Disposal strategies in corporate real estate portfolios

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Abstract

Purpose – The purpose of this paper is to develop a decision-making framework based on empirical evidence to improve the current real estate portfolio disposal procedures in the banking sector.

Design/methodology/approach – The empirical research is based upon a comparative analysis of four in-depth case studies in the Netherlands that in combination represent a market share of approximately eighty per cent of the Dutch banking sector. The case study protocol comprises a systematic document review of corporate business and real estate strategies and semi-structured interviews with representatives of the selected organizations. The organization roles of interest to this study represent two tiers of decision making within a corporation, directly involved in corporate real estate (CRE) portfolio composition. These are namely an executive board representative and the CRE/acquisition/facilities manager.

Findings – The results of this research indicate a strong relationship between the corporate organisation characteristics, legacy and strategy; the identified disposal drivers and the decision-making in CRE disposal strategies. The weighing of different strategic drivers and order of steps within the execution of these strategies is largely dependent on the organisational goals and objectives, with the CRE strategy as the embodiment of these. Corporation size limitations and a narrow core business focus can lead to reduced applicability for these organizations of the theoretical CRE management concepts of disposal strategies.

Research limitations/implications – The analysis of corporate strategy documents was undertaken with publicly available material since internal documents were not made available due to confidentiality issues. This paper represents a case study research on one particular country and to generalise, further research is needed in different legal, financial and economic contexts.

Practical implications – The framework of strategy improvements provided in this paper advocates a proactive instead of a reactive approach to corporate real estate management. The findings are useful to practitioners involved in the management of corporate real estate and particularly corporations in the banking sector interested in creating value through their real estate portfolio.

Originality/value – This work provides an extensive in-depth analysis of the Dutch banking sector through incorporating four case studies that comprise over eighty per cent of the market share. The thorough analysis of evidence and generalizability to the sector and Nation proclaim the value of this paper.
**Keywords** Corporate real estate, Dutch banking sector, real estate disposal strategies, property disposal

**Introduction**

The rapidly changing conditions of the real estate market have increased the business uncertainty amongst corporations, thereby significantly shortening the planning horizon of office-occupiers (Woollam, 2004). Owners and managers of corporate real estate therefore find themselves in a context that is much more dynamic and changeable than before, in turn pressuring the financial efficiency of their decision-making (Remøy et al., 2016). The growing deviation between investor’s longevity and occupier outlook drives the need for an agile real estate portfolio, due to increased friction between the illiquidity of real estate and increased space-use fluctuations of corporations (Gibson, 2001; Woollam, 2004). Simultaneously, the last years showed high corporate real estate (CRE) disposal activity, motivated by the current innovation climate, changing purchasing patterns, and lower economic growth (Ernst & Young, 2014). These corporate real estate disposal strategies are generally used as short-term tools for capital generation in times of financial distress, leading to bad deal terms and future problems (Gibson, 2002; Louko, 2005). The disposal of corporate real estate is commonly executed within a retracting real estate market as downturns in occupier’s markets that lead to business contraction often occur on a widespread basis (Gibson, 2002). In order to create organizational value, corporations should execute real estate disposal strategies from a position of strength (Morris, 2010). In order to make use of the position of strength that is essential for successful execution of disposal strategies, corporations should proactively align their real estate disposal processes to the cyclical behaviours of economies, real estate markets, and organizational lifecycles (Louko, 2005).

The current economic recovery and positive business sentiment is encouraging organizational expansion strategies, leading to declining unemployment and job creation in office-related sectors (CBS, 2016; CBRE, 2017). Since the financial recession, the Dutch banking sector has experienced a contradictory development through the reduction of approximately 30,000 FTE’s in the period 2008-2013, with a projected negative development of another 30,000 FTE’s in the period 2013-2020 (Bökkerering, 2016). Consequently, Dutch banks have been disposing of a large share of their historically large ownership portfolios. The increased organizational space-use fluctuations pressure corporate real estate disposal decisions, leading to financially inefficient decision-making (Remøy et al., 2016). The main objective of this paper is therefore to provide improvements to the corporate real estate disposal decisions-making process of owners and managers of corporate real estate in the Dutch banking sector.

