Financing corporate real estate: The impact of corporate real estate in the shareholder value equation

Matthew Hill

Received (in revised form): 12th December, 2002

Matthew Hill
is head of real estate in the Structured Solutions team of Maple Securities, a Canadian investment bank, based in London, with responsibility for structuring real estate transactions across Europe. Prior to this Matthew was with Andersen Corporate Finance, responsible for advising clients on structuring finance for various real estate portfolios across Europe, including working with Soros-backed Mapeley, on a number of their projects. He was closely involved in helping British Telecom manage their £2.38bn sale and leaseback transaction in 2001. As a senior manager with King Sturge Financial Services, he worked on some of the UK's first successful Private Finance Initiative projects and delivered the UK's first completed PFI hospital. Matthew has an MBA from Henley Management College and a Bachelor of Engineering honours degree from Kingston University and is a member of the Royal Institution of Chartered Surveyors.

Keywords:
'shareholder value', corporate real estate, sale and leaseback, real estate outsourcing

Matthew Hill
Head of Real Estate
Structured Solutions,
Maple Securities (UK) Ltd
Ryder Court, 14 Ryder Street
London SW1Y 6QB, UK
Tel: +44 (0)20 7570 2003
Fax: +44 (0)20 7570 2024
E-mail: matthew.hill@mpuk.com

Abstract
This paper aims to bring together the principles of shareholder value added (SVA) and the impact of operational real estate on the corporate occupier's financial management. As an introductory piece, it sets out to bridge the gap in understanding that often exists, either in the corporate finance department about the mechanics of real estate finance, or in the corporate real estate profession about the impact on corporate finance of real estate ownership and funding decisions. From this paper the reader should gain a better understanding of the mechanistic links between delivering shareholder value and the options and potential decisions in respect of a corporate occupier's real estate ownership and funding strategy. This paper demonstrates the theory by considering a number of relevant transactions carried out by corporate occupiers with their operational real estate in the ultimate pursuit of increasing shareholder value.

INTRODUCTION
Anecdotal evidence suggests that around 75 per cent of corporate real estate in Europe is owned by the occupier, compared to around 30 per cent in the USA (Cohen 2003). Many in the real estate industry anticipate the trend in Europe will be towards the US model with large portfolios of corporate real estate offered on the market in sale and leaseback or similar transactions, taking real estate off the occupiers' balance sheets.

For many, the reasons for owning real estate are historic. Owning real estate could be a strategic element of financial planning, such as the use of property as a hedge against inflation or due to the opportunity of capital gains arising from property redevelopment. Very often, however, property has accumulated through pure inertia or lack of management focus. Irrespective of the reasons or perceived advantages of owning real estate, in this age of increased accountability to shareholders the question of what real estate is doing to shareholder value needs to be carefully considered. This paper focuses on the messages to deliver to corporate occupiers, to

www.manaraa.com
المنارة للاستشارات

show them that they can manage the contribution their operational properties make to shareholder value.

PROS AND CONS OF OWNING PROPERTY

In the eyes of the corporate occupier there are significant advantages to holding operational property assets:

Owner-occupier advantages

- Occupational flexibility and control remains solely in the hands of the corporate occupier. Apart from limitations such as compliance with planning consents, the corporate occupier is master of its own destiny and is free to occupy a property for as long as it requires, without any consideration or obligation to third parties.
- No rental payments and therefore complete insulation from property market rental fluctuations. This provides significant certainty to the occupier in respect of property related business overheads. It is particularly helpful in economic downturns where the occupier may otherwise be at risk of paying high rents previously set in a boom market.
- Financial flexibility can be achieved through making use of property assets as collateral for mortgage loans or, alternatively, varying the timing of major planned maintenance to suit other corporate cash flow variations. Owning property assets can also provide tax advantages through capital allowance schemes.

There are of course disadvantages too:

Owner-occupier disadvantages

- As decisions in respect of managing property will always be subservient to the requirements of the core business, the property assets will probably not be as efficiently managed as they would be by a property company. For example, whenever a property decision conflicts with core business requirements, core business will always prevail over the property team's recommendation.
- Capital (or debt) tied up in property assets is capital that could otherwise be used to invest in core business. Given the first point above, the question is: are returns from capital invested in property significantly lower than returns achieved from capital invested in core business? Empirical evidence shows that this is usually the case.
- Property acquisition or disposal consumes additional significant management resources that could otherwise be diverted to core business.

