

# HOW CAN AN ASSET REALISE ITS FULL POTENTIAL VALUE?



*“All assets are like athletes. They all have unfulfilled potential which can be realised through expert coaching, fine tuning and stretch performance targets.”*

## Burning Issues

**Any client sitting on assets in this market will confirm that their overriding need will be to realise additional asset value. Banks acting as unwilling holders of assets through the recovery of poorly performing loans will require additional value to reduce the impact on their Balance Sheets.**

Investors sitting on assets will be challenged by falling rents across Europe, with the possible exception of London. The result is a squeeze on Fund Management fees. Against this background there is increased competition amongst funds, and assets of all investment profiles are scarce.

In our discussions with Fund Managers and Banks holding assets, they express a view that they need improved performance from real estate assets. Most considered that the Property Industry’s ‘one-size-fits-all’ property management solution was inappropriate for improving asset performance. How can the industry respond to changing markets?

**EC HARRIS**  
**BUILT ASSET**  
**CONSULTANCY**

## Asset ‘Training Plan’ to achieve higher performance

We believe that a new approach is required. This includes developing a personalised and bespoke performance improvement plan for the assets. The plan will be quantifiably linked to exceeding the Fund financial objectives. We have devised an Asset ‘Training Plan’. The key to this plan is the assumption that each property portfolio or asset has unfulfilled potential, no matter how good the existing property management and asset management teams. This will help Funds to improve their brand and differentiate from their competitors.

## The key areas of the Asset ‘Training Plan’ are:

### **RENTAL IMPROVEMENT**

All real estate portfolios without a refreshed Asset Management Plan of less than three years old, will offer improved rental income opportunities of 10%. For example we achieved a 30% increase with an insurance fund by repositioning the tenant profile.

### **REDUCED SERVICE CHARGE**

An independent review of the operation costs of the assets will provide 20% efficiencies to the service charge. We have exceeded expectations and achieved a 40% saving in energy costs for a major US Investment Bank Fund in China.

## Lenders & Investors: New Markets, New Solutions

### REDUCED FUND COSTS

Non recoverable operation costs for Funds are reduced by 30% over the life of the Fund if key property management functions are outsourced. This is now the norm for Funds looking to buy/sell whilst taking advantage of the volatile market conditions.

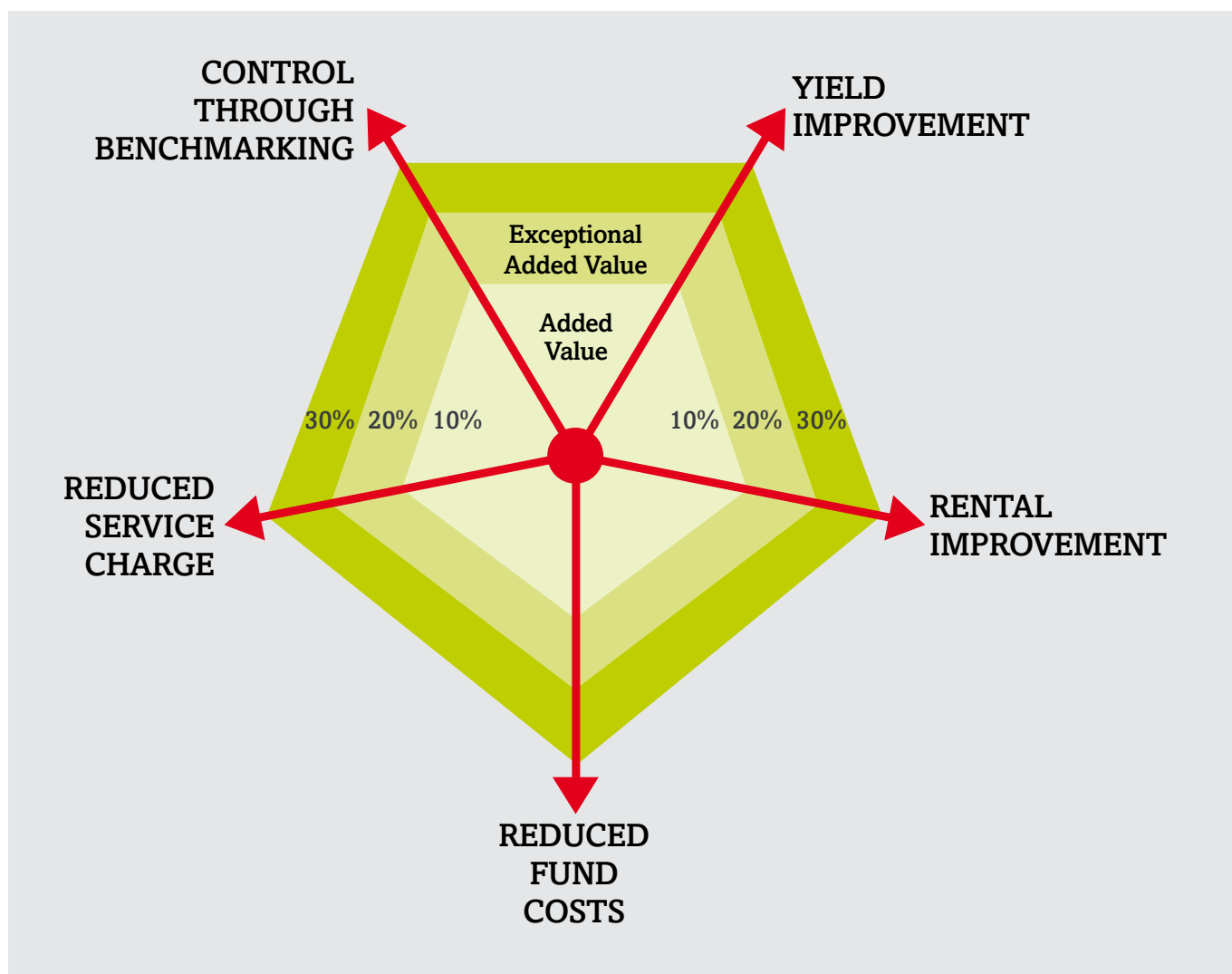
### CONTROL THROUGH BENCHMARKING

Funds will have total control on asset performance by getting Property Managers to sign up to performance benchmarks. For example, a major retail bank set a

contractual requirement with EC Harris to reduce the operation costs of its assets by 10% within a year.

### YIELD IMPROVEMENT

Improve your yield by adding value to your asset. A key Global Fund has asked EC Harris to propose sustainability solutions to improve the yield, attract tenants and maximise the occupancy.



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