CEL & Associates, Inc.

STRATEGIC ADVANTAGE

Straight Talk for Real Estate Owners and Executives

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Focus!

Have you ever wondered why some real estate organizations seem to capture more than their fair share of new business opportunities? Why do some companies consistently produce record profits, increase marketshare, seem to do the deal no one else could do, or appear to do more with less? Have you been frustrated that while your entire executive or management team seems to be working harder, the company continues to produce flat or average profitability? If you have asked yourself these questions and can't seem to find the answer — you are not alone.

Many "perceived" successful real estate companies today are in fact dramatically underperforming their potential. The majority of organizations that appear in the Top 50 or Top 100 lists of biggest firms are not producing the numbers for which they are capable. And this condition can also be found in the small and mid-size firms.

> *"...many real estate organizations are performing at 20, 30, even 40% or more below their capacity and capability."*

Ironically, many of the firms who fall into this underperforming category don't know it and, in most cases, either are unable to see or quantify the business that they are losing or are in denial that a problem exists. Some companies still equate growth or volume with success, and hard work with productivity. Today, many real estate organizations are performing at 20, 30, even 40% or more below their capacity and capability.

The primary problem: a lack of focus. A lack of focus distracts, overburdens, confuses, creates "can't win" situations, lowers morale, causes frustration and, in general, results in a reactive, underperforming and stagnant organization. A lack of focus can occur at anytime, but almost always occurs when: there has been a recent leadership transition; entering into or emerging from a recession; downsizing; there is no clear and understood vision; and/or when there is a lack of aligned interests at the senior management or ownership level. Performance comes down to "moments of opportunity" where a company's leadership and employees are guided by clear, well-defined and aligned goals, dreams and expectations. If one is focused and able/aware to recognize an opportunity — and the company has a uniformly accepted vision and mission — unprecedented profits and performance will occur.

Over the past several decades, the real estate industry was fueled by an abundance of lucrative opportunities, available capital, favorable tax laws, unprecedented demographic and economic growth and, for the most part, an unsophisticated marketplace. Location, location, location was the industry's mantra. However, by the 1990s the following occurred: demand slowed dramatically; capital formation became securitized, institutionalized and subject to increasing underwriting regulation; real estate tax incentives disappeared as government sought new sources of tax revenues; and economic growth became linked to international affairs.

The new mantra for the real estate industry has truly become focus, focus, focus!

Think about your firm. Have you experienced reduced profitability, flat same store growth or marginal growth despite

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downsizing, managerial changes and harder work efforts? Are you working as hard now as you ever have but not enjoying it or receiving the fruits of your efforts? Can you recall a recent situation when owner or shareholder and senior management interests were not aligned or out-of-balance? How many times have you heard the expression, "We lost the job, but they said we had a great presentation?" The underlying cause of these problems is a lack of focus.

Despite these lack of focus issues, many real estate organizations continue "business as usual" or return to the "we've always done it this way" solution. Leading real estate companies in the 90s must do different things—not do things differently—to survive and prosper. They need to focus.

Over the past 36 months, CEL & Associates, Inc. has carefully studied the characteristics of successful and not-so-successful real estate companies (both large and small, public and private). Consistently, this study (known as *Profiles of Success*) determined that those companies' leaders who emerged as winners — the best in the industry — were those who were focused. Each successful entity or individual had eliminated the "me too" approach to business activities, distanced themselves from the latest industry fad, and had a clearly defined and understood long-range vision and strategic plan. As one executive remarked, "Successful real estate organizations seem to have a clear focus on who they are, where they are headed and how they intend to get there."

THE REASONS WHY REAL ESTATE COMPANIES FAIL

- Lack a clear vision and focus.
- Believe in their own press clippings.
- Are unable to change.
- Manage with a short-term objective.
- Are impatient and lack dedication and persistence.
- Try to be something they're not.
- Are under capitalized.
- Become technologically obsolete.
- Are unable to say no.
- Believe they have all the answers.
- Becomes too dependent on a handful of clients or has a disproportionate concentration of assets in one area.
- Owners and senior management team become too removed from the customers/clients.
- Individuals put personal agendas ahead of company interests.
- Fail to control overhead costs.
- Absence of communication and feedback.
- Bureaucracy.

Source: CEL & Associates, Inc.

Conversely, some less-than-successful real estate organizations still cling to a belief that increasing the level/number of services offered, expanding geographic presence and diversifying product specialties solves the growth (or lack thereof) problem. How many companies can honestly say "we approve investments and capital expenditures based on what is best for the company" not based on the political clout of each partner, region or division? Today, the real estate industry is neither in a boom or bust cycle. It is in a period of transition and transformation in which only those companies that are focused will survive. Competition is so intense that a lack of focus means wasted energy, poor allocation of resources and an inefficient organization.

If your organization does one or two things well, why not focus on making those services, products or relationships the best they can be? Why get distracted by pursuing new opportunities that you know the probability of success is very low? As one real estate executive recently said, "Winning, not chasing opportunities, is the goal." Unfortunately, in many companies the perception of "being a player" has become more important than actually playing to win.

Today, the real estate industry is characterized by firms with little or no unique or distinguishing features (i.e., lack of focus). In some markets generalists (the "we-are-all-alike" market strategy) have replaced specialists. Just think what might happen if your firm became an industry leader. How much more profitable could you be if your organization was focused? What is stopping your organization from making the changes necessary to improve performance?

The winning paradigm in the 1990s is focus and the speed upon which the organization responds to focused opportunities. According to the CEL & Associates, Inc. *Profiles of Success* study, there is no standard solution, formula or key action that can be applied to an organization that brings immediate focus to business practices. Every firm is different (despite the tendency of some to follow the latest pronouncements in *Commercial Property News, National Real Estate Investor* or *Professional Builder*).