This paper takes an evidence-based research approach through the comparative analysis of four in-depth case studies in the Netherlands that in combination represent a market hare of approximately eighty per cent of the Dutch banking sector. The first part of this paper comprises a literature review, mapping the current available theoretical evidence. The subsequent section further elaborates on the research methodology and methods deployed for data collection and analysis. Third, the research findings and discussion are depicted, identifying the main findings on the four cases and a comparative analysis. The operational framework with suggested improvements to the disposal process of Dutch banking institutions is identified. Finally, the paper concludes based on the main findings, describing areas for further research.
Literature review

Impact of increased space-use fluctuations

Friction in the implementation of flexibility has led to the introduction of financial flexibility, referring to the organizational need to respond to future changes in space utilization through the financial structure of the portfolio, using the peripheral concept: This concept provides corporate real estate managers with a way to establish financial flexibility by decomposing the real estate portfolio in layers based on the duration of the commitment in the properties (Gibson, 2001).

Corporations experience a growing need to steer their reputation and image. Corporate real estate provides an organizational instrument to create identity and thereby forms a means for business communication. Strategic Corporate Social Responsibility (CSR) can be deployed in real estate interventions to improve the corporation’s image. A strong reputation provides a competitive advantage, directly increasing turnover and profit (Balmer, 2009; Gray & Balmer 1998). Strategic CSR is primarily driven by business profit and is thereby dominantly oriented at generating positive publicity and goodwill in order to enhance the company image (Vaaland et al., 2008).

The cyclical movements of corporate real estate disposal strategies

The disposal of corporate real estate is commonly executed within a retracting real estate market as downturn in occupier’s markets that lead to business contraction often occur on a widespread basis (Gibson & Louargand, 2002). Disposing real estate from a position of financial distress leads to bad deal terms and potential future problems (Louko, 2005). Deploying disposal strategies from a position of strength is considered crucial (Morris, 2010). In order to do so, one should understand the cyclical behaviour of economies, real estate markets, and organizational lifecycles.

Economies develop through long-term cyclical patterns. The long-wave concept revolves around the idea that in every cycle a point of economic saturation will be reached in which the attraction and investment of capital moves beyond what is needed. This fluctuating economic performance alters the climate for innovation, as it changes the nature of the innovation that is needed to fit the circumstances (Forrester, 1981).

There is a strong correlation between economic performance and real estate cycles (Vermaas, 2007). Real estate cycles are defined as fluctuations of vacancy and rent levels around a long-term equilibrium, in which cycles follow subsequent periods of 8 to 10 years. In each cycle, the phases recovery, expansion, oversupply, and recession are passed dependent of the economic performance (Korteweg, 2006; Geltner et al. 2001). The real estate market responds to economic conjuncture waves with a delay of 2-3 years, as the development of real estate is reactive to market developments (Phyrr, et al. 2000, Remøy, 2010).

The cyclical behaviour of organizations is known as their organizational lifecycles (OLC), comprising five development stages: start-up, growth, maturity, decline, and death (Haire, 1959). Organizations move from one phase to another because the fit between the organization and its environment becomes so inadequate that the organizational survival becomes threatened. (Lester et al, 2003).

Corporations have rarely been able to dispose of real estate in good times because of the general reactive orientation of real estate management to the business growth instead of market conditions.
According to Louko (2005), proactive alignment of the corporate real estate portfolio to the real estate market cycle increases the profitability.

