Developing a Real Estate Strategy

IFMA Industries Forum
2009 Spring Council Meeting

Presented by:

Georgia Perkey – Managing Partner, iNPOINT Advisors

Janice Cimbalo – Senior Director, Cushman & Wakefield
Discussion Outline

• Definition of a Strategic Plan
• Strategy Drivers
• Impact on Real Estate Management
• Impact by Real Estate Management
• Steps in Planning Process
• Executing on the Plan
• Managing the Results
What is a Strategic Plan?

**Definition**
- Process to define direction
- Structure to make decisions

**Characteristics**
- Proactive
- Art versus Science
- Identifies Options – not Actions
- Drives Tactics and Roadmap
What is a Strategic Plan?

Key questions:
- "What do we do?"
- "For whom do we do it?"
- "How do we excel?"

Result:
Roadmap that defines how to implement the strategy
Strategy Drivers

Economic Factors / Industry Pressures

Business Goals and Objectives

Business Unit Needs

Work Force Drivers

Real Estate Strategy

Partners in Planning
- HR
- IT
- Finance

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Current Economic Factors

- Irrational Exuberance → Uncontrolled Paranoia
- Capital Conservation
- Alteration in Customer Habits
  - Decision Postponement
  - Downsizing
  - Uncertainty
  - Business Model Instability
Business Model Drivers

- Technology
- Globalization
- Sustainability
- Regulatory Pressures
- Business Continuity
- Consumer Habits / Demographics
### Business Drivers

<table>
<thead>
<tr>
<th>Areas of Focus</th>
<th>2006</th>
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<tbody>
<tr>
<td>Cost Containment &amp; Control</td>
<td>Low</td>
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<tr>
<td>Operational Efficiency</td>
<td>Low</td>
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<tr>
<td>Mergers / Acquisitions</td>
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<tr>
<td>Innovation</td>
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<tr>
<td>Portfolio Changes</td>
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<tr>
<td>Carbon Footprint / Sustainability</td>
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<td>Risk Management</td>
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<table>
<thead>
<tr>
<th>Area of Focus</th>
<th>2006</th>
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<table>
<thead>
<tr>
<th>Area of Focus</th>
<th>2006</th>
<th>Today</th>
<th>Tomorrow</th>
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<tr>
<td>Cost Containment &amp; Control</td>
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</table>
Group Discussion

- What are drivers in your business?

- What’s the future going to bring to your company?

- How can real estate impact those areas?
Work Force Drivers

In an Employee Market
- Access
- Environment
- Flexibility
- Social Responsibility

In an Employer’s Market?
Real Estate Drivers

- Enabling Work Productivity
- Optimizing Resources
- Reduce Costs and Risks
- Maximizing Utilization
- Increase Sustainability → Corporate Social Responsibility

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Portfolio Optimization

MINIMIZE COSTS

- Rent Expense
- Building Operation Expenses
- Administrative service costs
- Project Costs
- Outsourcing
- Financial Structuring

MAXIMIZE UTILIZATION

- Headcount density
- Labor drivers
- Functions and locations
- Functions and space type
- Vacancy
- Seat density
- Leverage Technology
Translating Strategy to Tactics

“Plan the Work and Work the Plan”

“Make issues actionable and accountable”

What can be measured, can be managed”
Planning Process

Gathering Data
- Gather Information
- Conduct Interviews
- Document Findings
- Define Shared Metrics of success

Assessing / Translating
- Impact on each CRE Function
- CRE Staffing & Skills
- CRE Supporting Systems & Resources
  - Financial Analysis
  - Procurement
  - Info Systems
  - QC

Developing the Road Map
- Identifying the Initiatives
- Creating a timeline, resource plan, budget
- Conduct Review Meetings
- Finalize Action Plan

Executing the Plan
- Communication Plan
- Hiring / Training Plan
- Systems Development
- Project Management
- Working Sessions with Management
Gathering Information

- Structured Interviews
- End User Questionnaires
- Evaluation Templates
- Surveys
Gathering Data – Business Units

- Business Unit Overview
  - Mission
  - Trends
  - Competition
  - Measures of Success
  - Corporate Image
- Current to Future
- Workspace needs
- Standards
Typical Business Unit Drivers