Getting and staying focused can be a challenging process, but it must be done. One of the first steps to gaining focus is to utilize an independent, objective outsider who carries no agenda, historical bias or "protecting-my-turf" mentality. Experienced outsiders, the CEL & Associates, Inc. study concluded, "are able to bring a detached perspective that identifies focused opportunities for growth and success."

Getting And Staying Focused Requires Nine Key Actions

1. A clear, easy to recall, understood by all, quantifiable long-range vision. For more than 20 years, the principals of CEL & Associates, Inc. have shaped vision statements for real estate companies. There never seems to be a lack of ideas on what a vision should be, but the key to success is not quantity, it's quality. Developing a focused vision will create opportunities, improve performance and re-energize an organization.

2. A concise strategic and long-range business plan that assists the company's leadership in prioritizing actions and investments. Focused strategic and long-range business plans create future business opportunities.

3. A consistent image and identity that is brief, concise, memorable and distinguishes the organization from its competitors. Do you know what non-clients think of you? Focused companies are not afraid to ask existing and potential clients, customers, tenants, residents and

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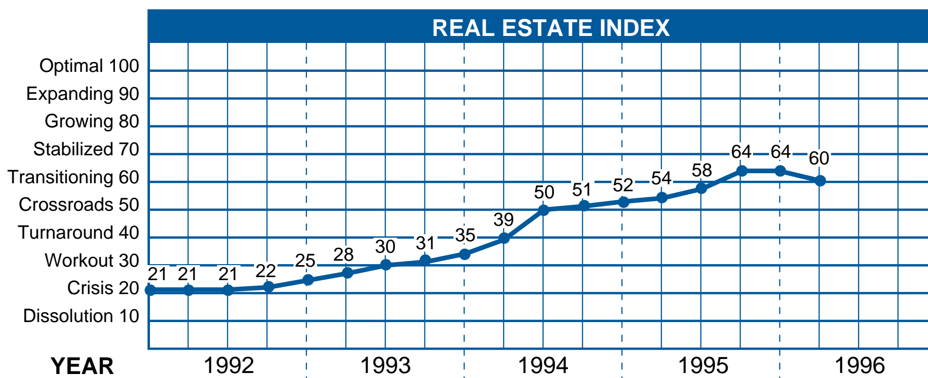
As We See It

CEL & Associates, Inc. has developed a Real Estate Industry Index to reflect a particular point in time, illustrated by a 100-point scale. The Index is based on the premise that at any moment in time, a snapshot of the real estate industry can be made. This index is divided into 10 levels as illustrated below.



The CEL & Associates, Inc. Real Estate Index is based on extensive interviews with industry leaders, review of published reports and documents, analysis of regulatory, governmental and financial trends, assessment of market data, and review of other information from institutional sources.

Accordingly, the scale has declined from 64 to 60. There is both optimism and pessimism projected for 1996. The underlying reasons for the decline are principally due to the following:

- The U.S. economy is continuing its gradual transition from a middle income to a predominantly lower-income society.
- A recent Institutional Real Estate, Inc. survey of 35 pension fund advisors found that in 1995 the office sector received 42% of pension fund capital investments, up from 27% in 1994. Pension fund investments in retail declined from 33.8 to 18.8 percent. Multi-family investments rose from 19.5% in 1994 to 24.6% in 1995.
- The stagnation of single-family home ownership continues and the preferred housing choice is not the move-up home but the entry-level home. Thus, the rental housing option will likely increase but at the expense of the single-family housing segment.
- Over the five year period 1990-1994, approximately 75% of office space demand was in the suburbs. The stagnation of the CBD continues and it will be several years before moderate gains are achieved in several CBDs. The choice of CBD versus suburban office location is increasingly being driven by such concerns as: crime; gridlock; occupancy costs; quality of the labor pool; proximity to airports; and ease of client access.
- The retail industry continues its radical transformation. The winners — discount stores, value retailers, catalog sales, the internet, television shopping networks and power centers. The likely losers — enclosed fashion-oriented malls, large department stores, apparel retailers and non-anchored community or neighborhood centers.
- The REIT industry, in general, is aggressively seeking acquisitions at positive spreads between acquisition cap rates and nominal weighted-average capital costs. The problem is that the number of acquisition opportunities is relatively small, the number of potential buyers is large and the spreads are becoming thinner and thinner. This limited spread investing option is placing added focus on internal or same store growth. The unknown variable is whether most REITs are organized for maximum efficiency and demonstrable FFO growth.
- Corporate downsizing, mergers and consolidations continue to occur — and in many sectors, staff reductions have become an acceptable business strategy. Changing technology and the concept of the "moveable" office will place further burdens on maintaining existing office space occupancy levels in several market areas.
- While speculative building has returned to the industrial sector, there appears to be overbuilding in some markets. The industrial space sector — particularly R&D and flex space — have benefited from the office flight from the CBD, growth in high tech industries and revitalization within the machine tool industry (1995 was the best year since 1970).
- The nation's GDP is unlikely to grow by more than 2-3% in 1996 and 1997.
- Single-family permit activity fell in 24 of the 25 largest housing markets and 23 of the next 25. Some of the big losers: Fort Lauderdale, down 23%; Riverside-San Bernardino, down 18.3%; and Washington, D.C., down 16.7%. Single-family housing starts are likely to be in the 1.2 to 1.4 million range in 1996. Multi-family starts are likely to increase (albeit slowly) in 1996 as vacancies and overbuilding rise in several markets. Expect around 290,000 multi-family starts this year up from 278,000 in 1995. However, CEL & Associates, Inc. is forecasting a steady decline in multi-family starts through the balance of the decade.
- Total sales per square foot in regional malls increased only .3% in 1995. Same store sales increased only 1.1% in January 1996 (vs. 4.7% a year ago). While only a small percentage of the nation's 35,000 retail centers are at risk, the investment climate for retail remains anemic. CEL & Associates, Inc. expects further downsizing to occur in 1996.
- The REIT industry experienced only six IPOs in 1995 versus 45 IPOs in 1994. In

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employees what they think of the company's image and performance.

