

# The New Human-Centric Model for Commercial Real Estate Management

## The “Four Ms” of Management Shift to a Single Focus on Outperformance

Over the past four decades, commercial real estate (CRE) owners and managers ran their businesses following a traditional model that prioritized the value-add of some management functions over others. Now, a shift is underway—putting people first as the key driver of asset value.

Typically, CRE enterprises have four main management functions: investment management, asset management, property management, and facility management (the four “Ms” of management). The first two were traditionally viewed as the principal drivers of financial performance and therefore more strategic than the day-to-day activities of property and facility management. The experience of tenants, whether corporate occupiers or individual people, rarely factored into the bigger picture of asset value.

Now, in more progressive companies, that’s quickly changing. The experience of people—company employees, warehouse workers, apartment residents, shoppers, visitors or entire communities—has moved to the forefront as a critical key driver of asset value. As a result, the “four Ms” are converging around the human experience at the heart of commercial real estate.

Human-centric CRE management requires a holistic, focused approach across the entire lifespan of a real estate asset, from planning and developing a project to maintaining its value over time. Blending space with service, the shift underway now changes how CRE owners, investors and managers make decisions and how they measure success.

### Evolving commercial real estate dynamics

Historically, investment and management leaders controlled CRE management budgets and decisions, working with their asset and portfolio managers to influence strategy and business plans for individual properties. These owners and investors perceived property and facility managers as day-to-day providers of transactions, maintenance/repair and daily operations, with little direct impact on investment returns.

However, a number of trends have converged that demand a different approach to commercial real estate. In the retail sector, for example, consumers want immersive brick-and-mortar shopping experiences in addition to e-commerce. In the industrial sector, logistics companies want to counter labor shortages with workplace features — from break rooms to gyms — that help attract and retain employees. In the living sector, multifamily residents want rich amenities, sustainable practices and a sense of community. In the office sector, trends that began long before the COVID-19 pandemic have been accelerated. Leading employers want to provide technology-enabled, aesthetically appealing offices with a choice of workspaces to attract and retain valuable talent. Concurrently, new accounting rules, coupled with business uncertainty, are driving demand for shorter lease terms and greater flexibility in corporate real estate portfolios.

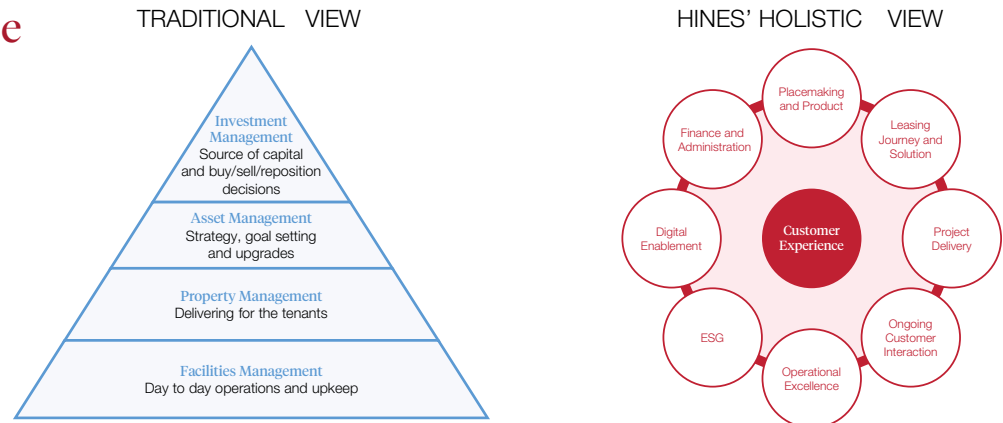
Meanwhile, many office employees have developed an appetite for hybrid working—spending two or three days per week in the corporate office. Office landlords and corporate occupiers alike are exploring workplace experiences, services and physical amenities that will help restore the office’s appeal for employees and its economic value for owners, investors, and communities.

## New human-centric commercial models

In this new environment, investment, asset, property and facility managers must work together and collaborate to meet the evolving needs of tenants and increase asset value. In the office sector, for example, sophisticated landlords are adopting multi-faceted approaches to meet the flexibility needs of corporate occupiers.

Some are bundling the physical space with services within the lease agreement, placing new demands on property managers. Hines, for instance, has [The Square](#), an amenities-rich, flexible workplace environment available in select Hines-managed buildings. The Square provides on-demand office options and collaboration zones, meeting and event services, food and beverage services, and more, along with lively community programming.

### Customer Experience is key to Holistic Hines Approach



## Managing experiences, not just properties and facilities

With the end-user experience the most critical success factor in high-performing CRE investments, property and facility managers can make or break the success of a building. Sophisticated property and facility managers, along with their asset managers, understand the high cost of tenant turnover. It only makes sense to pivot to a management approach that measures success one employee or resident at a time.

Asset, property and facility managers are working together to determine which capital investments and programs will enhance the end-user experience and long-term asset value. The most effective are adding “experience managers” or similar roles, emphasizing community building and placemaking whether a property is commercial, residential or mixed-use. They are charged with anticipating tenant or resident expectations, solving problems, providing experiences that delight, and making the property more than simply a place to live, work or explore.

## Creating value beyond the economics of rent

Of course, financial fundamentals will always be important in CRE investment and management. However, the best asset and investment managers no longer focus solely on the cost of a new roof, a deck, or other capital improvement. Instead, they’re looking at how enhanced services, amenities, and experiences will drive tenant retention.

Focusing on the humans rather than on buildings alone has the added benefit of bringing value—in terms of social benefits and, often, environmental sustainability—to communities surrounding a real estate asset. Responsible CRE companies, including Hines, strive to help communities, corporate and individual end-users alike advance their goals for more vibrant and inclusive neighborhoods, and a more sustainable built environment.

Welcome to the new world of CRE investment and management, where the end-user is the center of it all. In this new environment, the properties that outperform their markets will be those that provide meaningful experiences with a personal touch, in sustainable spaces that meet the needs of occupiers and residents.

## About Hines

Hines is a privately owned global real estate investment, development and management firm, founded in 1957, with a presence in 285 cities in 28 countries and \$90.3 billion<sup>1</sup> of investment assets under management and more than 114.2 million square feet of assets for which Hines provides third-party property-level services.

Hines has 198 developments currently underway around the world, and historically, has developed, redeveloped or acquired 1,530 properties, totaling over 511 million square feet. The firm's current property and asset management portfolio includes 669 properties, representing over 230.6 million square feet. With extensive experience in investments across the risk spectrum and all property types, and a foundational commitment to ESG, Hines is one of the largest and most respected real estate organizations in the world.

If you'd like to learn more about Hines' Management Services, please reach out to the following experts:

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<sup>1</sup> Includes both the global Hines organization as well as RIA AUM as of December 31, 2021.