- Location – Where?
- Workspace Function – What?
- Amount – How Much?
- Financial Structure – How Long?
- Cost Control – Financial Impact?
## Gathering Data – Planning Partners

<table>
<thead>
<tr>
<th></th>
<th>Completely Independent</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>to</th>
<th>4</th>
<th>5</th>
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<td>IT</td>
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<td>Customer Focus</td>
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<td>Asset Focus</td>
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### Planning Partner – IT

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<th>Area of Focus</th>
<th>Real Estate Input</th>
<th>Impact on Real Estate</th>
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<td>Infrastructure support</td>
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<td>Collaboration</td>
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<td>Support for alternative work spaces</td>
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<td>On-boarding process</td>
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<tr>
<td>Labor pool</td>
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<td>Recruitment</td>
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<td>Retention</td>
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<td>On-boarding process</td>
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<th>Area of Focus</th>
<th>Real Estate Input</th>
<th>Impact on Real Estate</th>
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<tr>
<td>Business Volatility</td>
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<td>Cash flow volatility</td>
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<td>Return on investments</td>
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<tr>
<td>Return on assets</td>
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</tbody>
</table>
Planning Process -- Assessing

Gathering Data
- Gather Information
- Conduct Interviews
- Document Findings
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Assessing / Translating
- Impact on each CRE Function
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  - Financial Analysis
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<thead>
<tr>
<th>Real Estate View</th>
<th>User’s View</th>
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<tbody>
<tr>
<td>Order Takers or Innovators</td>
<td></td>
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<tr>
<td>Asset Manager or Customer Service Provider</td>
<td></td>
</tr>
<tr>
<td>Necessity or Company Benefit</td>
<td></td>
</tr>
<tr>
<td>Reactive or Proactive</td>
<td></td>
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</tbody>
</table>
Real Estate Evolution

[Adapted from Real Estate Executive Board article “From Backstage to Spotlight: Aligning Corporate Real Estate Capabilities with New Opportunities to Create Value”]

Moving “Upstream”

Typical CRE position

- Partner with LOB to Facilitate Plan Implementation
- Core Business Activity

Targeted CRE positioning

- Financial/Operational Planning and Budgeting
- Strategy Development
- Strategic Assessment
- Strategic Planning

CRE Reactive Position

Attributes
- Reactive to Business Unit Demands
- Habitually Overpaying for Real Estate
- Infrequent Leveraging of Portfolio Assets
- Marginalized Function

CRE Strategic Position

Attributes
- Partnering with Business Unit Demands
- Strategic Occupancy/Facility Decisions
- Effective Portfolio Management and Matching to Business Unit Needs
- Core Strategic Function

Business Planning Process
Real Estate Assessment

Exercise Handout

- Areas of Focus
- Supporting Systems
- Staffing
CRE Enterprise Functions

**Property & Transaction Management**
- Acquisition and Disposition of owned or leased properties
  - Market Research
  - RFP Preparation & Analysis
  - Due Diligence
  - Lease Origination and document tracking
  - Financial Analysis
  - Property Abstract and setup

**Project & Construction Management**
- Development and improvement of sites and spaces
  - Forecast and Planning Process
  - Unplanned Requests
  - Initiation and Budgeting
  - Assessment Analysis
  - Project Design
  - Programming
  - Scheduling
  - Bidding / Contracting
  - Accounting
    - Financial Reporting
    - Funding Requests
    - Invoicing
  - Ongoing Mgmt.
    - Change Orders
    - RFI Process
    - Meetings
  - Closeout
    - Lien Releases
    - Customer Satisfaction Surveys
  - Document Mgmt.
  - Contact Management
  - Vendor and Master Contract Mgmt.