4. A dedicated leadership team. Focus is truly in effect when the owner and leaders of a company have aligned interests, embrace the organization's core businesses and values and have a single-minded determination to succeed — and the entire organization knows it.

5. A senior management team committed to pruning those business activities that are not profitable, don't support the company's vision or are not needed. Real estate organizations need to ask, "How will this activity improve the company's focus and long-range vision and performance?" A healthy company is focused, has a dominant marketshare, controls its destiny and is not encumbered with underperforming business activities.

6. An external versus internal marketing focus. A directed company always knows who its competitors are and has plans and counter-plans to meet any challenges put forth. Companies that lack focus tend to be preoccupied with internal organization squabbles and conflicts, and miss significant opportunities. How much time do the leaders of your firm spend on resolving/mediating internal conflicts?

7. A centralized, empowered organizational structure with one agreed upon vision and direction. Decentralized organizations tend to be efficient (in some cases) but very inflexible (in most cases). Real estate is a local business, but the products, services and performance must be consistently first class.

8. A commitment by the senior management team to stay the course. While a company's focus will likely change over time, a winning focus will not change overnight.

9. An understanding that focus is a business environment, a corporate culture, not a business strategy. Focused companies know what they do well, know their customers/clients, and operate in markets where others consider them to be experts.

If your company needs focus; is open to new and fresh, out-of-the-box ideas on how to become more profitable and productive; or if you desire to shift from a good to a great real estate organization, CEL & Associates, Inc. can be of some assistance. Leading real estate organizations, REITs, advisors, institutions and corporations throughout the U.S. continue to use the strategic and long-range planning expertise of CEL & Associates, Inc. to get focused.

Today the real estate marketplace is very competitive. Profit margins are declining, several markets are or are becoming over-built, and the future is somewhat unclear for many. Securing, maintaining and enhancing a competitive edge is the challenge facing all real estate organizations. From shareholders to support staff—getting focused is the key to success.

Getting and staying focused is not easy. However, a lack of focus can be financially devastating. Becoming recognized as among the best in the industry mandates a common focus at all levels within an organization. So, the next time you get frustrated with performance, productivity or profitability, or wonder why you lost that new business opportunity — just ask yourself, could we have been more successful if we were truly focused? ■

FOR MORE INFORMATION

If you would like to discuss how to get your organization focused and more profitable, call CEL & Associates, Inc. at (310) 571-3113.

Are You Planning A Fall Retreat?

According to a recent CEL & Associates, Inc. survey, nearly 75% of those real estate organizations who stage a strategic or business planning retreat do so in the months of September, October and November. Many companies use the Fall Retreat to set the framework for the budgeting process or to discuss the business plan(s) for the upcoming year. Most organizations use the Fall Retreat to set or revise their long-range vision and strategic plan. Nearly 90% of the firms that stage a business planning retreat do so to build for the future, align priorities and interests, respond to emerging trends, establish performance benchmarks and to fine tune the organization's delivery system. A majority of the companies surveyed used an outside facilitator.

CEL & Associates, Inc. is the nation's leading firm providing strategic, long-range business planning and retreat facilitating expertise. For more than 20 years, the principals of CEL & Associates, Inc. have served as facilitators, moderators, advisors and resource specialists to the real estate industry. Some of the clear benefits of using CEL & Associates, Inc. to assist you in your Fall Retreat include the following: access to national and regional perspectives; an ability to compare one's performance to a comparable/ competitor group of peers; and having an independent, objective and unbiased facilitator.

If you are planning a Fall Retreat or are considering a long-range business planning meeting with your key executives, we invite you to consider using CEL & Associates, Inc. Our reputation and client list are unparalled within the real estate industry. The fall months are not far off.

To properly plan and stage a business planning retreat that will truly energize your firm for years to come, give us a call. For more information on how CEL & Associates, Inc. can serve your retreat, strategic and business planning needs call us at (310) 571-3113. Ask for a copy of the "Top 30 Strategic Planning Questions for 1997. ■

Management Report

The following highlights several recent events which have had an impact, or will be affecting the human resources and operational elements within real estate organizations. Further information can be obtained by contacting CEL & Associates, Inc. at (310) 571-3113.