**Property obsolescence and corporate real estate disposal strategies**

Changing business requirements can lead to a situation in which parts of the corporate real estate portfolio become obsolete, as alterations in the use nature can cause buildings to become functionally obsolete. Functional obsolescence arises when there is non-alignment of the property with its use due to functional changes (Langston et al., 2008; Remøy, 2010). In case a property becomes obsolete, there is the necessity for an intervention (Langston et al., 2008). Remøy et al. (2016) identified four management interventions to act upon obsolescence, namely giving up ownership by sale of corporate real estate, renegotiate rental contracts before lease expiration, buy leased property, and improve corporate real estate ownership. When decomposing these into corporate real estate disposal strategies, this provides the following four strategies:

Direct sale: The most direct way to dispose of a real estate object, hence the fastest way to generate equity. As the marketability of assets is determined through both external (market) and internal aspects (obsolescence), the suitability of a direct sale is largely dependent on specific building characteristics (Remøy et al., 2016) and a significant market demand from institutional or private investors (Hordijk et al., 2008). According to economic theory, the market price always converges to a point of equilibrium (Gale, 1995). This contradicts the inapplicability of a selling opportunity. This paper therefore specifies the suitability of sale as the opportunity for direct sale against favourable conditions.

Sale-leaseback transactions: In a sale-leaseback (SLB) transaction the building is sold and directly rented back in the form of a (mostly) long-term lease (Organek et al., 1968). SLB transactions are commonly perceived as an alternative financing method to generate capital for core business investments (Buijsen, 2001). The motivation for an SLB transaction is to establish a more flexible portfolio, enhanced solvability, liquidity and profitability (Van Meerwijk, Scheffer & Arkesteijn, 2005). The secured funds in a sale-leaseback can equal the full value of a property, which is higher than through debt financing. SLB transactions occur at financial premiums (Mansour & Scott, 2012) following the absence of vacancy periods, enhanced credit profiles, and tenant’s history on that location (Sirmans & Slade, 2010). Long-term lease commitments offer bond-like investments, attracting fixed-income investors who value the quality of the cash flows over the property characteristics (Evans, 2013).

Demolishment and new construction: As there is little reason to believe that the market will take up obsolete buildings, these assets can be extracted from the market through demolition (Remøy, 2010). Assets may find themselves in a context that makes sale or adaptive reuse infeasible. Demolishment and new construction creates the opportunity to develop a building fit for use (Remøy, 2010).

Adaptive reuse: The retrofit of vacant real estate provides an opportunity in the way corporations dispose of parts of their portfolio (Mattson-Teig, 2012). Adaptive reuse can serve as a beneficial and durable use of the location and building. There are two requirements for adaptive reuse, namely high demand for the new function, and the new use being the highest and best use of the property (Remøy et al., 2016).
**Disposal selection variables**

The selection of disposal properties is based on the weighting of different variables through the four stakeholder perspectives as described by Den Heijer (2011): strategic, functional, financial, and physical. The strategic perspective is expressed by policy makers in executive positions and is aimed at establishing competitive advantage through meeting its organizational objective (Den Heijer, 2011). Having capital tied up through ownership disables investment in the core business. However, a freehold interest enables the possibility to sell, adapt or expand one’s property at all times. The preference for ownership type thereby largely revolves around the perception of flexibility (Buijsen, 2001). The functional value drivers are expressed by users (employees and consumers) and are primarily focused on assessing the quantitative and qualitative fitness for use (Den Heijer, 2011). Changes in the objectives and needs of an organization lead to functional changes that differ from the use for which a building was once originated (Langston et al., 2008). This can lead to quantitative and qualitative functional obsolescence.

