

Discreet Specialists

CRES. Corporate Real Estate Services. In a conversation with ImmoFokus, both managing partners of Modesta Real Estate, Andreas Polak-Evans and Sebastian Scheufele, believe that successful projects can create life-long partnerships.

The conversation led: Michael Neubauer

„The Corporate Real Estate Services segment has a language of its own“

Sebastian Scheufele

What is unique about the Unique Selling Proposition at Modesta Real Estate?

Polak-Evans: It is certainly the scope of our offered services in the area of commercial real estate, regardless of whether it is investment, office brokerage or industrial & logistics real estate. One specialty, however, is that we are able to offer Corporate Real Estate Services. I also see our USP in our international connections. We have known each other for a long time and have been active on the market for a long time. As part of the former JLL teams in Vienna, we grew up optimizing our clients' locations. We have been examining, analysing and optimising locations for more than 18 years. Those activities have naturally increased in recent years with further, larger, international players working with us.

Scheufele: Our internationality and our network built up over many years as well as our experience in large pitches set us apart from many local competitors. Of course, we are

pleased that there are many big names among our customers: Procter & Gamble, MSD and Cisco Systems, to name just a few. Without international contacts you have no chance here, although there are of course also players who are structured similarly to us. These are international brokerage companies, with which we are of course in friendly competition. There are only a few who share the international market. The Corporate Real Estate Services segment speaks its own language, requiring a special knowledge that a traditional broker who acts nationally may not be able to grasp implement as quickly and professionally as we can.



ANDREAS POLAK-EVANS & SEBASTIAN SCHEUELE

Modesta Real Estate

MG Real Estate GmbH was founded in Vienna in 2002. In addition to its headquarters in Vienna, there has also been a subsidiary in Bratislava since 2005. Since its foundation, Modesta Real Estate can look back on a successful company history. Renowned customers such as Amisola, Bechtle, BFI, Bosch, Honeywell, Louis Vuitton, Mondi AG, Mountpark, Philips, Prologis, Siemens, Signa, USAA and Wolseley have made a significant contribution to this success. Millions of square meters of office, industrial and logistics space as well as industrial properties have been successfully processed to date. In addition to its domestic markets in Austria and Slovakia, Modesta Real Estate also advises on extensive transactions in the CEE markets and supports its international partners with numerous corporate real estate advisory services.

Polak-Evans: Personal contact and the basis of trust make all the difference. As I said before, we have been in the business for more than 18 years now and we have become familiar with the national, European and American markets. We attend many specialist conferences - also in the USA - and have networks there specifically in the area of Corporate Real Estate Transactions. We are also trying to establish contacts with small, middle-class brokerage houses in America, some of which also have considerable interests here and also look after them throughout Europe. It's not always about the big ones. By American standards, these are often small,

middle-class businesses - but for us large companies with 1,000 or more employees. But these are other dimensions.

Is there a project of which you are particularly proud?

Polak-Evans: There were two or three that were very interesting for us. One of the bigger ones, which is well known in the market is Philips, one of the larger IT houses in Austria, with the Wienerberg building that is also very well known. Before selling the Philips House on Wienerberg, we optimized the production areas. We used a requirement analysis as a basis

and succeeded in optimizing the existing cell structures, which were spread over 12 floors at the new Euro Plaza location, from 12,000 square meters to 4,800 square meters on two floors. That was a great project - everything was just right - from the needs assessment to the sale and the new lettings at the new location, including optimization of the production areas.

And let's not forget the "Haus an der Wien". Group M had three locations. We searched for a space with one location for the Group - and found it in the "Haus an der Wien." Utilizing an open-space solution here as well, we were able to reduce the space required from 7,000 square metres to 4,000 square metres. A practical reduction in space is a challenge for every company, because a move must also pay off.

It seems that you already start with the consultation and not only with the acquisition of the right space. Are you already involved in the process before the usual real estate broker?

Polak-Evans: The process begins with a meeting with the managing directors and an analysis of the situation. Where do they want to go? What are their needs? It's also about getting out of other contracts, it's about creating time windows, which enable a move to a new location. You have to know where the company wants to be in 10 to 20 years and consult with the employees on which location makes most sense.