- In a California court case (Randi W. v. Livingston High School District), the Court ruled that employers who provide glowing letters of recommendation about a former employee could be liable for what they don't say. While this decision is currently being appealed, real estate firms should think twice before sending that letter of recommendation.
- Salary increases in 1996 will likely be between 4 and 4.2% according to the CEL & Associates, Inc. *1996 National Real Estate Compensation Survey* covering nearly 300 firms nationwide. The "new" salary increases of the 90s are generally confined to increases in potential bonus awards and other incentives.
- How much do you know about the Internet? Since June 1994 the number of web sites has grown from 1,265 to well over 15,000, and the number of commercial sites is growing by more than 200 per week. The March 1996 issue of Personnel Journal has an excellent article on how to launch a web site.
- Transferring or relocating an employee is not that easy. In a recent survey of employees who turned down transfers, the top reasons given were the following: (1) 63.8% because of family ties; (2) 62.0% because of the spouse's employment; (3) 52.7% because of the cost of living in a new location; and (4) 35.1% had no desire to move. Today, there is an emerging trend to relocate the elderly/dependent relative and provide ongoing assistance to aid the spouse in getting a job.
- Have you heard the term downshifters? Well, get used to it as the baby boomers enter the last 10-15 years of their employment and want to re-prioritize or bring into balance their work and personal/family lives. In the 1970s, approximately 71% of the work force were in traditional jobs. By the year 2000, only 57% will be in traditional jobs. Downshifters are seeking less than 40 hour weeks and willing to take less pay to work less hours. Interestingly, only 30% of workers saved 10% or more of their annual income. How downshifting and lack of savings will impact lifestyles is unclear, but it is known that organizations need to be prepared to address the "I don't want to work as many hours" mood of an increasing number of Americans.
- In a recent survey of employers the most popular scheduling options for employees were: flex time - 73%; part time employment - 65%; job sharing - 36%; and compressed work schedules - 21%. Real estate organizations, regardless of size, have begun to recognize that the employer of the 90s needs to be flexible and shape work schedules to meet employee needs to retain and motivate outstanding employees.
- Did you know that 40 states now allow the carrying of concealed weapons? What is your policy pertaining to employees carrying concealed weapons? CEL & Associates, Inc. recommends checking the state, county and local laws in your area and, whenever possible, adopt a policy to prevent a potential disaster.
- Attracting the best candidates for a position can often be enhanced by offering non-cash perks such as: a home computer; personal use of frequent flyer miles; memberships in health or airline clubs; continuing education; and vacation planning assistance.
- What do you pay your security guards? Nationwide, security guards average $19,644 annually. The highest pay is in Detroit, where average security guard pay is $26,252. The lowest is in Des Moines, Iowa at $14,640.
- According to a recent study, the average severance pay for nonexempt employees in firms with 151-500 employees is one week's pay per year of employment. At companies with 150 employees or less, severance benefits are frequently judged on an individual basis. Two thirds of the companies surveyed paid out severance pay in a lump sum. In at least 50% of the firms surveyed, employees must have worked at least 12 months to qualify for severance.
- Employees who resign or threaten to leave generally do so for positions that pay 5-7% more. However, counter-offers from the current employer can be as high as 25%. How has your firm responded? An added footnote: employees who take the counter-offer are generally gone within a year.
- How valuable is your company's computer-based client list, financial analysis programs, standard lease or sales agreements? Annual losses from high technology theft have been estimated at $8 billion and are expected to rise to $200 billion worldwide by the year 2000. Within the real estate industry, analytical software programs, valuable prospect or client lists, and project/correspondence files stored on the computer are the most frequently stolen technology. Most real estate firms have included proprietary technology provisions in their employee handbooks.
- "Documenting the file" is essential before you terminate an employee. However, over-documenting the file can get an employer in trouble. Real estate firms are encouraged to: evaluate carefully what goes into a file; exclude drafts of documents later inserted; write each document as if it will be seen by a jury; watch your language or choice of words; avoid personal commentary; use exit interviews; do not use e-mail or voice mail to discuss an employee situation; and wherever possible, don't write a memo or a note to file.
- How does your company handle unsolicited resumes or job applications? If you don't promptly return them, you may be surprised to find a discrimination lawsuit in your future. ■

Leaders Making An Impact

CEL & Associates, Inc. is frequently asked to identify leaders within the real estate industry, those by whom others should benchmark their performance. As a regular feature of *Strategic Advantage*, those individuals whose leadership, innovation, contributions and vision best typify the real estate executives of the future, are identified and briefly profiled below:

- **Jeff Swope**, Founder and Managing Partner of Champion Partners, has developed nearly 9.5 million square feet of industrial and office build-to-suit projects for his company's clients. Under Swope's leadership, Champion employs 30 professionals in four offices and has a goal of $100 million in business activity a year. Champion is an excellent model of success based on the combined skills of an experienced partnership, flexibility, responsiveness and superior client service. Swope leads by thinking ahead, monitoring emerging trends, tracking the capital markets, and by making decisions. Meeting the needs of clients is Champion's goal and with Swope's energy and attentiveness, the future opportunities for Champion appear to be unlimited.
- **Bill Sanders**, Chairman and CEO of Security Capital Group, has become the real estate leader others monitor, follow and emulate. After a very successful career as the Founder of LaSalle Partners, Sanders retired and then formed the Security Capital Group in 1991. Today, Security Capital owns controlling interest in several real estate companies and is an active buyer and investor in real estate properties. Under Sander's visionary leadership, Security Capital is a very active owner/investor in four REITs. His commitment to assembling a first class team of professionals that are empowered to "make things happen" is the cornerstone of his management philosophy.
- **Steve and Randy Podolsky**, Chairman and Managing Director respectively, of the Chicago-based Podolsky & Associates, are examples of the success local firms are having in those markets where they are considered to be experts. Managing nearly 10 million square feet of office and industrial space, Podolsky & Associates has created a brand name for itself as the "performance first" real estate firm of Illinois. Founded in 1971 by Milton Podolsky, Steve and Randy have diversified their business activities and focused in property management, leasing, brokerage. Further growth plans include Minnesota, Wisconsin and Indiana. If the past five years are an indication, Steve and Randy Podolsky will continue to enhance their stellar reputation for service, integrity and lasting client relationships.
- **Tom Shuler**, President of Insignia Management Services, is one of the most innovative and successful leaders within the multi-family industry. Under Shuler's leadership, Insignia has become the leader in expanding services and amenities to apartment residents. In 1995, Insignia entered into a venture with the hotel REIT, HFS Investors, to provide all Insignia residents with discounts and services currently available to hotel guests. In January, Shuler announced the addition of telecommunications and cable services to Insignia's residents through an alliance with GE Capital-Rescom. With 300,000 units in Insignia's portfolio, Shuler is clearly a visionary leader within the apartment industry. ■

What Do Your Employees, Customers And Clients Think Of Your Company?

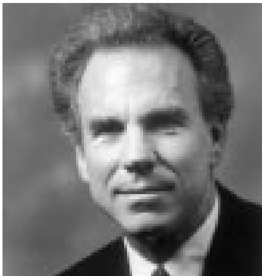
Perhaps the most dramatic statements regarding the health, image, identity, and marketability of a company are the opinions, perceptions and feelings of its employees, customers, clients and vendors. Cushman & Wakefield's President Arthur Mirante called it a wake-up call. "We were... a pretty arrogant group," Mirante stated, but the findings of a comprehensive survey "gave us some pretty enlightening results."