The financial perspective is created by corporate real estate managers and describes value, resources and costs, and replacement costs (Den Heijer, 2011). The value and performance of assets is driven by the market developments (Gibson & Louargand, 2002). The value of a building can change throughout an ownership-period, and becomes visible at moments of disposal. The risk for owner-occupiers is that the resale (or market) value of an object is below book value (Keulen, 2002). Property value can also serve as a decision-making variable in the positive sense, as it can be used to generate equity. The most valuable assets are generally associated with high marketability, making them subject to low disposal risk (Morris, 2010). The physical perspective originates from technical managers and is aimed at the physical property, its technical conditions and legal requirements (Den Heijer, 2011). The marketability of a property is determined by its physical characteristics (Remay et al, 2016). Building characteristics are described by three domains, namely market, location, and building. The REN norm (2003) has prescribed a set of those criteria, which are complemented by the work from other authors (Roberts et al., 2012; Geraedts & Van der Voort, 2007; DTZ, 2012; Langston & Smith, 2011).

**Methodology and data collection**

**Research method**

As the literature review underlying this study showed, conventional theoretical knowledge and concepts are no longer sufficient to cope with increased organizational space-use fluctuations. This paper applies an evidence-based research approach. The evidence-based design takes the best available evidence from three different sources (scientific, experiential, and contextual) and reflects this on the population of the study. Four case studies are executed in order to enhance the robustness and reliability of the research. The case studies incorporated in this study comprise three typical cases and one deviant case. The data for the case studies is gathered through both a field research and desktop research. The field research the execution of eight (8) semi-structured, formal interviews with experts across the four cases. The desktop research includes the literature review and the conduction of a thorough document analysis. Subsequently, the four cases are compared through a cross-case comparison analysis. The research findings are used in the development of the operational framework.
**Data collection and reliability**

In line with the evidence-based nature of this study, the case studies were executed through merging the collected data from three different sources; semi-structured interviews, the document analysis and the literature study. The use of both methodological- and data-triangulation significantly adds to the reliability of the research findings. The results of the research are thereby not exclusively based on semi-structured interviews, but also an extensive document analysis per case. To enhance the robustness and reliability of the research, multiple case studies are executed and also compared to each other. The four individual case studies were conducted and structured based on the theoretical premise as derived from the literature study. The research themes from a predefined template were evaluated per individual case and then tested through the cross-case comparison. The centralized composition of the Dutch banking sector narrowed the number of possible cases, motivating the inclusion of all cases in the population. Three typical cases and one deviant case were incorporated in the study. The dominant use of typical cases provided a representative basis for research outcomes, while the use of the deviant case enabled the exploration for phenomena and disconfirmation of deterministic arguments. The deviant case was best usable in the cross-case comparison, allowing the identification or rejection of relationship between research themes. The four case studies together comprise over 80 per cent of the Dutch banking sector, thereby significantly adding to the reliability of the findings.

Throughout the study, the research themes were evaluated through semi-structured interviewing and document analysis. These are both methods that are sensitive to interpretation differences. In order to cope with this the interview summaries were presented to the experts for accordance.

**Research findings**

The following sections identify the research findings based on the applicability and the research themes per case and lessons learned from their practical implementations.

The disposal process of **Case 1** proved to be dominated by functional drivers as a consequence of decreased client-activity. The financial disposal drivers had a limited influence. Bank 1 incorporated all disposal decision-making variables except the strategic perspective. This is motivated by the marginalized benefits following its portfolio size and average use terms. The peripheral model proved applicable to the bigger office clusters within the real estate portfolio. Bank 1 always disposes of their properties in their current state through direct sale or sale-leaseback transactions following the exclusive focus on core business activity. The disposal strategy is selected based on a weighted consideration of the optimal business case.

The corporate real estate portfolio of **Case 2** is large and geographically dispersed as a result of its cooperative structure, impeding the bank of providing an agile response to changing organizational requirements and incapability to raise capital through the emission of shares. However, the functional disposal drivers remain most dominant through the decreased space use following the digitalization of the consumer-contact. The bank deploys a peripheral concept to categorize its portfolio based on the strategic value of assets to the organization. The core layer consists of properties with a freehold interest or long-term (10-year) lease commitment. Bank 2 does not incorporate the strategic perspective in the selection of disposal assets, following its neutral orientation towards the ownership versus leasing preference. It sees marginalized benefits following
the size of its portfolio and identifies that the revised accounting regulations (IFRS 9) further level the differences. The properties of Case 2 are always disposed of through direct sale or sale-leaseback transactions following the exclusive focus on core business activity.

