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Methods of providing corporate real estate management services: an overview of South African corporations

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Abstract

The purpose of the study was to investigate ways of providing corporate real estate management services in the South African context. The data collection process started with a pilot study using a questionnaire. A qualitative approach was used with semi-structured interviews of six Corporate Real Estate managers from companies of various industries in Johannesburg in March 2014.

The larger organizations prefer to have a formalized Corporate Real Estate unit that is situated at headquarters and have no links with core business. These companies refer to their corporate real estate units as facilities management, property management and workplace management, the actual term “corporate real estate” is not used in South Africa. The companies that have the formalized Corporate Real Estate units own their Corporate Real Estate or are triple net leasing their Corporate Real Estate.

Respondent companies prefer to manage strategic aspects in-house and outsource the operational activities, because real estate is not their core business. Some of the respondents did not experience challenges with either outsourcing or in-house management. Respondents that experienced challenges with outsourcing had problems with performance issues, lack of knowledge and experience by service providers, the quality of the service and the lack of performance measurement tools. The challenges experienced with managing in-house included performance issues, lack of accountability from internal staff, lack of flexibility, and lack of skill and experience on the part of internal staff. South African practice may appear to match international best practice; however, more studies might be needed to validate the results.

Key words: South Africa, corporate real estate management, outsourcing, in-house management