CEL & Associates, Inc.'s comprehensive company survey program called **Feedback** is a specially designed telephone, mail-back and survey program that gets answers to the questions of who you are, what others think of you and how the varying constituencies (employees, customers, clients, etc.) differ in their perceptions. CEL & Associates, Inc., already the nation's largest surveyor of tenant or resident satisfaction, has developed focused survey instruments that eliminate a company's need to design a statistically valid instrument. Proprietary software reduces the cost to tabulate and analyze the data, and CEL & Associates, Inc.'s 20+ years of experience in the real estate industry enable the accurate, independent interpretation of the findings.

According to *Harvard Business Review*, corporations on average lose 50% of their customers every five years. Within the real estate industry the turnover percentage is even higher. While searching for the root causes of client, customer, tenant, resident and/or employee turnover, companies can design business practices to remedy the problem(s). All real estate executives agree that the longer a customer, employee, tenant or resident stays with a company, the more profitable, productive and effective the organization can become.

If you want more information on **Feedback** and how your organization can benefit from such a survey, contact CEL & Associates, Inc. at (310) 571-3113. ■

Leadership Insights



An interview with Roger Staubach, Chairman and CEO of The Staubach Company.

Since 1977, Roger Staubach has led, coached and presided over one of the real estate industry's success stories. Founded nearly two decades ago, The Staubach Company was built on a focused philosophy and high standards of personal and business ethics. Under Staubach's leadership the firm has provided real estate services to nearly one-half of the Fortune 50; was ranked for four consecutive years on the Inc. 500 list of the fastest growing, privately held companies; and for five consecutive years, over 60% of The Staubach Company's revenues have been attributed to repeat clients. Today, The Staubach Company has 15 offices nationwide, employs 240 professionals, and is recognized as one of the industry leaders in providing advisory, acquisition, financial and design/consulting services to a wide variety of clients.

Staubach has been able to assemble a team of very skilled and professional leaders. It is through their efforts as a team that The Staubach Company has emerged as a benchmark within the real estate industry for excellence, service, quality and performance. The following is a summary of a recent conversation with Roger Staubach.

Q. *What makes a real estate organization unique today, and how would you describe the competitive advantages of The Staubach Company?*

A. Today, the ability to build trust and relationships with clients is one of the keys to success. When a real estate organization places the needs and expectations of the clients first, success is not far behind. In the past, real estate companies were based on individual achievement. Today, the performance of the client-service team or entire company is the service mindset our company is seeking to consistently achieve. Within The Staubach Company we believe in fee sharing, where success is shared by the entire team. Over the past seven years, we have been able to get our entire organization into a team-based performance operating style. Our rapid growth and successful client relationships, we believe, are a direct result of our team-based culture. It is our competitive advantage.

Q. *How is technology affecting the real estate industry, and what has The Staubach Company done to keep pace with technological advances?*

A. Technology continues to have a dramatic impact on our industry. The Staubach Company commits significant resources toward hardware purchases, software for computer-based marketing, communication and information access technology. All of our offices are networked, we can communicate with our clients by e-mail, and our full-time MIS personnel are constantly enhancing and improving our use of technology. From our perspective, technology provides us with access to information. Our goal is to be able to creatively use and interpret the data that is available for the benefit of our clients and to enhance our marketing edge.

Q. *What is the state of the brokerage business today? Where do you think it is headed?*

A. These are exciting times. The tenant representation business is good and the opportunities internationally are still growing. Success in the remainder of the 90s will be principally due to those professionals and organizations that have the right priorities, provide consistent service, have geographic coverage, provide a broad range of services and successfully nurture a network of repetitive clients. At The Staubach Company, we are able to give all of our clients outstanding service regardless of their size or location. The fact that we have no debt gives us the flexibility to perform and compete.

Q. *What do you think the leading real estate brokerage organizations in the country will look like in the year 2000?*

A. There will be a number of well-positioned national and international firms that will rely on repeat business to comprise at least 50% of their business revenues. Successful real estate firms in the future will be far more focused than they are today. By the year 2000, there will be fewer firms providing specialized services, that also rely on alliances and partnering at both the national and international marketplace.

Q. *If you were to make one recommendation to the owners of real estate, what would it be?*

A. There are a lot of very knowledgeable real estate people around. Perhaps our operating philosophy best answers this question. We strive to build client relationships that give our clients flexibility and lower costs — whether they are growing or downsizing. The Staubach Company guarantees the level and quality of our service. At any time a client feels that we are not living up to or performing at the level expected, we will adjust our fees. We want to be aligned with our client's interests.

Q. *What is the biggest challenge you face in your leadership role?*

A. The biggest challenge we face at The Staubach Company is maintaining our level of consistency and the client service mentality. Keeping clients first in the priorities of all of our employees is a constant effort. We conduct extensive performance interviews with our clients — asking how we did and what we could do better. All of our regional presidents meet once a quarter to review trends, issues, technology advancements, performance and, most importantly, to remind each other of the values and client-based priorities of our company.

Q. *What advice would you give the brokerage industry specifically, or the real estate industry in general?*

A. I am proud to be a part of a very exciting and rewarding industry. Our company has a great deal left to accomplish and I look forward to being a part of this challenge. I strongly believe that the independent tenant broker will soon be a thing of the past. The client or customer must be

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Leadership Insights

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satisfied. And in an industry that is very, very competitive, I would recommend that controlling your destiny mandates the highest level and quality of service to a clientele who *trusts* you — and to provide these services from a team-based culture.

Q. *How have you been able to attract and retain so many well-qualified professionals in your organization?*

A. Our approach is fairly straight forward. We pay well, we spend a great deal of time interviewing and selecting our new hires, and we like to grow our own. We hire both the best and the position players. We have a training program that every employee must attend. We believe that people come to us because they share our values, want to contribute within an environment where they feel they can be most productive. People join The Staubach Company because they want to be a part of something special, where they can do their best.