The banking institution of Case 3 has a proactive corporate real estate management, following its (historical) real estate expertise and embedded governance structure through the multi-disciplinary transaction team. The main disposal driver is the significant labour force reduction following the digitalization of the business and consumer-contact. This bank is the only organization that actively uses the investment momentum as a driver for real estate disposal in order to achieve its strong financial organizational objectives. The bank uses a peripheral model to categorize its real estate portfolio, strategically deploying its core layer to achieve book profits. Marketability forms an important variable in the selection of disposal properties, following the prioritization of the financial perspective. Assets are always disposed of through direct sale or sale-leaseback transactions following the exclusive focus on core business activity. The disposal strategy is selected based on a weighted consideration of the optimal business case. The reference cases of Case 3 showed that the mitigation of the risk for reputational repercussions can prevail of the mere financial interest with assets in a sensitive context.

The deviant Case 4 proved different in a number of ways, i.e. the expansion strategy for its retail-office network following its consumer-oriented corporate business strategy. The peripheral concept and macroeconomic disposal drivers proved inapplicable following the limited size of the organization, the real estate portfolio, and the influence of the real estate portfolio on the total balance sheet. The organization opted for a leasing portfolio in order to retain flexibility to adapt to future space-used fluctuations. The selection of disposal assets is predominantly executed based on HR objectives. The reference case of Case 4 showed that marketability of properties can serve as a disposal disabler due to the discrepancy between the market value and book value. The disposal strategy for assets is thereby based on the optimal business case. Properties are always disposed of through direct sale or sale-leaseback transactions, following the exclusive focus on core business activity.

Discussion

Discussion on the research themes

The research showed that Dutch banking organizations generally do not actively align their real estate disposal strategies to the real estate market cycle following the exclusive focus on core business activity. The strong presence of disposal strategies in the current upward economy is better explained by the coincidental alignment of negative business growth and a favourable investment climate, than the conscious alignment to the real estate market cycle. The organization in the study that aligns its property disposal strategies to the real estate market, realized competitive advantage and mitigated the loss of capital through optimizing revenues from disposal. Financial benefits were achieved by realigning the real estate portfolio against favourable conditions, preparing it for future space-use fluctuations and economic downturns. The alignment of property disposal to the real estate market cycle is only possible when the (local) business growth development is negative. If business growth and the real estate market cycle align, organizations can strategically reduce capital loss through optimizing revenues from sale. The research showed that the non-alignment of property disposal to the real estate market cycle is financially inefficient. Real estate expertise in the
organization was deemed essential for successful implementation of proactive real estate management. Following the abovementioned exclusive focus on core business activity, Dutch banking institutions solely dispose of their assets in their current state through direct sale or sale-leaseback transactions. The executive boards of the banks focus on establishing a well-performing and LEAN banking business with a mitigated risk-profile in order to be competitive with other banks on that field. Shifting attention to other business activity is misaligned with strategic objectives and can endanger business continuity.

Innovation implementation provided an important means across the Dutch banking institutions to remain in the maturity development stage of the organizational lifecycle. The alignment with modern consumer-demand through digitalizing the contact-channels proved vital in securing the organizational relevance to consumers. Especially product (re)development and the implementation of new technology in the business and the consumer contact-channels served as a means for banking organizations to secure their relevance for consumers. The implementation of innovation proved an incubator for corporate real estate disposal processes, thereby establishing competitive advantage through space-use.