SHAREHOLDER VALUE

Owning property assets is outside a company's 'core business' and is therefore not traditionally considered to be significant in fulfilling a company's primary objective — to maximise returns for its shareholders. The view of corporately held property assets is changing as the concept of 'shareholder value added' (SVA),

المنارة للاستشارات
www.manaraa.com

developed in the 1980s, challenges previous business theories as to how to add shareholder value. Shareholder value requires the generation of net, after tax profit, over and above the return on capital required by shareholders. The theory holds that:

Shareholder value theory

$$SVA = NOPAT - (WACC \times NAV)$$

where
SVA = amount of shareholder value added
NOPAT = net operating profit after tax
WACC = weighted average cost of capital (ie the weighted average between required return on equity and the cost of debt finance)
NAV = net asset value

In simple terms, shareholders require a risk-adjusted return on equity invested in a company. Taking into account any debt financing (and consequently the lower cost of debt finance) the WACC (ie the average of equity return and cost of debt) multiplied by the NAV provides the amount of return required by a company to finance the debt and pay the shareholders. If the NOPAT is equal to this amount (ie SVA = £0) then the company is not adding any value, even though it is making a profit. For a company to be creating value for the shareholders, NOPAT must at least exceed WACC × NAV. If NOPAT is less than this then the company is destroying value (ie SVA is a negative amount).

While the theory of adding shareholder value is relatively simple it is also widely recognised for being extremely difficult for business managers to apply in practice. Many companies spend inordinate amounts of corporate resources to adapt their management practice to meet the requirements of a true 'shareholder value adding' approach, only to find that they remain unable to make an instant conversion to a largely alternative way of corporate thinking.

In practice, making this simple formula work in a business environment requires managers to eschew the traditional accounting methods and to adopt discounted cash flow techniques to measure and manage future financial performance.

CORPORATE REAL ESTATE FROM AN SVA PERSPECTIVE

The following points are relevant.

Applying SVA theory to corporate real estate practice

- Owning property assets increases the NAV position (thereby increasing the '(WACC × NAV)' portion of the SVA formula), but also improves the NOPAT position, as a result of the company not having to pay rent. To understand whether this improves the SVA result one must study the returns generated by investing in property — ie the rent saved — and compare this with the returns generated from core business activity. The after-

www.manaraa.com

tax position must be considered to determine the true net SVA result.

- Where property assets are mortgaged, the position is similar except that the additional debt equation has to be factored in. That is the cost of debt, the after-tax cost of interest and principal repayments. The inclusion of additional property debt will also affect the calculation of the WACC itself, by altering the capital structure of the company.
- All the analysis has to be carried out over a 'project life' time scale and take into consideration all income and expenditure events connected with alternative property financing routes and all aspects including, for example, the overhead costs of an in-house property team. Factors such as acquisition and disposal costs, including, the cost of holding redundant property prior to disposal must be incorporated.
- An understanding of market rental cycles must be factored into the analysis to incorporate the full 'alternative picture' of leasing corporate real estate.

While it is important to recognise the complexity of such an analysis, it is equally important to appreciate the fact that this analysis *can* be done. It is also important to emphasise that the overall results will be different from company to company, between different geographical markets, and will also depend significantly on the various property portfolios under consideration.

SVA and corporate real estate — worked example

For example, taking a hypothetical company with a WACC of 8 per cent, an NAV of £12,500,000 and a NOPAT of £1,100,000, it can be seen that the company is only generating an increase in shareholder value of £100,000.

$$\begin{aligned} \text{SVA} &= \text{NOPAT} - (\text{WACC} \times \text{NAV}) \\ &= £1{,}100{,}000 - (8\% \times £12{,}500{,}000) \\ &= £1{,}100{,}000 - £1{,}000{,}000 \end{aligned}$$

$$\text{Shareholder value added} = £100{,}000$$

If the company then entered into a sale and leaseback of a property asset, based on the following assumptions, the formula would change thus:

- Property value £1,000,000
- Average rent £140,000 pa (over life of lease, including the effect of market rent reviews)
- Profit from sale of property £0
- Debt previously secured against property £0
- Effective corporate tax rate 30 per cent

المنارة للاستشارات
www.manaraa.com

Revised NOPAT = £1,100,000 – (£140,000 × (1–30%))
= £1,002,000

Revised WACC = 8% (assume no change)

Revised NAV = £11,500,000

Revised SVA = £1,002,000 – (8% × £11,500,000)
= £82,000
Change in SVA = £82,000 – £100,000
= –£18,000

Therefore the effect of the sale and leaseback is value destroying. However, if the company were to invest the proceeds in expanding its core business, such that the NOPAT was increased by more than £18,000, then the overall effect would be to add shareholder value.

