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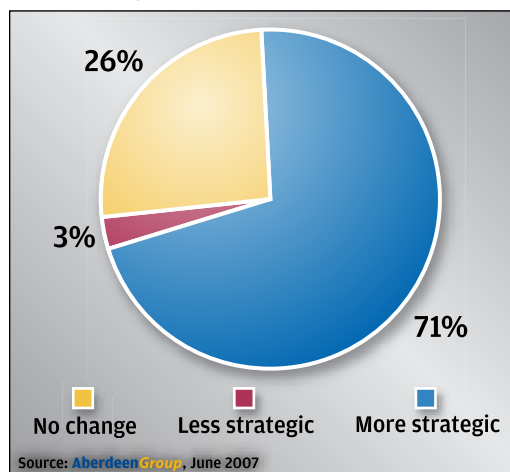
# Are You Overlooking Your Largest Financial Asset?

SAP Real Estate Management Can Help You Lower Costs, Drive Revenues, and Increase Property Value

In a recent study, 71% of enterprises surveyed reported that the role of real estate and facilities life-cycle management (REFLM) has become more strategic over the past two years (see **Figure 1**).<sup>1</sup> This should come as no surprise when you consider that, in most companies, real estate represents their balance sheet's largest financial asset and is among their highest operating costs – second, perhaps, only to human capital.

With this in mind, optimized real estate and facilities lifecycle management can have a significant impact on the bottom line. But with market globalization and the prevalence of mergers and acquisitions today, many enterprises are challenged to quickly answer even the most basic questions: What properties do we own? Which do we lease? Where are they located? How are they being used? How much do they cost? How much of our space is vacant?

**FIGURE 1** ▼ The changing role of corporate real estate and facilities lifecycle management (REFLM) over the past two years



<sup>1</sup> Andrew Bartolini and William Browning III, "Real Estate and Facilities Lifecycle Management – The Three Keys to Success: Visibility, Visibility, Visibility," Aberdeen Group, Inc. (June 2007).

Combine this with growth of core business, economic uncertainty, and increased emphasis on the capital market, and corporate real estate managers are challenged with greater accountability and visibility into their current holdings, as well as more demanding revenue-generating and cost-cutting objectives.

So how do you make your real estate portfolio – and all tasks related to corporate real estate management – more strategic to your business?

## What It Takes to Achieve Strategic Corporate Real Estate Management

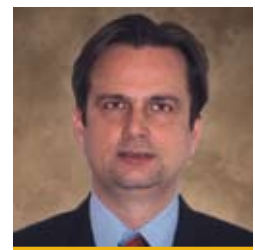
While globalization and growth change companies' core business models, corporate real estate managers are charged to more effectively and efficiently:

- Improve overall building operations
- Search for new sites and find the right points of sale for both new properties and current holdings
- Assess space requirements and occupancy rates, and streamline space and lease management
- Analyze current holdings – including property acquisition and disposal, rental agreements, and building reuse and modernization – and make effective portfolio changes
- Manage land easements and rights
- Optimize maintenance and repairs
- Track and report on space utilization, costs, revenue, and profitability

Increasing insight into the property portfolio, making REFLM more transparent, and tying it all into your ERP system is key to achieving these objectives. Most customers, however, are using SAP ERP Financials to focus only on core finance processes, such as closing and payment handling; real estate management is often considered a separate, secondary issue.



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“The objective is to provide an integrated property management and reporting system to help Shell achieve cost-effective management of its major properties and improve portfolio management.”

— Rob Kuiper,  
SAP Real Estate Management  
Design and Implementation  
Manager, Shell International B.V.

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What’s more, as companies rethink their real estate management strategy, they find that global real estate portfolios are generally managed in a way that’s decentralized and disconnected from the company’s core business. Real estate data tends to live across various systems, and paper-based processes are common. Growing property portfolios across borders also implies increased legal complexity, as companies must adhere to trade and fiscal standards; failure of legal compliance becomes a major risk.

Companies are now looking for a higher level of space utilization, reduced operational costs, and a more effective way to make profitable decisions about property acquisition and disposition. They need increased insight into their property portfolios – including all lease and financials data – across departments and corporate functions. And as companies merge, they need to rationalize their merged or redistributed real estate portfolios.

Finally, tasked with generating revenue and cutting costs, companies want to automate lease administration and optimize service management to free up capacities required for investment management.

### End-to-End REFLM with SAP Real Estate Management

To address globalization, achieve greater transparency, automate business processes, and link it all to your current financials processes, SAP offers SAP Real Estate Management, which is closely integrated

with the financials and logistics functions of SAP ERP software. This solution provides seamless integration between leasing transactions and your current accounting, controlling, maintenance, and reporting functions. As part of the SAP ERP application, SAP Real Estate Management helps you achieve better control of and greater insight into your portfolio.