Q. *How can a real estate firm make money in today's highly competitive marketplace?*

A. Stay focused, set your priorities, create a customer-first culture, hire the best people, take risks, control costs and follow a game plan that everyone believes in.

Q. *What is your outlook over the next 24 months?*

A. We are very optimistic about the markets we service. From a tenant perspective, they are getting tighter and you must be more creative and provide more services such as build-to-suit, financial services, strategic planning, etc. to get the best real estate solutions for your client. One of our philosophies at The Staubach Company is our belief that if you can add value, clients will want your services no matter which markets you serve.

Q. *Where will growth come from within your organization?*

A. Our growth will come from our ability to provide more services and adding more overage in other markets — the retail industry would call this "same store" growth. We will be expanding our international, Mexico and New York presence. We must add services and coverage to grow.

Q. *What advice do you have for the next generation of real estate leaders?*

A. Understand why you are in business and which business you are in. Place the customer first in all that you do. Build relationships based on trust and performance, and work in a team-based environment. ■

As We See It

(continued from page 3)

actual dollars, REIT IPOs raised $7.18 billion in 1994 and only $885 million in 1995. Secondary offerings, however, increased 83% over 1994. In 1995 there were 92 secondary offerings with an aggregate value of $7.23 billion. In addition, off-balance sheet investments increased as REITs searched for more investment capital.

For many firms, growth in 1996 and beyond will come from international sources — either buyers, sellers from or actual transactions in foreign countries.

- In the 1970s the debt level for households was 70% of total household income. In 1990, the baby boomers had a debt level of 90%. Outstanding credit card balances have increased 40% over the past 24 months to more than $380 billion. With wage increases in the 4% range and credit card debt interest rates in the double digits and mortgage rates inching up, the level of future spending is likely to decline.
- Lumber prices, while now stabilizing, have increased nearly 30% since the first of the year. With margins already cut to the bone, home builders are vulnerable to the slightest increase in interest rates that could dramatically slow down a modest improvement within the residential sector of the real estate industry.
- The current 5.8% unemployment rate and the current 81.8% manufacturing capacity utilization level means inflation.
- Personal bankruptcy filings rose 27% in the first quarter of 1996. This was the largest increase since 1986 and the biggest four month total (318,893) ever.
- Consumer installment debt has risen to $1.046 trillion, up 13% from the prior year. Conversely, income and wages rose only one percent in the first quarter of 1996. ■

HAVE YOU MISSED A RECENT ARTICLE?

Frequently CEL & Associates, Inc. gets a telephone call or fax asking for a recent article that appeared in *Strategic Advantage*. If you would like a copy of one of the following recent articles, please let us know and we would be glad to send it to you.

- Retaining And Motivating The Next Generation Of Leaders
- Marketing And Selling Your Services Requires More Than A Good Presentation
- Great Organizations Start With Great Leaders
- How To Make Your Strategic Planning Retreat More Productive
- Selling Your Company Today May Not Be The Best Decision
- New Ways To Judge Performance In the 90s
- Compensation Shifts To Performance Standards And Strategic Priorities
- How To Compete And Win
- REITs - An Opportunity Or Another Case Of Musical Chairs
- Performance Measurement
- Evaluating The Performance Of Property Managers
- Why Real Estate Companies Fail
- Tenant/Resident Satisfaction Surveys

Building A Brand Name Takes More Than A Sign

It is not easy to build a brand name in today's environment. Developing and instituting a brand name involves strategic and tactical initiatives, an ongoing commitment to the consistent application of that brand name throughout the organization, measures to assess brand equity, and a considerable investment of time and money. A brand name or identity is not for everyone — particularly within the real estate industry.

A successful brand name requires a vision of the future, organizational commitment, and the capacity to create a relationship between the product or service and the customer/client. Within the real estate industry, the accelerating shift to a brand name or identity has unfortunately been characterized by a "me too" attitude — without a true understanding of what it takes to build and maintain a brand name.

Hotel companies were the first to build brand names. Holiday Inn, Hilton, Marriott and Sheraton, among many others, were eager to "expand the franchise" game. And to the business or pleasure traveler, consistency and quality were valuable decision-making variables.

Home builders were next to push a brand identity when they created communities or clusters of homes built around common designs, consistent amenities, uniform entry statements and pricing similarity. Today, it is very common to read advertisements placed by home builders that claim "Wherever You Choose, You'll Find Great Value" or "Homes Built To House Your Dreams."

The multi-family industry, encouraged by Wall Street's prodding to "create an identity that tells a story," was next to follow. Post Properties and Summit were two that placed added emphasis on the creation of a brand name.

The property services segment of the real estate industry is the latest to adopt the brand name as a means to improve marketing activities and create a competitive advantage. There now is the Insignia Way, the Koll Way and the Trammell Crow Way. LaSalle Partners was actually among the first to create a brand name as it built upon their Real Estate Service Provider To Corporate America identity.

Frequently, brand names within the real estate industry have been associated with personalities, not with services or products — Gerald Hines (the high-rise office builder), Trammell Crow (America's developer), Edward DeBartolo (shopping malls), James Rouse (festival marketplaces), or Donald Trump (you fill in the blank).

The main problem is, however, many brand names in the real estate industry have been built around a product, service or personality and not around relationships — relationships with the clients, customers and users who generate a firm's revenues. It is easy to reposition and re-sign an apartment portfolio; it is very difficult to build resident loyalty. It is fairly easy to enact company-wide policies and procedures on service; it is very difficult to develop a consistent, client-first operating style throughout an organization, where service is a style not a deliberate act. It is easy to develop cookie cutter projects; it is very hard to perfect an internal and external focus on brand reinforcement. Creating, implementing, maintaining and enhancing a brand name or identity can be very challenging.

