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Uncharted Waters

Matthias Muckle explains that, as the new head of real estate in the United States, he's working to optimize Bayer's use of property

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Matthias Muckle arrived in the United States in October 2015 to become the head of US real estate for Bayer. At that time, the native of Germany had spent a semester at the University of Iowa and Michigan State University, and traveled to America on business multiple times in the last decade. Nevertheless, when Bayer gave him the chance to develop the US real estate department, he “felt like a pioneer discovering unexplored land.”

His new base in Pittsburgh was unknown to him as well, but it was the nature of this new job and responsibility that was especially foreign. Coming from Bayer's corporate real estate management (CREM) function based at the global headquarters in Leverkusen, Germany, where he was responsible for the United States as “regional caretaker,” he had been tasked with developing a new, holistic management concept for Bayer's considerable US real estate assets.

Muckle drove the concept development in close cooperation with Bayer's US country leadership and global CREM department, but with the necessary flexibility regarding timing and accomplishments.

At the time, US real estate was mainly handled within Bayer's different divisions. CREM in Germany wanted to foster a new global strategic approach to real estate and dedicated staff for this task. Muckle was given the unique opportunity to relocate with his family to the United States to start this adventure.

From Reactive to Proactive

Bayer, a 153-year-old life sciences company that manufactures pharmaceuticals, consumer health, and agricultural products, had accumulated a lengthy list of owned and leased offices, research and development facilities, regional headquarters, farmland, and breeding stations in the United States—more than 100 sites in all. Muckle's charge was to evaluate these assets, rigorously analyze their value to the company in close collaboration and alignment with the business, and then find ways to better align properties with corporate strategy, and ultimately, save money. “We needed to shift from a reactive to proactive approach,” Muckle says.

The first step was to compile a database of all Bayer real estate in the United States. Previously, this information had never been put together in a single source. Muckle spent much of the first few months of his tenure communicating with regional managers to gather information for the global real estate database. He needed to know the basics, including: Which properties did Bayer hold? If they were owned, how much were they worth? If they were leased, how much was the rent? For offices, how many employees were located there? And what was the total capacity of the space?

He also hired a corporate real estate manager who, to date, is the only other full-time employee in Muckle's department. "It is a small team, but a very active, efficient, and dedicated one," he says.

As Muckle and his colleague gathered this information, they also spoke with regional managers about their space requirements, forecasts for future growth, and any special conditions such as easements or contractual limitations.

In order to handle multiple real estate projects across the nation, as well as to strategically analyze the real estate portfolio, the team worked with global brokerage firms. The firms support Bayer in real estate projects by performing property appraisals and local market research, as well as assisting in buying, selling, and leasing assets.

Rise of the Real Estate Community

In addition, Muckle and his team followed the global approach by setting up an internal US real estate community within Bayer. The group consists of members from various functions, assembled to support the project team during different phases of a real estate project. This was especially key, as it pertained to several matters, including reviewing legal documents, analyzing environmental issues, and discussing whether assets should be leased or purchased.

"It is a very collaborative and trusted community within Bayer, and everyone appreciates being involved early on in real estate projects," Muckle says. "This brings their added value to the business, and we are thankful to have their expertise, as well as the real estate experts who help us manage the various aspects of real estate life cycle management."

Some of their activities have been dramatic. "We have divested some non-core assets in the US that were regarded as hard to market," Muckle says. He adds that, when identifying such non-core assets, his team works to rapidly facilitate a sale on behalf of the regional manager when warranted.

In one case, a Bayer office was paying for significantly more space than it needed, and it had several more years left on its lease. Muckle found a subtenant to lease the unneeded space and saved millions of dollars from the divisional office's real estate budget. It was a prime example of how having a dedicated real estate function proved valuable because it utilized a strategic timeline and milestone plan with deadlines. This set clear guidance before the project started and allowed for a "plan B" in case the strategy did not materialize.

Muckle has also worked on lease negotiations at several locations, aiming to make an evaluation as early as two years before the agreement expired. He hired consultants to assess the local real estate market to determine whether the company was getting a suitable deal. He and local managers forecast future space needs to determine if the existing location could continue to accommodate the business. When the space could not meet future needs, they approached the landlord to negotiate a new lease, or renewed the lease earlier to make use of attractive market conditions. This allowed for adequate time to explore a better deal, should the landlord's asking price be higher than the market average.

Aligning Business with Real Estate

Muckle's goal is to implement a formalized approach to real estate portfolio asset management across the United States. In the future, he expects to include numerous cost factors, most notably an in-depth analysis into operating expenses that can assist with optimizing the cost structure of buildings.

Muckle considers this new real estate function to be similar to an internal business and solution partner. As such, a big part of the job is getting to know the business rationale for each location, as well as each business unit's real estate requirements. This requires constant communication with managers around the nation.

"It's a thin line," Muckle explains. "We must earn their trust as business partners, but we also have to challenge certain assumptions as part of the overall global real estate governance processes by closely coordinating and interacting with Bayer's global headquarters in Leverkusen to ensure the global governance mandate."

Applying the principle of acting as a solution partner by consulting the business and simultaneously ensuring the global governance mandate is nothing new to Muckle, who worked in the consulting industry for many years before joining Bayer in 2012.

With Muckle's work saving Bayer considerable dollars and, as he has devised effective strategies that address space requirements, regional managers are becoming more welcoming of his team's input. The first 12 months have been successful in terms of multiple non-core assets being divested. This has led to a less complex real estate portfolio that generates millions of dollars and strategic real estate acquisitions that have ensured that the business in respective locations could grow long term. In addition, the real estate database now in place provides complete transparency by which strategic real estate portfolio analyses can be conducted.

Muckle relishes the opportunity to bring his skills and experience to Bayer. Here, he aims to help optimize the company's real estate portfolio by reducing risks and complexity and simultaneously improving the overall quality of projects.

"We have the freedom to rethink and challenge the company's real estate structure in the US and have many more strategic initiatives that we want to tackle in the next couple of years," he says.