SAP Real Estate Management provides strategic and operational support for effectively managing property and real estate investments (see sidebar below). Most importantly, this application supports every stage of the real estate and facilities life cycle, including property acquisition and disposal, portfolio management, building operations and maintenance management, and investment controlling and reporting – all in a single solution.

### Real-World Example: Integrated Property Management at Shell Real Estate

Companies in 50 countries across all industries use SAP Real Estate Management. Consider Shell – a global group of energy and petrochemical companies active in more than 130 countries and territories. Within the Shell Group, Shell Real Estate is the global functional lead for all real estate, including offices, depots, warehouses, refineries, residential properties, and schools.<sup>2</sup>

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<sup>2</sup> Shell Real Estate is not the functional lead for service stations. A similar, separate SAP Real Estate system handles these.

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## What Features of SAP Real Estate Management Can Help You Drive Strategic Benefit?

- **End-to-end real estate and facilities lifecycle management:** The fully integrated SAP Real Estate Management application ensures all business processes are harmonized throughout the company to support core business. This helps to increase service quality and make costs visible and controllable – from analysis of current properties to acquisitions and disposal.
- **Increased revenue:** The solution helps drive revenue with external parties by providing full insight into the property portfolio and improving collaboration with corporate employees, as well as landlords and external tenants.
- **Optimized lease management:** SAP Real Estate Management standardizes and automates all recurring lease administration activities – such as rent escalation, renewals, and periodic postings into financials – to save time and effort and free up capacity for more strategic tasks. As a result, organizations can accelerate leasing processes and elevate occupancy and tenant retention rates – and their associated lease revenues.
- **Increased space utilization:** SAP Real Estate Management offers an integrated space management and cost allocation option that helps identify unused areas, assign employees to offices (see **Figure 2** on page 28), handle meeting room reservations, and settle utilization and service costs to the right departments.
- **Controlled expenses:** The solution helps you control expenses by automating maintenance, repairs, services, and their reconciliation to corporate departments and external parties, including landlords or tenants.
- **Improved decision making:** SAP Real Estate Management provides better decision support by automating the reporting of key performance indicators (KPIs), such as vacancies, utilization rates, costs, and revenues. Centralized analytic layers increase insight into property portfolios, including lease and financials data (see **Figure 3** on page 28). The application offers transparency into all aspects of the portfolio, including space utilization and financials data.

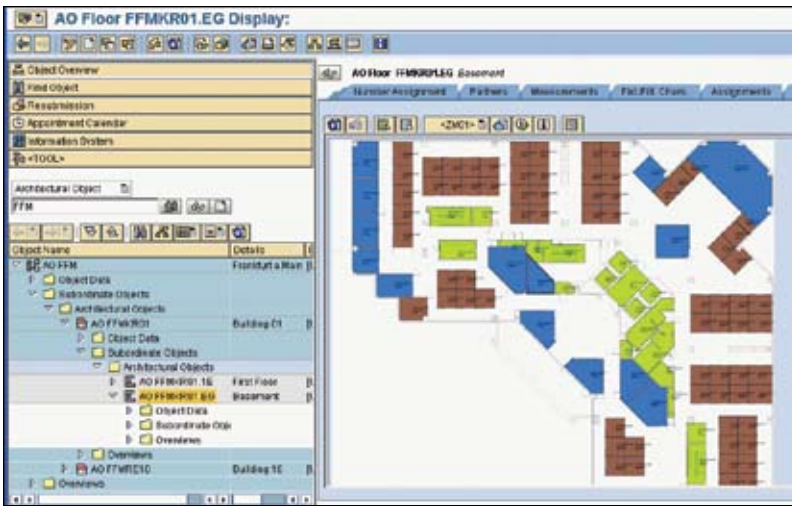


FIGURE 2 ▲ SAP Real Estate Management helps companies manage their corporate office space; here, rooms shaded in blue have capacity for 10 employees or more



FIGURE 3 ▲ SAP Real Estate Management helps companies analyze portfolios by usage type, vacancy rates, and revenue per lease

## Shell's SAP Real Estate Management Implementation: Lessons Learned

- Fully document your global business processes before configuring the software. Knowing and understanding these processes will enable you to design and build the system around your organization and its needs.
- Do not underestimate the effort required for data gathering and cleansing; initial data gathering and cleansing is key to an accurate appraisal of your current real estate holdings – and it's a particular challenge across a global business. What's more, data gathering and updating is a continuous requirement and is a process that will need a lot of attention.
- Ensure that business and IT work together to provide good returns on your investment during implementation. This means involving various areas, including these two groups and your financial teams, from the start.
- Do not forget to pay attention to your users. Any new system will have to be embedded into an organization; change management and training are ongoing activities that should not stop after the implementation.

To manage this diverse real estate portfolio, Shell Real Estate implemented SAP Real Estate Management worldwide across the Americas, Asia Pacific, and EMEAR. This decision was based on a number of factors, such as Shell Real Estate's requirement for one consistent global database to enable their local real estate teams to operate at the highest level. Here, Shell Real Estate was looking for software that offered full support of the real estate life cycle and complete visibility into its portfolio, including occupancy, utilization, costs, revenue, and profitability.

