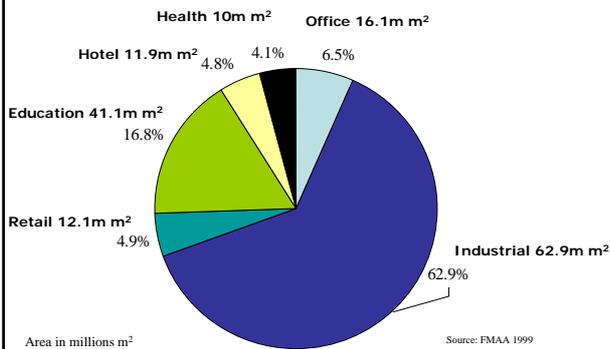
Investment In Property



Investment In Property

- CRE provides a base for delivery of services by government and business and held other than for investment
- Public Sector
 - Ⓜ Point of service delivery
 - Ⓜ Objective to benefit government
- Private Sector
 - Ⓜ Enabler of business
 - Ⓜ Objective to benefit the corporation
- An investment opportunity
 - Ⓜ \$55billion in LPTs or 70% of stock

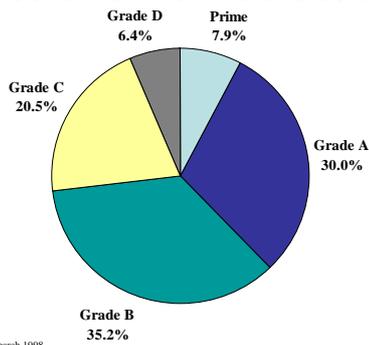
Investment In Property



Australian Office Stock

- Property Council of Australia
 - 17,695,921m² monitored in CBD and identified city fringes
 - 6.4m m² in Sydney
 - 4.2m m² in Melbourne
 - 2.5m m² in Brisbane

Australian Office Stock



Australian Office Costs

- 17,695,921m² in 19 CBD and city fringe
- Rental Range – net effective
 - \$660/m² Sydney CBD Prime
 - \$495/m² Sydney A Grade
 - \$67/m² Adelaide Fringe
- Equated Rent Bill \$3.986billion

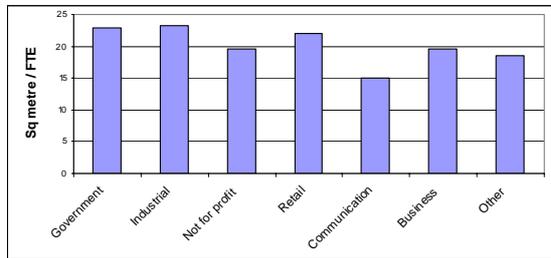
CRE -Space Use

- How is space managed
- How is space used
- What are the future space needs
- What type of space will be required

CRE -Space Use

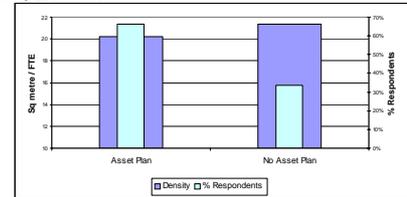
- 66% Benchmark Performance
 - 33% have no decision tools for the \$1.76billion rent paid annually
- Space Density
 - UK 16.3m² / FTE
 - Australia 20.6m² / FTE
 - Australian Government 23.35m² / FTE

Density by Sector



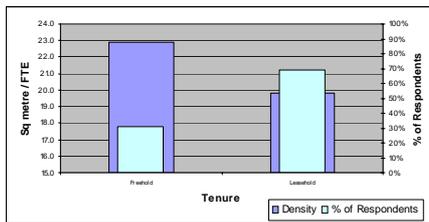
CRE -Space Use

- Strategic Property Planning
 - Ⓜ 65% plan space use
 - Ⓜ 35% no plans – use 5.2% more space
 - Ⓜ Saving of \$278m



CRE -Space Use

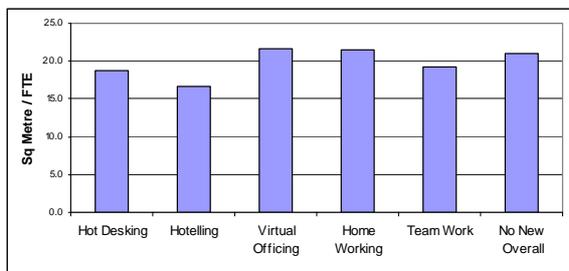
- Lease v Buy – 70/30 ratio
 - Ⓜ Tenants use 13% less space
 - Ⓜ Potential saving to owners \$215m pa.



CRE -Space Use

- New Office Techniques
 - Ⓜ Hot-desk, hotel, home office, virtual office
 - Ⓜ 43% adopted to some degree.
 - Ⓜ Save 4% of office costs
 - Ⓜ 15% Hot-desk or Hotel
 - Ⓜ Save 21% less space
 - Ⓜ Saving \$185m pa

New Office Techniques



Wasted Opportunity

- Office density
 - Ⓜ UK level 16.3m²/FTE = \$4.3m²/FTE
 - Ⓜ \$1.1billion pa, or 3.68m²
 - Ⓜ Australian Government wasting 7m²/FTE
 - Ⓜ Potential Saving \$180million per annum
- Asset Planning
 - Ⓜ Lack of planning costs \$550m pa
- Half of Sydney could be surplus to requirements.

Wasted Opportunity

- CRE efficiency can cut costs
- CRE effectiveness will increase productive use

Wasted Opportunity

- Questions
- Comment
- Future Direction