

Fault Lines: How Activist Pressure is Re-shaping Corporates and their Real Estate Map



Dr. Lee Elliott
Head of Global Occupier Research
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A new year, but a topic we have covered before within our Talking Points series – corporate fissure. In early 2025, we described a world where sprawling conglomerates began to fracture under strategic and financial stress, creating leaner, more focused entities with distinct real estate needs. That was the first wave of tremors. Over the past year, the needles on the seismograph have traced something more profound: the cracks have aligned into active fault systems, and entire corporate plates are now sliding past each other. The pressure isn't new, what's new is the rate of movement and the clarity of the fault lines. Global activism has reached multi-year highs; boards are responding with structural change, and, consequently, CRE teams find themselves designing not just buildings, but robust resilience plans for organisations in motion.

5 Key Messages

1. From fissures to plate shifts

What began as isolated cracks in diversified business models has become a broad tectonic realignment – with activism acting as the force that accelerates movement along long-standing fault lines.

2. Varied epicentres

Honeywell's February 2025 decision to execute a three-way split – following a \$5bn Elliott Management stake – is a publicly documented epicentre of this trend, mirroring the completed three-way GE break-up in 2024.

3. Propagation through sectors

Consumer health, staples and energy-adjacent industrials show the most wave: Kenvue moved from activist settlement to acquisition; PepsiCo accelerated operational reconfiguration under Elliott engagement; Baker Hughes faces calls to cleave businesses.

4. Corporate real estate is the building code

CRE is no longer an afterthought – it is the seismic design that determines whether separations become resilient structures or suffer costly liquefaction: identity creation, lease covenant re-ratings, ecosystem adjacency, and adaptability inside assets now define best practice.

5. This is the next chapter, not a reprise

Compared to our early 2025 analysis, the tempo and inevitability of corporate fissure has increased: board settlements, legal playbooks and capital markets expectations are pulling occupiers into the planning room early and demanding faster execution.



The New Tectonics: Where Plates Are Moving



Two events define the map. First, General Electric concluded its historic transition into GE Aerospace, GE Vernova, and GE HealthCare in 2024 – an archetypal rift where a continental conglomerate separated into specialised plates, each moving on its own vector. Second, Honeywell’s February 2025 announcement that it would split into three independent, listed companies – Aerospace, Automation, and Advanced Materials – after Elliott disclosed a \$5bn stake. These are not rumours; they are verified, public-domain milestones that have reset expectations across the industrial landscape.

The pattern extends downstream. Kenvue, spun out of Johnson & Johnson in 2023, settled with Starboard Value in March 2025 – adding three directors – and quickly became the subject of strategic buyer speculation as spin-related constraints expired. Kimberly-Clark have recently acquired the firm. Meanwhile, PepsiCo’s late-2025 engagement with Elliott translated into SKU reductions, plant closures and supply-chain changes – operational ruptures with direct real-estate consequences even absent a formal separational event. And in energy technology, Baker Hughes faced a public call to spin its oilfield-services arm to surface a clearer valuation profile. These aftershocks confirm that plate motion is sector-wide, not company-specific.

Why the Ground is Shifting: The Geology Beneath the Boardroom

Pressure differentials. Diversified groups often mask the true elevation of their strongest ridges with the sediment of slower units. Activists exploit this valuation gradient, forcing water to cut a new channel where the drop is steepest. Honeywell’s plan is a case study in exposing sum-of-the-parts economics to market scrutiny, with management emphasising ‘simplified strategic focus’ and ‘financial flexibility’.

Strain rates and fault creep. Strategy requires speed. Legal and governance commentary throughout 2025 stressed that markets reward focus, and that the M&A environment would be fuelled by portfolio reshaping and de-conglomeration. Boards that once preferred slow fault creep are now permitting slip events when conditions align.

Risk segmentation: Different layers carry different stresses – litigation, regulatory scrutiny, and ESG exposure rarely distribute evenly. Separations let each strata bear its own load: think Kenvue’s litigation discussions in parallel with buyer interest, or PepsiCo’s operational re-cuts under activist dialogue. The structural logic is to keep one tremor from propagating uncontrollably across the entire plate.

Mechanics of movement: The universal proxy has altered the fault mechanics: activists no longer need to trigger full earthquakes to reset a direction; board settlements can change course, inject new directors, and redirect capital without immediate break-up announcements – Kenvue again being instructive. This enables more frequent, smaller magnitude events that cumulatively rival a single big rupture.

The Knight Frank View

“When you see the fault lines forming, don’t wait for the quake. Map your portfolio now, allocate liabilities early, and design for movement. In a world of corporate plate shifts, resilience isn’t optional – it’s engineered.”