What happens when a company cannot live up to its brand identity? What happens to the organization that is unable to maintain its brand identity due to financial or competitive pressures? What happens to a company that picks the wrong brand identity? Or, what happens when the brand identity consists of a common name — and nothing more? Getting to these answers requires a measurement of brand equity.

CEL & Associates, Inc. recently completed an assessment of the brand name phenomena now becoming commonplace within the industry, and the findings may surprise you. Interestingly, the majority of brand name believers/users are either unaware of or have not implemented a brand equity measurement system. Few brand names in the real estate industry have been created around relationships, leadership or loyalty. Most brand names within the real estate industry are product (primarily appearance) based. No firms in the CEL & Associates, Inc. study had a designated brand name advocate or coordinator. Signage, landscaping, design and/or construction materials are the most common brand name vehicles. To address this issue (brand name vs. brand equity) within the real estate industry, CEL & Associates, Inc. has developed several quantifiable measures to benchmark the value (or lack thereof) of a brand name. These measures include: pricing premium; satisfaction/loyalty; and perceived (service and product) quality, value, awareness, differentiation and association. Perhaps it is time to assess the true value or benefits — your brand equity — of your brand name. Whether you are an owner, builder, manager or a public or private company, taking time to assess your brand identity is critical. Even if you do not have a brand name, you will be surprised to discover that your customers, clients and users have already assigned a brand identity to you. Isn't it about time you discovered what it is? Frequently, the brand

WHY IT IS HARD TO BUILD A BRAND NAME...

- Resistance to change within the organization.
- Pressure to compete on price.
- Changing market conditions.
- Competitive pressures.
- Limited resources.
- Inability to articulate a clear identity.
- Fragmented markets.
- Lack of uniform commitment between the shareholders and management team.
- Not enough "critical mass."
- Lack of focus.

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Building A Brand Name

(continued from page 9)

name or identity is the reason why some firms lose contracts, finish second in competitive bids, and miss out on opportunities. Brand loyalty is not dead. It is unfortunately misdirected in some organizations.

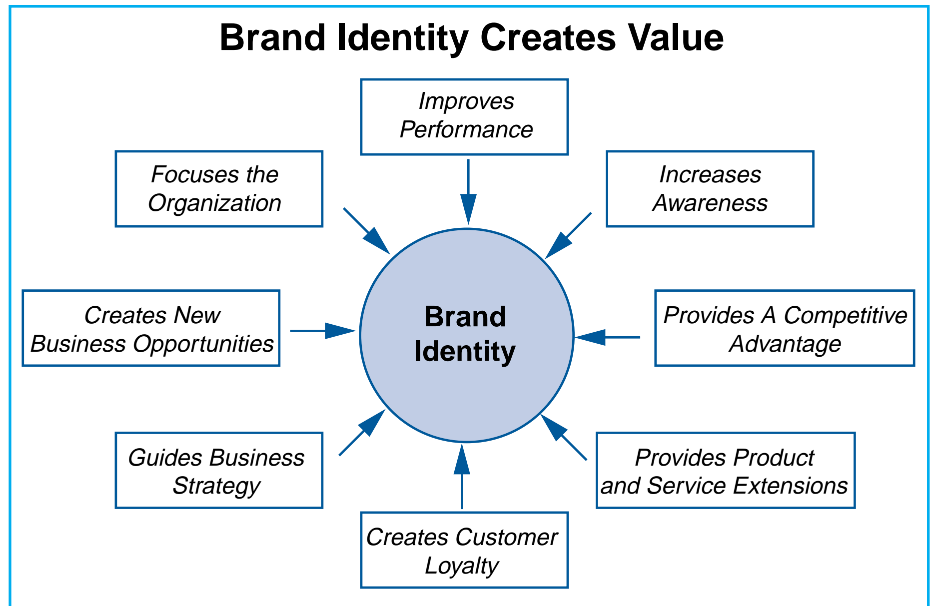
The ability and commitment to set objective, measurable criteria to assess the impact (or lack thereof) of brand identity is the hallmark of successful leaders. Introducing, nurturing and promoting a brand identity requires a level of independent measures that provide valuable feedback. There is always a tradeoff—should we conduct a survey or should we wait? However, in today's highly competitive environment, one cannot afford to guess wrong or hope that the brand initiative was properly designed and implemented. Getting valid feedback can eliminate much of the guess work. The only logical decision to make is when and how do we get started.

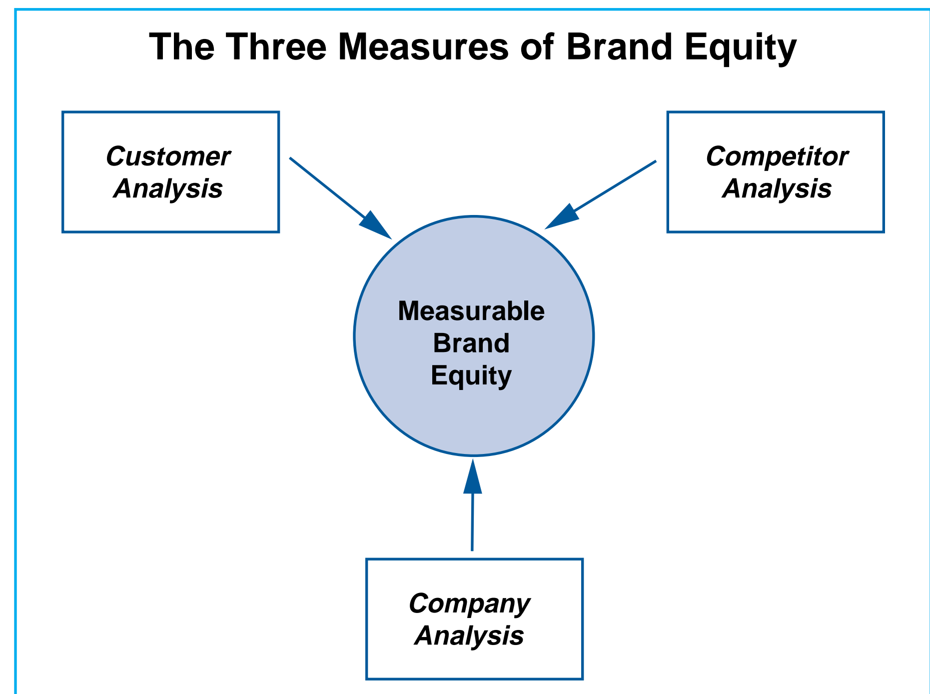
FOR MORE INFORMATION

For more information on how CEL & Associates, Inc. can assist you in assessing and measuring your brand identity name, call us at (310) 571-3113.

