

WILL OUTSOURCING OF COMMERCIAL REAL ESTATE MANAGEMENT FUNCTIONS ADD TO PERFORMANCE?

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ABSTRACT

Problem/Purpose: Previous studies concerning outsourcing of real estate management services, specifically in the corporate sector, have shown that different managerial operations can positively affect profitability. The reasons for this can be cost control, access to specialized competence or specific technology. While an important operation that has become common business practice, only a few studies have focused outsourcing as a way to sharpen company's results. The present study examines how outsourcing of managerial functions affects profitability in the commercial real estate sector.

Design/Methodology/Approach: Based on commercial real estate data for Swedish offices between the years 1999 and 2014, attained through MSCI, statistical analyses have been conducted to test the effects of outsourcing of managerial functions at two different levels; the outsourcing of administration, financial and technical management (full outsourcing), and outsourcing of technical management only (partial outsourcing).

Findings: The result from the analysis indicates that outsourcing seems to have limited potential to increase the profitability for large commercial real estate companies. Furthermore, our results show that the overall trend among Swedish real estate companies is that of insourcing of management services rather than outsourcing.

Research limitations/Implications: While the study draws on earlier findings from different countries worldwide it focuses on Swedish data and therefore contributes to gaining a more general picture. However, more studies are recommendable.

Takeaway for practice: For large domestic companies with rental services as their core business, there seems to be limited gains to be made in outsourcing real estate management functions in the office sector.

Originality/value: To the best of our knowledge this is one of the first studies that analyses the cash flow of commercial real estate firms that have chosen to outsource part, or all of the real estate management functions.

Social implications: N/A

Keywords: Real estate management, outsourcing, management, value creation, performance measurement

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