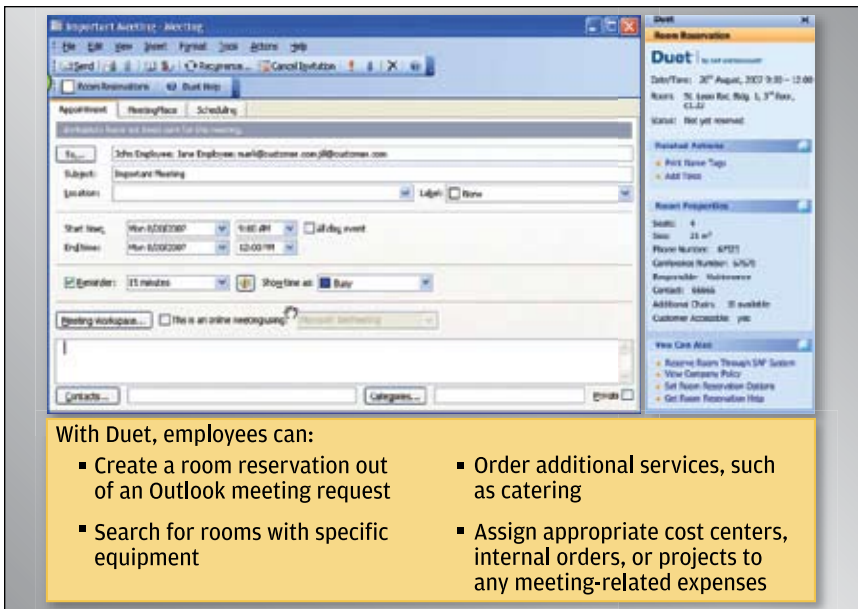
Shell Real Estate went live with the data management functions of SAP Real Estate Management in July 2007; implementation took place in phases throughout the rest of the year. Final configuration for full integration with the financials functions of SAP ERP is the next stage, planned for 2008.

Shell Real Estate benefits from SAP Real Estate Management in multiple areas:

- **Globalization:** Shell Real Estate now has a single, consistent global database and platform from which local real estate teams can efficiently manage their assets.
- **Portfolio optimization and controlled expenses:** With direct availability of lease information and occupancy and rental data, Shell Real Estate will now be better positioned to efficiently and cost-effectively manage and advise the Shell Group on all aspects of the real estate life cycle.
- **Portfolio transparency:** With this central platform, Shell Real Estate now has the tools to provide full insight into the size and structure of the Group's real estate portfolio. Corporate real estate managers gain complete, accurate visibility into what is owned or leased, where the properties are located, how they are used, and how much they cost.
- **Integration:** Shell Real Estate will integrate real estate and financial transactions/reporting to streamline financials processes globally in 2008.

## Look for Future Enhancements to the SAP Real Estate Management Offering

To streamline the tasks of the typical corporate real estate manager, SAP enhancement package 2 for SAP ERP 6.0, which was released in late 2007, includes new functionality that supports additional corporate real estate scenarios, such as:



**FIGURE 4** ▲ Duet functionality empowers employees to manage meeting reservations, including service arrangements and cost assignments, on their own

- Employee seating assignments and move management
- Room reservations
- Improved internal cost allocation for space utilization
- Improved interfaces for computer-aided design (CAD) and geographic information system (GIS) integration
- Improved support for multiple currencies in lease management
- Multiple customers and vendors per condition

SAP customers should also look into Duet 1.5, which integrates SAP applications with Microsoft Office solutions. This new version will give employees simplified access to room reservations via Outlook meeting requests (see **Figure 4**). Corporate real estate managers will benefit from better use of meeting spaces, increased transparency into space utilization throughout their real estate holdings, and better cost control through seamless support of the interaction between employees and the corporate real estate department.

## Conclusion

Optimized real estate and facilities lifecycle management can serve as a strategic

advantage – and as a significant portion of the current assets in a company. Any savings and efficiencies gained here can contribute significantly to the company's financial performance and support business growth.

SAP Real Estate Management increases the value of the property portfolio by enabling better management decisions through deeper insight. By standardizing and optimizing REFLM processes, the solution helps save time and money to free up resources for more strategic endeavors. And by improving tenant collaboration and retention, the solution also helps drive revenue. For more information, visit [www.sap.com/realestate](http://www.sap.com/realestate) or <http://service.sap.com/re>. ■

## Additional Resources...

...from **SAP Insider**

- The **Financials 2008** conference in Orlando, March 10-13, 2008, for detailed information about SAP Real Estate Management ([www.sapfinancials2008.com](http://www.sapfinancials2008.com))
- “Special Report: Duet Team Readies Next Releases” (*SAP NetWeaver Magazine*, Summer 2007, [www.NetWeaverMagazine.com](http://www.NetWeaverMagazine.com))