The research identified a strong relationship between the organizational decision-making structure and the efficiency of corporate real estate disposal decisions. The implementation of a multi-disciplinary transaction team (particularly) in times of expected real estate activity enhanced the organizational agility to space-use fluctuations and led to an early-on optimization of the real estate portfolio, significant financial revenues, and competitive advantage. The use of the multi-disciplinary transaction team aligned the interests and perspectives of the different organizational departments at the right moment and place in the organization. Trust and authority are thought essential to establish the extended mandate required to successfully deploy this decision-making structure.

The influence of the corporate image in corporate real estate disposal strategies is predominantly oriented at exercising control on future use after disposal. Control of the future use of an asset after disposal was exercised across Dutch banking institutions for two reasons, namely risk mitigation for business disruption and potential reputational repercussions. Organizations are, however, selective in exercising control on future use after disposal through (perpetual) clauses as this negatively affects the revenues from sale or number of buyers. The reputational sensitivity of object-specific characteristics can serve as a reason to prevail the risk mitigation of reputational damage over the mere financial interest.

The empirical research proved that the applicability of the peripheral model in the Dutch banking sector depended on the organizational characteristics and real estate portfolio characteristics. The peripheral model was exclusively used in real estate portfolios and office clusters of a considerable size and with a specified composition. The peripheral model showed inapplicable to small organizations with relatively small and scattered portfolios. The larger banking organizations strategically align the functional requirement in their core supply and disposal properties to buyer preferences in order to facilitate the disposal process or enhance financial revenues from disposal. The use of long-term (10-15 years) lease commitments was identified in two of the four cases, establishing investment products that enable them to access fixed-income investors with premium sale revenues (Morris, 2010). In the core supply of one of the cases, diversified expiration dates were applied to achieve flexibility. The inclusion of active acquisition and selling activity in the sale-
leaseback transactions of that case enhances the profitability of long-term core commitments through positively widening the difference between the economic value and book value. On the contrary, another case reduces the size of its core layer and the duration (5-years) of the commitment as a response to the uncertainty of future organizational fluctuations. When merging these conceptions in a tailored version of the peripheral model for the Dutch banking sector, the core supply of Dutch banking institutions should ideally comprise a small number of large back-offices subject to a long-term (10-15 years) lease commitment following sale-leaseback transactions. After expiration of core supply leases, organizations can purchase (partly) vacant assets and accommodate the organization in this property (acquisition and selling). Properties should be put on the market through sale-leaseback transaction with long-term lease commitments, attracting fixed-income investors. The financial releases from these premium transactions can be used to cover the increased rent premiums for the expansion of the peripheral layers. The alignment of disposal properties to short-term buyer preferences can enable organizations to access an increased number of buyers, thereby enhancing the likelihood for disposal. Simultaneously, alignment to short-term buyer preferences can allow organizations to optimize revenues from disposal through accessing opportunistic buyers.

The selection of the most suitable corporate real estate disposal strategy depends on the complexity of the asset. Two types of disposal processes were identified, namely that of small and generic assets, and large and remarkable assets. The small and generic assets (dominantly small retail-offices) in the real estate portfolio are disposed through two subsequent steps, determining its marketability (with possible explorative research on redevelopment value) and taking the asset to the market. The disposal of the large and remarkable assets (large back-offices) comprises three steps, namely analysis, strategy, and market. The analysis phase maps the organizational demand based on business forecasts, and assesses the marketability and potential vision development of the asset based on its physical characteristics and (local) market conditions. In the strategy phase, the most suitable disposal strategy is selected based on a weighted consideration of the optimal business for the exit strategy: functional requirements, physical constraints, financial revenues, control on future use after disposal.

The functional corporate real estate disposal drivers were identified as the most influential following the digitalization of the Dutch banking sector. The applicability of functional drivers showed primarily dependent of the organizational objectives. The financial drivers had a weak influence following the marginal share (one to two per cent) of real estate on the total balance sheet, marginalized achievable book profits, the exclusive focus on cores business activity, and the general lack of real estate expertise across Dutch banking institutions. The applicability of financial drivers proved strongly dependent of the organizational characteristics and the corporate business strategy. The applicability of physical corporate real estate disposal drivers showed primarily dependent of the real estate portfolio characteristics.