What about employees working outside the office? What is the future of the open-space office? How does this affect the employees?

Scheufele: We prepare everything concerning the entire process of Change Management. It also involves optimizing contracts. In a current case in Slovakia, we are exclusively looking after a leading international automobile supplier. It has several production sites in Slovakia, some of which are owned and some of which are leased on short or medium-term basis. We entered a phase in which the local management had already negotiated extensions and in some cases had already signed them. Now the directive has gone out from headquarters to review these contracts again and, if necessary, to negotiate improvements with the landlords. That's where we are now. That is not easy. Some incentives had already been negotiated by the local management.

We now have to negotiate an even better package - despite the already legally valid contracts. These are exciting and at the same time very sensitive issues.

What chances do you have of being able to improve a negotiated contract?

Scheufele: In this case, a landlord at one of the large leased locations is considering selling the property. The letting period already negotiated by the local management is currently just under 3 years. The question might be whether a longer rental agreement with better incentives could be offered afterwards. Our client is thinking long-term, but, like many companies, is very concerned about the costs.

Furthermore, there is a difference between a private Slovakian and an institutional Ameri-

can or British investor/landlord. They all see it differently from the investment point of view. The local will hold back and not do it for the time being. One has to take time to carefully analyse how to reach a desired goal. As a result of our many years of experience, we can provide the appropriate input here.

But that presupposes absolute trust?

Polak-Evans: Trust and confidentiality are two very big issues. Everything has to be disclosed: all plans, contracts and restructuring. Economic aspects are also addressed in full. A good example of this is Cisco Systems in the Millennium Tower, where a lease extension is soon due. The point is to offer the owner a longer rental contract, but to optimize the tenancy agreement accordingly, so that one gets incentives and a better rental rate.



Because the tower is already 15 to 17 years old, some technical features must be renegotiated so that the owner could implement a new cooling system, for instance, or improve the ventilation. This is currently a topic for negotiation in the Millennium Tower. The owner is of course willing to do anything not to lose his tenants. In such situations, owners are ready to invest heavily. One tries hard to do something, because otherwise two or three floors would be empty again. You might as well do it right away, rather than for the next tenant.

Cisco Systems is a special customer for us since we've extended their leases three time before. Cisco Systems has been in the Millennium Tower since its completion in 2001.

They've already had larger areas in the building. Those areas have been reduced in size and adapted differently again. We have been successfully accompanying Cisco Systems for 15 or 16 years and are now in the process of extending the contract for another five years.

You probably know about a change of location before the employees?

Polak-Evans: That is correct in most cases. In fact, it is often so that a director in Austria only learns about it when we are commissioned by the head office to analyse the current situation. The Corporate Real Estate in London informs him shortly beforehand that they have improvement plans - and that's when we come in ...

Scheufele: ... which is not always a pleasant situation for both parties, but experience allows you to deal with it with the appropriate sensitivity.

What are your plans for the future?

Polak-Evans: We will continue to expand our corporate division. Our focus is clearly

on the industrial and logistics side in Central Europe - not just our home market of Austria or the greater Vienna area. We are observing Hungary with interest, a market that is once again on the rise and in which we are currently preparing a major property deal for 2019. Slovakia is an extended home market anyway as well as Czech Republic.

We are currently finalising an exciting transaction in Madrid, Spain - a 10 ha development site in a strategically excellent location. Some time ago, we received an order from an international client in Vienna and sold one of these properties. This client informed us that he would like to sell the property if the general conditions were right - but in this transaction we are working on the buyer side. We had preliminary talks with an international developer at MIPIM - this is a classic off-market deal that we landed in Madrid. More information will follow in the course of October.

Polak-Evans: We also want to expand our network even further internationally.

Is Germany a market possibility?

Polak-Evans: Definitely, but we have no plans to open an office in Germany. The German market is too big and too competitive. As the proverb claims, "cobbler stick to your last," we are concentrating on what we can do well. However, it happens again and again that we are consulted when it comes to Germany within the framework of global contracts. Our expertise is not necessarily required here, but perhaps a contact to one of our clients as a decision-maker is important.

Polak-Evans: We are currently working on an order from Boston Consulting. They are merging two locations in downtown Vienna into one. We are negotiating with various owners in order to find a suitable location. ■