

# The True cost of property

## What every Financial Executive should know



Align your property requirements to your business strategy and achieve fiscal clarity, mitigated risk and improved profitability.



What's absolutely essential is that companies look at their real estate strategy in the context of their business strategy. Commercial property is a big cost and a big commitment – it's not just about the here and now it's about asking yourself where you will be in the next five to ten years



Howard Freedman, at Baker Tilly.



Portal have recently commissioned a new white paper titled 'Understanding the true cost of property: what every financial executive needs to know' ([click here to download whitepaper](#)).

It has been researched and written by Rachel Fielding a respected financial journalist who has worked for Finance Director, Accountancy Age and Finance Week. One of its key conclusions was that not all CFOs and financial professionals are being provided with the information required to make an educated evaluation of their organisation's total property costs.

Understanding the true cost of property is complex, and whilst headline costs such as rent and rates are easily identifiable, rent, according to property consultants Actium Consult, (a contributor to the paper), represents just 35% of total office expenditure. To ensure success, Finance Directors must obtain information about the other costs involved in a property project. The challenge is that these come from a multitude of sources, both external and from within their own organisations, many of which, the paper states, are difficult to obtain, or simply not even considered. These can include, on-going facilities management (FM), IT &

telephony infrastructure, dilapidations, legal fees, project contingency, and unbudgeted management time. The paper argues that it is these hidden or forgotten costs that have the potential to create a 'black-hole' in an organisation's future finance planning.

The paper also highlighted that Financial Directors should be aware of other solutions, away from traditional lease or freehold that may have the potential to mitigate this risk by identifying and encompassing these costs at the onset. Some of these models, such as Portal's Occupier Solution also have the benefit of enabling senior executives to closely align their organisation's property requirements to their business strategy. These solutions are designed to enable senior management and financial professionals make better informed property decisions and stay focused on their core business competencies.

### The research identified a number of costs which are not normally factored into an overall project:

- The cost of money for capital expenditure
- The cost of overruns – it is estimated that 90% of implementations in the industry go over time and over budget
- Project management of the implementation
- Legal costs associated with the lease
- Maintenance contracts - building, plant and machinery, ground maintenance, day to day (for example carpet cleaning), technology hardware
- Inflation
- Real support people costs - recruitment, training, support, attrition, salaries, salary increases, sickness and holiday cover
- General housekeeping
- The cost of unused space during roll out
- The cost of unused space once the operation is up and running
- Future upgrades - through health and safety regulations, technology advances
- Cost of getting things wrong - such as employee numbers, business forecasts, installing the wrong equipment.

## Clarify your costs and make better informed property decisions with Portal's Occupier Solutions

To make an informed property decision, Financial Directors need to be aware of all the property options available. Alongside traditional offerings other, less risky solutions are now emerging such as Managed Office Solutions ('MOS').

For many organisations MOS presents a unique combination of benefits not available with traditional solutions. For example, they are typically offered on a fixed-price, fully-managed contract basis; they don't require any capital outlay and there are no exit penalties to pay at term. The result is that Financial Directors can achieve true total cost clarity for the contract duration and, in doing so, be more accurate in their budget forecasting. At the same time they can also mitigate the associated risk of property and its supporting infrastructure.

Portal's Occupier Solutions enhances the MOS model further by working closely in partnership with an organisation's senior executives. This approach ensures that the property delivered is configured to the exact requirements of the business, at a location of their choice, and within their financial budget.

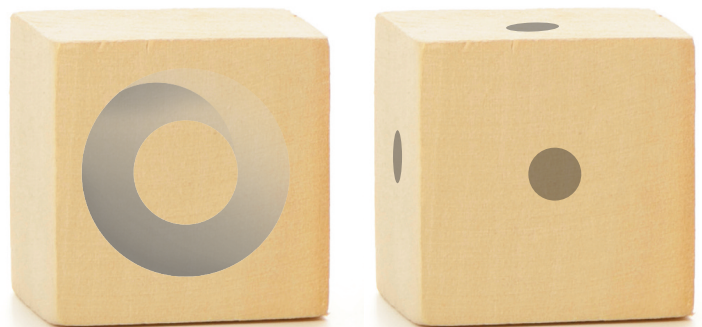
This enables both management and financial executives to make more effective decisions about their property and their business by:

- **Providing complete cost-clarity throughout the term of the contract:** With Portal's fixed-price, capex free solutions there are no hidden costs. This enables organisations to understand the total cost of a property solution on offer so they can compare like-for-like with other propositions.
- **Adopting solutions that align property to business strategy:** Portal takes the time to listen and understand what type of property you need and why you need it. Our location & property analysis experts ensure that any option we present matches your company's exact requirements, both from a financial and a cultural perspective. This enables you to consider all the options available, so you can make the right decision.

- **Delivering property on-time and on-budget:** Portal's proven experience in property delivery and project management capability ensures that organisations get the property delivered 'fit-for-purpose' in the shortest possible time. We have never been a day late on a property delivery.
- **Mitigating the property and infrastructure risk:** Portal shoulders the entire property risk from initial search and acquisition, through to eventual exit. Our rigid Service Level Agreements ensure 'peace of mind' throughout the contract period. At the end of the contract term we provide further options for occupancy, or you can simply walk away with no dilapidations, lease overhangs, or legal fees to pay.
- **Adopting a proven cost-effective solution:** The solution has been independently proven to be cost effective by Actium Consult, a leading authority on Total Office Costs. Their research showed that, on a like-for-like basis Portal's MOS model achieved genuine cost savings in comparison to alternative methods. This is backed up by an enviable portfolio of clients including IBM, E.ON, BskyB and Provident Financial.

### Summary

By adopting Portal's managed Occupier Solutions approach to MOS and engaging in a professional partnership process you can avoid the 'black-hole' of hidden property costs and have the best of all worlds. By moving your property onto an operating cost model and paying a fixed price for your office accommodation solution, you can delegate responsibility to a third party, enjoy lower costs reduce the risk of cost creep, throughout the lifetime of the contract. This ensures greater cost clarity over the entire term; quite simply, you mitigate your property risk, for today and in the future.



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Portal source and deliver bespoke property solutions for the corporate sector. Our fully managed, flexible accommodation solutions include all capital expenditure components within a fixed price operational contract. The result is a simplified, low risk and cost effective approach to property. At Portal we think business, not buildings.

**To find out more please visit [www.portalgroup.uk.com](http://www.portalgroup.uk.com)  
or call 0207 495 5672**