The applicability of strategic disposal selection variables proved dependent of the conception of flexibility in the real estate portfolio. The influence of the functional disposal selection variables is predominantly determined by the degree to which digitalization is incorporated in the business and the consumer contact channel. Following the saturation of the highly qualified IT employment market, the competition for talent is becoming increasingly important in corporate real estate disposal decisions. The financial disposal selection variables function as disposal disabler in case of a
negative difference between market value and book value, or disposal enabler in case of enhanced cost efficiency. The physical disposal selection variables proved dependent of the real estate portfolio characteristics and corporate business strategy.

The operational framework

The theoretical evidence from the literature study and the empirical evidence from the practical implementations of disposal strategies as described above provide a nine-point framework improving the decision-making process and guiding the user towards proactive and agile accommodation of Dutch banking organizations through combing financial optimization with enhanced flexibility.

In addition to the theoretically established relationship between the corporate business strategy and the operational decision-making (Nourse & Roulac, 1993), the empirical evidence of this study showed that the decision-making in the different steps of real estate disposal is highly dependent on the real estate portfolio and organizational characteristics. This paper therefore opts for the weighting and selection of variables in the different steps of the disposal process through all three components.

In line with the cross-disciplinary approach of Barclays (Morris, 2010), in which the expertise of different departments and executive involvement was used for profitability enhancement, the practical implementation of the multi-disciplinary transaction team in the Dutch banking sector had an identical effect. This paper hereby advocates for the use of such a transaction team (particularly) in times of expected real estate activity. Trust and authority are found essential to establish the extended mandate required to successfully deploy this decision-making structure.

The work of Lester et al. (2003) showed that the implementation of innovation can provide an important means to steer the transition from maturity to decline or revival in the organizational lifecycle. The empirical work supported this thought as the implementation of innovation proved an incubator for corporate real estate disposal processes, thereby establishing competitive advantage and space-use efficiency in the shift from decline to organizational revival. Organizations should therefore deploy technological innovation to respond to changes in the organizational context, enable corporate real estate disposal processes, and achieve competitive advantage.

The proactive alignment of corporate real estate disposal strategies to the real estate market cycle is a way to conduct real estate disposal strategies from a position of strength (Morris, 2010). Former research, however, was sceptic on this conception as the real estate activity of organizations is generally reactive to business growth instead of the investment market (Louko, 2005). The empirical evidence showed that seizing the investment momentum provided financial value through realigning the real estate portfolio against favourable conditions and preparing it for future space-use fluctuations and economic downturns. The alignment of the real estate portfolio with the real estate market is solely possible in times of negative (local) business growth development. Organizations therefore should proactively align their corporate real estate disposal strategies to the real estate market cycle.

The peripheral model is presented in literature as a means to establish financial flexibility (Gibson, 2000; 2001). The empirical evidence supported the idea that the use of peripheral layers
is financially unbenevolent, as the investment risk inherited in short-term leases is reflected in the conditions of the sale (Woollam, 2004). The peripheral model tailored to the Dutch banking sector therefore involves active buying and selling in combination with long-term lease commitments in the core supply to attract fixed-income investors with higher resale values. The financial releases from these premium transactions can be used to cover the increased rent premiums for the required expansion of the peripheral layers. This paper opts for the use of the tailored peripheral model to achieve organizational agility in a financially efficient way.

The theoretical underpinnings of this paper show that long-term lease commitments offer bond-like investment products, attracting fixed-income investors who value the quality of cash flow over the property characteristic (Evans, 2013). The empirical research supported this conception whilst also showing that opportunistic parties were receptive of short-term lease commitments. This provided a means to enhance the sale revenues of disposal properties. Organizations should therefore strategically align their organizational commitment in core and disposal properties to buyer preferences in order to facilitate the disposal process or enhance financial revenues from disposal.