Tim Armstrong
Global Head of Occupier
Strategy and Solutions

Verified Epicentre: Honeywell’s Three-Way Split

The public record on Honeywell provides a reliable epicentre from which aftershocks radiate. On February 6, 2025, Honeywell announced it would create three independent, listed companies—Aerospace, Automation, and Advanced Materials—with the Aerospace and Automation separations anticipated by H2 2026. Elliott’s disclosed \$5bn position had preceded and supported the case for separation; contemporary coverage underscored the strategic intent and execution risks that always accompany plate movement (synergies, leadership bandwidth, transition costs). The facts are verified and widely accessible via CNBC, Investopedia and Reuters/Yahoo Finance—a crucial benchmark for clients who demand public-domain corroboration.

Equally instructive is GE’s completed break-up in 2024: three companies now trade independently, allowing Aerospace, Vernova and HealthCare to pursue distinct capital, customer and innovation paths. The geography of leadership and facilities has followed suit—another reminder that when plates separate, coastlines (and corporate footprints) get redrawn

From Rupture to Building Code: CRE as Seismic Design

In last year's paper, we outlined the first-order real estate effects of fissure—HQ right-sizing, subleasing, and sector-specific hubs. Twelve months on, the building code has become more stringent.

Identity, fast. New entities must signal governance and brand quickly: boardrooms, investor-relations suites and leadership floors need to be operational within months, not years. That means modular fit-outs, zoned security, and temporary dual-brand wayfinding where space is shared during transition. This is not cosmetic; it's structural bracing for the capital markets. (Observe how post-spin GE units and Honeywell's planned entities align identity with strategy and investor narratives.)

Lease covenant re-ratings. When leases novate to spinco's, landlords and lenders re-underwrite credit. Legal playbooks urge early allocation of real estate liabilities and carefully drafted transition service agreements (TSAs). Finance teams often pair separation with sale-leasebacks or shorter, option-rich terms to preserve manoeuvrability. Treat this like base isolation: the structure flexes without failing.

Ecosystem adjacency. Plates stabilise where they find the right substructure. Aerospace gravitates to OEM and MRO corridors; consumer-health tilts toward regulatory and clinical clusters; automation/software prefers digitally dense hubs. We're seeing more three-hub models tied to leadership geography—Danone's 2026 re-architecture across EMEA, APAC and the Americas is a living template for how to align governance, talent and market access.

Adaptability inside the box. With capex anchoring sites for decades, flexibility now lives inside assets: reconfigurable labs, automated lines and data-layered environments so teams can pivot without relocating. The new standard is to design for change within permanence—a practical way to neutralise aftershocks.



The Knight Frank View

"A corporate split is a tectonic event. The faster you can establish new headquarters and governance spaces, the stronger your foundations will be when the ground moves. Identity isn't cosmetic – it's structural."



Philipp Ueberschaer
Head of Occupier Strategy
and Solutions, EMEA

Recent Fault Activity: Propagation Beyond the Epicentre



Kenvue's 2025 arc from settlement to strategic interest shows how boardroom shifts can invite new owners—and new footprints. Any acquirer will likely prune overlaps (labs, regulatory offices, brand studios), concentrate around preferred regulatory nodes, and rationalise HQ functions. Public reporting details both the mechanics (board additions) and the constraints/opportunities (litigation, tax windows), reinforcing the need for pre-built CRE separation checklists.

At PepsiCo, activist engagement catalysed SKU reductions, plant closures and supply-chain pivots. Even without a formal split, the network geometry moves: warehouse demand shifts, lease terms harden around cost pass-throughs, and contingency clauses become standard in volatile markets. This is fault creep rather than a single quake—but the cumulative displacement is significant.

Baker Hughes illustrates the classic sum-of-the-parts challenge: diverging capex cycles and margin structures argue for independent motion of the plates. For CRE, that implies distinct training centres, field-service hubs and engineering offices calibrated to client proximity and service corridors.

An Action Framework for Occupiers: Engineering for Seismicity

- 1) **Map the faults early.** Keep a live, entity-level register of freeholds, leases, labs and data centres. Draft novation's and TSAs in parallel with strategy so the corporate split doesn't bottleneck at the door to Facilities. Leading spin-off guides make real estate a Day-1 workstream precisely because it decides whether the building opens when the stock lists.
- 2) **Pre-fabricate identity.** Develop "identity kits"—board suites, IR spaces, press rooms, visitor journeys—that can be landed rapidly in an anchor site. The aim is to avoid seismic retrofit after listing day.
- 3) **Re-rate lease risk with options.** Shorter terms with renewal rights, breaks and change-in-control provisions are your structural dampers. Where balance-sheet relief is needed, sale-leasebacks of non-core assets can fund the transition without locking the plate in place.
- 4) **Choose your bedrock.** Anchor hubs in ecosystems—regulators, OEMs, talent, universities—rather than chasing headline rents. The Danone model is instructive: fewer, stronger regional plates carry load better than many thin fragments.
- 5) **Build adaptability inside.** Prioritise reconfigurable infrastructure (power, data, clean rooms, secure zones) so you can change the function without changing the address. In seismic terms: design for aftershocks you cannot yet measure.