DEPRECIATION

Depreciation and the application of shareholder value theory

It is important to note that depreciation is one of the accounting concepts that the SVA theory spurns. This is one of the reasons why managers often find shareholder value difficult to apply. It is therefore not appropriate to include depreciation in this comparative calculation.

This does not suggest that all sale and leasebacks are value destroying. It merely serves to illustrate the complexity of the relationship between a sale and leaseback transaction and shareholder value mechanics.

More important to note is that the effect can be (and therefore should be) directly measured. The results will vary from company to company and from property to property. The same company will get different results in considering two different properties and two different companies will always get different results when considering identical properties in the same location.

WHAT ARE THE OPTIONS OPEN FOR CORPORATE OWNERSHIP OF OPERATIONAL REAL ESTATE?

Given this analysis, and given a certain company, it is important to consider the various property ownership options available for selection.

OWNERSHIP OF OPERATIONAL PROPERTY

Impact on SVA of owning real estate

As discussed earlier, this provides ultimate flexibility and control for the occupier. However, it has the potential to create a ‘drag’ on financial performance and the ability of the company to create SVA, depending on the circumstances surrounding the company, the properties it occupies and the property markets in which it operates.

In particular, the occupier’s financial performance is affected by the long-term capital value ‘performance’ of its property assets. This

المنارة للاستشارات
www.manaraa.com

may be good news in a rising property market, but is bad news in a property slump, and a significant financial risk to the occupier.

There is a compelling argument that a company will always make its decisions in favour of its core business, even though this may conflict with the best value management of its property assets. Therefore the financial performance of corporately owned property will never be as high as property owned by a dedicated property investor.

SALE AND LEASEBACKS AND TRADITIONAL UK PROPERTY LEASES

Impact on SVA of sale and leaseback

This has the advantage of freeing up capital for core business. Property leases in the UK are (currently) 'off-balance sheet' for the occupier, meaning that although lease payments are similar to loan repayments, the effective equivalent 'debt' represented by the capitalised lease payments is not shown as a long-term liability in the occupier's accounts. Lease rents are furthermore fully 'tax deductable', improving the effect on the SVA formulaic analysis. Leases are readily available in all major property markets and sectors and are relatively inexpensive to execute, given the universal understanding of the basic commercial principles involved.

If the proposed accounting rule changes come into force, effectively putting lease obligations on balance sheet, this will have a minimal effect on the SVA formula. As well as recording the lease obligations as a long-term liability, the benefit of the lease will be shown as an equal and opposite asset, thereby leaving the NAV position largely unchanged. However, there are a number of disadvantages to the occupier, both financial and operational, which all have the potential to impact on the SVA formula result.

- Occupiers are often strictly limited to comply with the terms of the original lease and require the landlord's ultimate consent to vary these. Flexibility of occupation is often limited, particularly in premium properties where a landlord can insist (due to competitive occupier demand) on long lease lengths, typically of 10 to 15 years or more.
- In particular, lease lengths are fixed and there is no ability for the occupier to terminate a lease during the term. An occupier's only recourse to disposing of a lease commitment prior to the end of the lease term is to rely on its ability to sub-let or assign a lease, and to do this the occupier must now enter the property business and take property risk itself.
- Occupiers are subjected to market rent reviews. In the UK these are typically every five years and typically 'upwards only'. This means that property overheads can become unpredictable, onerous and absorb inordinate amounts of management time. While on a single property this might appear to be an insignificant issue, where a large portfolio contains, say, 60 leases, that would be on average a rolling programme of a different rent

المنارة للاستشارات
www.manaraa.com

review occurring once every month, continually. Taking further into consideration a different landlord in each case, each with its own determination to achieve the best result possible, the demand on management time and the impact on operating overheads can often be highly significant, even when professional advisers are employed.

- An occupier's decision to expand into new premises can be restricted depending on the buoyancy of the property market at the time. In a rising market, there will be competition from other expanding occupiers. Securing the property of choice may result in a bidding war. This can leave an occupier paying historic 'boom time' rents in a subsequent recession, which not only creates misaligned overheads for the occupier but may also limit the occupier's ability to sub-let or assign the lease to another occupier.
- Occupiers typically retain full repairs and maintenance risk and liability, either through direct repairing covenants or through service charges that recover the full cost of any works. At the end of the term the leases most usually require the occupier to reinstate the property to a condition ready for the next occupier to move in. While this is no different to the situation where an occupier owns a property, it is a disadvantage of owning property that an occupier cannot shed by taking a typical property lease and, therefore, a large property-related risk and overhead remain with the occupier.

