



# News

**CONTACTS:**

Richard Kadzis, CoreNet Global  
+1 404.589.3240  
[rkadzis@corenetglobal.org](mailto:rkadzis@corenetglobal.org)

Aaron Cohen, Imre Communications  
+1 202.547.0500  
[aaronc@imrecommunications.com](mailto:aaronc@imrecommunications.com)

**Cost is Least Important Reason to Outsource Corporate Real Estate Services**

*New CoreNet Global "Trends in Sourcing" Research Says Companies Outsource to Concentrate on Main Work*

**ORLANDO and ATLANTA – 14 November 2006** – Corporate real estate users cited cost as among one of the least important factors in decisions to outsource services. That's the surprising result of new research from CoreNet Global being released today. CoreNet Global is the world's leading professional association of corporate real estate and workplace executives.

According to a report from CoreNet Global's Applied Research Center (ARC), real estate end users consider a focus on core competencies, increasing lease flexibility and raising service levels as among nine factors more important than cost in determining whether to partner with a service provider to manage their portfolios. Service providers, on the other hand, cited cost savings as among the most important factors end users should consider in outsourcing real estate functions.

"There's no need for instant replay on this one," says Eric Bowles, Director of Global Research for CoreNet Global. "The contrast between the relatively low importance of cost to end users vs. the service providers is dramatic. And the reason is simple: corporate end users and service providers are not on the same page when it comes to the reason for outsourcing," Bowles added.

While cost ranks last in importance among nine outsourcing factors, it is still a key source of a disconnect between end users and service providers. According to the report, corporate real estate departments typically measure outsourced services using Key Performance Indicators (KPI). But the KPI actually used by corporations are largely around efficiency and cost reduction rather than important drivers of outsourcing like flexibility, service quality, and innovation.

The Applied Research Center also found that outsourcing is expected to continue apace through the end of this decade across most major corporate real estate functions such as facilities management, lease administration and workplace design. But survey respondents said end users for the most part will continue to manage customer relationships in-house.

Performance based incentives are becoming an increasingly normal part of outsourcing contracts, according to the new research. Many contracts include combinations of performance incentives to provide a basis for continuing improvement and as a way for end users to evaluate the performance of their providers.

CoreNet Global's Bowles says the research indicates a communication breakdown between end users and service providers. "Simply put, corporate end users are not communicating well enough their real objectives and service providers are failing to understand the needs of their clients," Bowles says. He added that, "corporate end users are sending mixed signals by indicating cost is relatively unimportant then giving providers incentives based on costs. No wonder there's a disconnect."

The report, "Trends in Sourcing," was compiled from a survey of 50 leading experts on outsourcing at Fortune 500 firms, their global equivalents, or service providers. Forty-eight percent of survey respondents are end users, 32% are service providers and 20% are consultants or academics.

CoreNet Global members manage US \$1.2 trillion in worldwide corporate assets consisting of owned and leased office, industrial and other space. With 7,000 members representing large corporations around the world, CoreNet Global ([www.corenetglobal.org](http://www.corenetglobal.org)) operates in five global regions: Asia, Australia, Europe, Latin America and North America, including Canada.

###