The work of Keulen (2002) identified that there are three moments of sale at which a property can be disposed of, each subsequent option demanding higher effort but (theoretically) providing a higher value. The empirical evidence showed that whereas the smaller and generic assets were mostly subject to a simple disposal process (merely initial valuation), the larger back-office assets were disposed through the selection of the optimal business case for the exit scenario. As the optimal business case is context-dependent, it should be determined through a weighted consideration of the (temporary) functional requirements, financial revenues, physical constraints and (potentially) control on future use after disposal.

The simplest and quickest moment of sale is after initial valuation (Keulen, 2002). The empirical research showed that vision development was incorporated in the initial property valuations of external advisors in case of presumed redevelopment value. The main reason was improving the negotiation position and subsequently the revenues from disposal. This paper therefore opts for the inclusion of vision development in case of presumed redevelopment value in the initial phase of the disposal process.

The corporate real estate of organizations functions as a means for business communication to enhance the corporate image (Balmer, 2009; Gray & Balmer, 1998). The empirical evidence showed that the influence of corporate image on disposal strategies was focused on exercising control on future use after disposal to mitigate the risk for business disruption and reputational repercussions. This control on future use after disposal should be exercised selectively as the use of (perpetual) clauses is generally reflected negatively in the conditions of the sale.

This framework outlines the improvements to the decision-making process in the execution of disposal strategies that were derived from practical evidence in the Dutch banking sector. It should be specifically emphasized that these findings are solely tested within the Dutch context.
Conclusions

This paper provides an evidence-based evaluation of the decision-making process of disposal strategies of banking organizations in the Netherlands. Based on a nine-point framework that improves the theoretical body of knowledge on this topic, this paper deploys and cross-compares evidence from the practical implementations of these corporations. The results show a strong relationship between the corporate organisational characteristics, legacy and strategy; the real estate portfolio characteristics, the identified disposal drivers and the decision-making in corporate real estate disposal strategies. The weighing of the different drivers and variables in the disposal decision-making is largely dependent on the organizational goals and objectives, with the corporate real estate strategy as the embodiment of these. This research further showed that the proactive alignment of the real estate portfolio to the cyclical behaviour of the real estate market and organizational lifecycle establishes competitive advantage, financial value and organizational agility.

The inclusion of active acquisition and selling activity in the disposal process multiplies the financial value that is established. Cross-disciplinary decision-making in the disposal process creates competitive advantage compared to conventional decision-making structures. Limitations in terms of organizational- and real estate portfolio size and a narrow core business focus can lead to reduced applicability of the theoretical corporate real estate management concepts of disposal strategies. With regard to the disposal strategy selection, the incorporation of buyer preferences in core and disposal properties facilitates the disposal process and optimizes revenues from sale. Disposal strategies for large, back-office assets are selected through defining the optimal business case for the exit scenario, based on a weighted consideration of the (temporary) functional requirements, financial revenues, physical constraints and (potentially) control on future use. Control on future use, in this regard, serves as a means to mitigate business disruption and potential reputational repercussions.

In conclusion, this paper showed that the use of proactive corporate real estate management established competitive advantage and financial organizational value in corporate real estate disposal decisions, whereas the reactive management of corporate real estate caused inefficient decision-making. Typically, banks do not search for alternative ways to cope with the friction between the illiquidity of real estate and the increasing space-use fluctuations. The corporate real estate management of these organizations is generally reactive to the business development. The main solution to the current lack of agility in the real estate portfolios is to shift the mind-set of owners and managers of corporate real estate towards active execution of corporate real estate management.

This research provided an in-depth analysis of four cases that together comprise 80 per cent of the Dutch banking sector. Despite the high applicability and reliability for the Netherlands, further research is needed to explore the applicability of the research findings in different legal, financial and economic contexts.

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