OUTSOURCING — PFI

Application of PFI to corporate outsourcing of real estate

Outsourcing by central and local government through the framework of the Private Finance Initiative (PFI) is well established. The total value of projects signed since May 1997 amounts to some £20bn for projects including roads, hospitals, prisons, office accommodation and IT systems.

PFI theory is designed to be as advantageous to the occupier (ie the designer!) as possible and to achieve full 'risk transfer' for financing, procurement and management to the provider. It seeks to harness private sector innovation and create a transaction where the provider is fully incentivised to manage risks, achieve value for money, continually improve performance and maintain high quality of service delivery.

In both the PRIME[1] and STEPS[2] transactions where entire UK government departments' national portfolios of offices were sold, the occupier pays a single occupation charge based on the cost of providing the accommodation and the cost of providing the associated services such as cleaning, maintenance, security etc. The charge is set to increase by a fixed amount every year (typically by reference to the retail price index (RPI) or some other fixed, low increase factor), effectively isolating the occupier from property market rental increases. The occupation charge is also performance related, to the extent that there are performance deductions for poor

www.manaraa.com

performance, including a 100 per cent deduction in the case of accommodation being unavailable.

These principles are directly relevant to property PFI projects and are further directly applicable and suitable for the corporate real estate sector. This has been proven in the corporate real estate sector with occupiers adopting the principles in various forms through bespoke leaseback contracts, as described below. This route, referred to by some as 'corporate PFI', like the other options described above, contains advantages and disadvantages to the occupier. Before considering these, however, it is important to understand the underlying concept upon which PFI is based in order to appreciate why it is far more likely to be advantageous to the occupier than the previous two options.

By committing to PFI, the government has in effect rejected ownership of (and capital procurement of) assets as inefficient and not government core business. It has decided that there is an industry better placed to manage asset procurement and asset management and that industry can be harnessed and incentivised if it retained financial risk and rewards associated with ownership. Notably at the same time, the traditional lease model has been rejected and a brand new alternative lease structure devised, namely the PFI operating agreement. Under PFI there is some important nomenclature. Landlords are referred to as 'service providers', rent is referred to as the 'availability charge', the contract charge, including rent and the provision of services is known as the 'unitary payment', payment of which is subject to standards of performance being met.

Distilling the advantages of PFI for the corporate occupier

Taking the lessons of PFI, the advantages open to a corporate occupier through a similar, bespoke leaseback contract may be summarised as follows.

- Contract terms designed to suit the particular needs of the corporate occupier and further to suit the particular characteristics of the subject property assets. There are no hard and fast rules as to what is and is not allowed — every aspect will have a pricing impact, for better or for worse.
- Properties are funded off-balance sheet using the service provider's finance. This is equivalent to the accounting treatment of traditional leases, whereby the assets do not affect the capital structure of the occupying company. (While this is subject to possible change under the International Accounting Standards, expected to be adopted across Europe by 2005, the balance sheet treatment of these structures appears to be increasingly academic as rating agencies and equity analysts look beyond balance sheet accounting and consider the long-term cash-flow implications of these transactions — in line with shareholder value management theory.)
- Flexibility in occupation can be achieved through bespoke design of occupational commitments and options to vary this. Occupiers

المنارة للاستشارات
www.manaraa.com

can fix break options on proportions of a portfolio, throughout the contract term. Alternatively, substitution clauses can allow assets to be swapped in and out of the transaction. (Increased flexibility tends to equate to increased uncertainty for the service provider's funding and hence has an adverse impact on price.)

- No market based rent reviews. The contract provides for a set pricing profile over the full contract term thus providing the occupier with certainty over accommodation overheads. Typically, the rent charge is increased annually by a small fixed amount, usually between 1 per cent and 3 per cent or linked to the retail prices index. Pricing risk on the provision of services is also capped through a similar mechanism.
- Maintenance, repairs, 'soft' services such as cleaning, catering and security can be included and wrapped up in one single contract. It is important to note, however, that the inclusion of services is not a prerequisite — these solutions are highly tailored to meet the specific needs of the occupier and in the private sector the provision of services has to date almost always been excluded.
- Rent and the cost of service provision are subject to the service provider meeting performance standards. In the event of poor performance, the contract payments, including potentially the rental element, may be subject to deductions by the occupier.
- Property-related risks are effectively transferred to the service provider leaving the occupier to focus on its core business with minimal effort expended on the management of its accommodation or accommodation-related services.