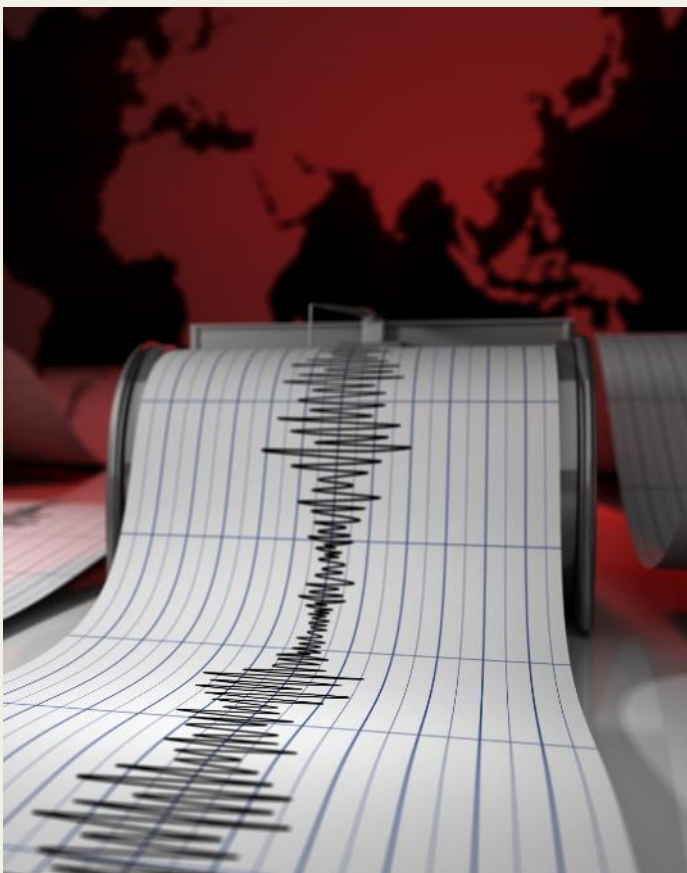
The Knight Frank View

"You can't stop the plates from drifting, but you can choose your bedrock. Anchor in the right talent ecosystems and build adaptability into every square foot or metre – because aftershocks are inevitable."



Ross Criddle

COO, Occupier Strategy and Solutions



Why This Matters More Than a Year Ago

In 2025, we wrote that fissure would reshape demand - more subleasing, right-sized HQs, and sector-specific facilities. Today, the slip rate has increased. Activism is not merely calling for reviews; it is installing directors, reframing strategy, and, when necessary, pulling the ripcord—with timelines measured in quarters, not years. For occupiers, the decision is stark: engineer for seismicity—or accept unplanned displacement. The payoff for those who prepare is tangible: focused entities decide faster, hire with intent, and brief their CRE teams with clarity. The risk for those who wait is equally tangible: a scramble for identity, a scramble for space, and higher costs to retrofit resilience after the quake.

Coda: From Fault Lines to Foundations

This is not collapse; it is continental drift. Activists and boards are not simply breaking things apart—they are re-aligning plates so each can move with its own momentum and constraints. Our role as occupier strategists is to read the geologic map, site the structures on bedrock, and install the dampers that keep work, brand and governance intact when the ground moves. In an age of living fault lines, place is not a backdrop. It is the foundation.

Sources

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- Baker Hughes activist thesis (Nov 2025): CNBC Activist Spotlight.
- Spin-off legal process (2025): Wachtell, Lipton, Rosen & Katz Spin-Off Guide.

We like questions; if you've got one about our research,
or would like some property advice, we would love to hear from you.



**Head of Global
Occupier Research**

Dr. Lee Elliott
+44 7468 729 187
lee.elliott@knightfrank.com



**Global Head of Occupier
Strategy & Solutions**

Tim Armstrong
+65 6429 3531
tim.armstrong@asia.knightfrank.com



**EMEA Head of Occupier
Strategy & Solutions**

Philipp Ueberschaer
+44 7811 771 416
philipp.ueberschaer@knightfrank.com



**Partner, COO – Occupier
Strategy & Solutions**

Ross Criddle
+44 7870 379 519
ross.criddle@knightfrank.com



**Head of Portfolio
Solutions, EMEA**

Giulia Grigolato
+44 20 3967 8561
Giulia.grigolato@knightfrank.com



**Partner, Head of
International, Cross Border**

Sam King
+44 20 3995 0760
sam.king@knightfrank.com



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