**Facilities & Asset Management**
- Operation and maintenance of physical plant
  - Service Request/Call Center Management
  - WO Processing – Corrective Maintenance
  - Asset Inventory and tracking
  - WO Processing – Planned Maintenance
  - Labor Management
    - Planning / Scheduling
    - Dispatching
  - Material Management / inventory
  - Invoicing
  - Purchasing
  - Reporting
  - Vendor & Contract Management
  - Contact Management
  - Shared Services

**Portfolio and Lease Management**
- Administration and tracking of owned and leased properties
  - Property Management
    - Budgeting
    - Purchasing
    - Expense/Revenue Management
    - Tax Reporting and Review
  - Lease Abstract and Setup
  - Sublease abstract and setup
  - Critical Data Mgmt.
    - Ticklers
    - Option Tracking
    - Compliance Monitoring
  - Lease Accounting
    - Accounts Payable
    - Internal Cost Allocation
    - External Cost Allocation
    - Accounts Receivable
    - Security Deposits
  - Desktop reviews and lease audits
  - Lease Termination
  - Document Management
  - Contact Management
  - Vendor Management

**Space Management**
- Monitoring occupancy and utilization of space
  - Workplace Planning and strategy
  - Move Management
  - Space Management
    - Allocations
    - Standards
  - Occupancy tracking
  - Occupancy cost allocations Calculations

**Strategic Planning & Performance Management**
- Optimization value of RE assets
  - Financial Analysis
  - Disposition Strategy
  - Demand Forecasting
  - Supply Analysis
  - Business Unit Reporting
  - Measurement
  - Reporting
    - Internal
    - External
  - Benchmarking
Typical Initiatives

- Spring Cleaning
- Field Office Optimization
- CAFM Technology → cost allocations
- Space Standards
- Restacking
- Surplus property
- Procurement
- Occupancy Planning
Real Estate – Staff Assessment

**CRE Skills**

**Skills for Credibility:**
Workplace strategy, RE finance, RE IT, program/project management

**Business Skills**

**Skills for Management:**
Process management, corporate finance, information technology, customer relationship management, sustainability

**Enterprise Skills**

**Skills for Strategy:**
Knowledge of the core business, change management, network management

*Good to Great*
Collins, Jim, 2001
HarperCollins Business

Implications for CRE
Planning Process

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Developing the Road Map

- Develop Initiatives based on Assessment Results
- Define Action – What
- Define Resources – Who
- Define Timing – When
- Develop Details – How
- Create Metrics of Success
<table>
<thead>
<tr>
<th>Costs</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<tr>
<td>Time to Implement:</td>
<td>&lt;1 week</td>
<td>&gt;1 week to &lt;4 weeks</td>
<td>&gt;1 to 2 months</td>
<td>&gt;2 and &lt;6 months</td>
<td>&gt; 6 months</td>
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<td>Staffing Requirements:</td>
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<td>4 to 5</td>
<td>6 to 7</td>
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<td>Hardware Costs:</td>
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<td>$15,001 to $50,000</td>
<td>$50,001 to $200,000</td>
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<th>Benefit</th>
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<tr>
<td>Cost Reduction:</td>
<td>Negligible</td>
<td>&lt; $50,000 per year</td>
<td>$50,001-$100,000 per year</td>
<td>$100,001-$250,000 per year</td>
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<td>$50,001-$100,000 per year</td>
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<td>Revenue Increase</td>
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<td>$250,001 to $500,000</td>
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<td>Risk Mitigation:</td>
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<td>Who</td>
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<td>How</td>
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<td>Comments</td>
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<tr>
<td>JC</td>
<td>Hire / Train 2 additional FM’s for MAC</td>
<td>• Obtain budget approval</td>
<td>3/31</td>
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<td></td>
<td></td>
<td>• Post position</td>
<td>4/10</td>
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<td></td>
<td></td>
<td>• Review resumes</td>
<td>4/30</td>
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<td>• Interview final candidates</td>
<td>5/15</td>
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<td>GP</td>
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<td>• Review resumes</td>
<td>3/15</td>
<td>process</td>
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<td></td>
<td>• Interview final candidates</td>
<td>4/2</td>
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## Executing the Plan

### Gathering Data
- Gather Information
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**INPOINT advisors**
Executing – Metrics of Success

- Financial
- Occupancy
- Quality
- Service
- Productivity
Executing – Managing / Monitoring

- Customer facing tools and processes
- Status reporting – Initiatives
- Reporting on cost savings and benefits
- Sustainability report card
Summary

- Reactive to Proactive role
- Customer engagement – Partner vs. Provider
- Obstacles to changing relationships and functions
- Tools for identifying the business unit needs
- Real Estate Efficiency and Alignment
- Building the Plan
  - Data Gathering
  - Assessing
  - Translating to a Plan
  - Managing and Monitoring

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