There are disadvantages too:

The difficulties of applying PFI for the corporate occupier

- Such a bespoke leaseback contract requires a long-term commitment, typically 20 to 30 years, to allow for the financing structure of the service provider to mature.
- There is a full commitment to one service provider and it is very difficult to alter this or vary the contract terms until the end of the contract period. It therefore requires significant effort and expense to get the contract set up correctly and for it to be able to take account of all foreseeable eventualities at the outset.
- The extent of occupational flexibility open to the occupier, while better than the traditional lease, is still not as flexible for the occupier as direct property ownership.
- This option is still in its infancy. These contracts are not readily available in 'off-the-shelf' form and the number of service provider organisations capable of delivering this solution is still relatively limited, especially for large-scale transactions. A number of attempts by corporate occupiers at this kind of transaction have already failed, some rather publicly.
- The solution normally involves complete commitment on the part of the occupier and consequently it is logical for the occupier to shed all internal property management expertise. (In-house

www.manaraa.com

property teams typically transfer to the service provider organisation on completion of the transaction.)

On the basis of primary evidence, it appears therefore that a bespoke leaseback solution provides many answers to meeting the needs of the corporate occupier. Broadly speaking it provides some of the advantages of property ownership, in terms of flexibility and avoiding some of the nastier aspects of traditional leases, while achieving some of the important advantages of the traditional property lease too.

MEASURING THE EFFECT ON SHAREHOLDER VALUE

In order to understand fully the impact of property asset finance on a company's SVA performance, a comprehensive SVA appraisal of the various alternatives, which would include a full summation of the company's core activity and cash flow, is required.

Owning property assets

Measuring SVA with real estate ownership; leasing and alternatives based on PFI principles

In the analysis, the appraisal would have to show the financial impact of the acquisition of the property assets at the commencement of the cash flow term, together with the financial receipt from the disposal or residual value of the assets at the end of the term. It would also have to include any expenditure items relating to the property during the term of the appraisal.

The difference between the entry price and the exit price would reflect the capital growth of the property assets over the period. However, the 'revenue returns' from the investment in the property would only be implied by the fact that there would be no rental overheads during the term of the analysis.

Traditional leases on property assets

Under the traditional lease option, the appraisal would have to take into consideration the actual rent charges under the leases, together with other costs associated with managing the lease from the occupier's perspective. Under this option of course there would be no capital outlay or receipt, apart from 'fitting-out' expenditure at the commencement of the term and reinstatement costs at the end.

All costs associated with the property leases should be included to produce a high quality analysis. It should include realistic assumptions in respect of, for example, the lease not terminating at a convenient point in time but perhaps the lease having to be sub-let in the market, after it is no longer required by the occupier. The costs of this would have to include rent payments, for example, on vacant properties if this typically reflected the real life situation.

'CORPORATE PFI STYLE' SALE AND LEASEBACK

This option should include the benefits of a capital receipt from a sale and leaseback and also the full re-pricing effect of facilities management (FM)-related services included in the transaction.

المنارة للاستشارات
www.manaraa.com

Significantly, from a property overhead perspective, the effects of market rent reviews would not impact the occupier. This option also contains alternatives for the occupier in respect of surrendering surplus properties during the term of the contract, through flexibility provisions as described above.

Such an analysis is virtually impossible without combining the specialist knowledge of property costs and values as well as in-depth knowledge of the occupier's financial structure and operations. Without specialist property knowledge, the financial analysis could not be tested for likely property scenarios and projections of property market assumptions. Without comprehensive knowledge of the occupier's finances, the model would lack any realism and hence not have any value.

The completion of large transactions in the UK market clearly demonstrates that, owning corporate property assets is often likely to produce a better SVA result than a traditional property industry lease model, but a corporate PFI solution is likely to be better still. Specific transactions supporting this are outlined below.

CORPORATE REAL ESTATE MARKET ACTIVITY

Market activity in developing corporate real estate outsourcing techniques

In the last three years there has been a spate of tailored corporate real estate transactions, which in various forms have adopted PFI-style principles. Although most of these transactions have been in the UK there is evidence to suggest that the principles are being considered in other European countries also. Set out below is a representative sample of the transactions that corporate occupiers have undertaken.

- Shell sold and leased back 180 petrol stations late in 1999. While this was not a corporate PFI transaction, in that there was no service element to the deal, the funding structure had many PFI-style finance characteristics. A consortium comprising Credit Suisse First Boston and London & Regional put together a winning proposal that included an 18-year lease term, fixed annual rental uplifts and a substitution clause allowing Shell to swap in new properties in place of similar properties no longer required operationally, which could be removed from the deal.
- Abbey National sold and leased back their entire group operational property portfolio. Again, although this transaction contained no service element, the financial aspect of the transaction contained the same PFI-style finance characteristics. Mapeley were the winning bidder on this transaction, which completed at the end of 2000 after a short (six-month) tendering process.
- Sainsbury's raised £560m from the sale of 25 supermarkets in two transactions in 2000, to offshore special-purpose companies that in turn issued a bond backed by the rental income from the properties.
- Woolworths sold a portfolio of 182 properties to a consortium of

المنارة للاستشارات
www.manaraa.com

London & Regional and Goldman Sachs' Whitehall Street Fund, raising £614m in August 2001.
- Marks & Spencer announced the sale and leaseback of 78 stores to Topland Group, in October 2001, raising £348m. The lease structure includes a fixed rental uplift structure and allows some flexibility to the occupier.
- British Telecom (BT) completed a sale and leaseback of its entire operational property portfolio in a PFI-style transaction, which incorporated the provision of FM services. The transaction completed at the end of 2001 and raised £2.38bn for BT to reinvest in its core telecom business. The counterparty was a consortium between Land Securities Trillium and William Pears and, as part of the transaction, BT's in-house property team were transferred with the portfolio.
- ABB sold its entire Swedish operational property portfolio comprising 1.1m sq.m (11.8m sq.ft) of office space and industrial warehouse assets to London & Regional in June 2002, raising some €400m from the sale. The transaction includes ABB taking leases from 1.5 to 15 years back on some 75 per cent of the portfolio.

CONCLUSION: THE ROUTE TO INCREASING SHAREHOLDER VALUE THROUGH DECISIONS IN RESPECT OF CORPORATE REAL ESTATE

The trend to get capital out of corporate real estate is being driven by shareholder value management practice. All the reasons, regardless of priority to the occupier, are driving improvements in the operating profit and hence improvements to returns to shareholders, as follows.

- Operational flexibility — inflexible accommodation incurs costs either because the company has to pay for property it no longer uses or because it is forced to remain using property that is not suitable to its operations, thereby limiting operational performance and restricting the generation of increased profits.
- Transferring property risk — in all business, the acceptance of risk is dependent on the payment of reward. Therefore transferring risk should lead to an increase in charges and a reduction in the amount of free cash generated. However, the overall long-term cost to the occupier is reduced if the provider is better at managing property risks, which is its core business. Such a provider should be able to manage those risks profitably and charge less to the occupier than the total cost of the occupier retaining those risks would be.
- Improving returns on capital investment — releasing capital from property and investing it in core business will improve the generation of profit, as long as the increase in cash generated from core business exceeds the returns from property, less the payment of the new expense of property rent (all after the effect of tax is taken into account).

www.manaraa.com

Shareholder value creation is being achieved through sale and leaseback transactions, with leases structured in a different way to the traditional property industry model. Importantly, occupiers are achieving a much greater transfer of property-related risks to organisations that are geared up and prepared to manage those risks. In many cases the transaction structures are drawn up to provide a value-adding solution to the corporate occupier, particularly in the area of operational flexibility.

> Occupiers and providers are together assembling complex and bespoke contract structures, often based on the essential principles of PFI, but carefully tailored in different ways to meet the particular needs of the transaction and the occupier.

Reference

Cohen, N. (2003) 'Outsource the office and gain value', *Financial Times: Companies & Finance Europe*, 21st January.

Notes

(1) PRIME is a loose acronym for private sector resource initiative and was chosen as the project name for the first government portfolio sale and leaseback deal under PFI where the entire DSS offices portfolio was sold to the private sector.

(2) STEPS or strategic transfer of the estate to the private sector was the second such portfolio sale and leaseback involving the entire Inland Revenue and Customs and Excise portfolios.

المنارة للاستشارات
www.manaraa.com

Copyright © 2003 EBSCO Publishing

Copyright of Briefings in Real Estate Finance is the property of John Wiley & Sons, Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.

المنارة للاستشارات

www.manaraa.com