Typical Brand Equity Measures

- Pricing Premium
- Satisfaction/Loyalty
- Perceived Value
- Brand Awareness
- Brand Identity
- Brand Associations
- Brand Leadership
- Marketshare





Worth Reading

The following books, articles and reports are considered to be very timely and worth reading:

- "Why Do Employees Resist Change?," by Paul Strebel, *Harvard Businss Review*, May/June 1996.
- "Measuring Brand Equity Across Products And Markets," by David Aaker, *California Management Review*, Vol. 38, No. 3, Spring 1996.
- "Welcome To The Web," by Kent Hansen Wadswroth, *Journal of Property Management*, May/June 1996
- "Issues In The Inflation Outlook," by Robert Parry, No. 96-09, March 1, 1996, *Federal Reserve Bank.*
- "The New Workplace," *Business Week*, April 29, 1996.
- "Reinventing Real Estate," by Allen Cymrot, *The Corridor Real Estate Journal*, January 12-18, 1996.
- "Designing High-Performance Offices," by Ronald Gunn and Marilyn Burroughs, *The Futurist*, March/April 1996.

PREDICTIONS

Retail Consolidation To Continue

Low profit margins, flat same store growth, cautious investors, bankruptcies and a shift by retailers from a presence to marketshare are further indications of a business segment in trouble. Many retailers are scrambling to reposition, retrofit, repackage and revitalize their centers. In addition, the movement of major or pedestrian-drawing retail tenants to newer properties spurs development activity and is leaving the older centers with major vacancies that cannot easily be filled. Power centers and discount stores continue to take business away from mid-market department stores. Increasing retail commerce through the Internet, catalog sales and television shopping networks is contributing to the current malaise within the retail industry. Retail is a highly specialized segment of the real estate industry and CEL & Associates, Inc. foresees continued consolidation over the next 36-48 months.

Building A Company Is More Important Than Building Assets

Real estate companies are increasingly finding the value of fine tuning their organization versus devoting resources to building or buying real estate. According to a recent CEL & Associates, Inc. survey, all leading real estate companies are making considerable investments in technology upgrades, training, personnel assessments, reorganization initiatives, refocused marketing materials and increased communications. Many CEOs and senior executives have discovered the benefit of leveraging one of their most controllable assets — employees — to improve performance, increase profitability and contribute to same store growth. "Adding assets", one executive remarked, "without an efficient and effective organization and operational delivery system can be frustrating, disappointing and disruptive." Taking time to undertake and complete an organizational assessment has become as or more valuable than adding another asset or contract to the portfolio of business activities.

Retirees And Corporations, Not Gamblers, Shape Las Vegas' Future

Few will argue that gaming, entertainment and tourism have shaped the demographics, economy and reputation of Las Vegas. As recently as 10-15 years ago Las Vegas was the destination where adults, conventioneers, newlyweds and gamblers went to "do the things they couldn't do in their home towns." Las Vegas was Sin City to some, freedom for others and a new start for many. However, this profile is changing, and changing dramatically. The mega-casinos began to add family entertainment features to increase visitation. Corporate America discovered the benefits of locating back-office operations in a favorable tax-based business climate. The presence of Southern California only hours away created strong distribution centers of activity. However, while some glibly remark that Las Vegas is "growing to accommodate its growth," others aren't so sure. Careful analysis indicates that Las Vegas is in fact changing. Retirees now comprise 25% of the population of Southern Nevada. The large master planned communities of Green Valley (now 50,000 residents growing to 70,000 residents), Summerlin (the future home for 180,000 residents) or Lake Las Vegas (the high-end community located just outside the city limits) are redefining the demographics. Nearly all of the real estate land uses are doing well according to local analysts. Within a very short time Las Vegas will become a city, like any other American city. Its future will be tied to economics and demographics versus gambling risk.

Economics Of Scale Vs. Local Expertise

Among the most commonly asked questions of CEL & Associates, Inc. at strategic planning retreats or long-range business planning meetings is "Who will have the most competitive advantage when pursuing third party management contracts: the large national firm with economics of scale or the local firm with extensive market knowledge?" The answer is — it depends. In the multi-family industry, local expertise is clearly the preferred choice, while in the retail industry, relationships with national chains is by far the best asset. However, one fact that is becoming increasingly clear — the combination of the buying power, technology, relationships and expertise of a national firm with a strong local or regional market presence will win 99 times out of 100. CEL & Associates, Inc. predicts that the large national firms will be required to reorganize their business and service delivery systems into strong cluster or bundled business unit entities. Without empowered local or regional profit centers, economics of scale can never be successful. Watch for the decentralization of many national property service companies over the next 36-48 months.

Corporate Real Estate Providers Discover The Secret To Success

For the past several years CEL & Associates, Inc. has been advising its clients during the strategic planning process to first understand what business(es) they are in before developing the actions needed to serve those businesses. In the area of providing real estate services to Corporate America, service providers are now discovering that the business is not real estate, it is asset deployment or, more importantly, it is the business of the corporation. Corporations select third party providers who understand their business plus real estate, not real estate specialists who know a little about the industry or the corporation. Those who want to win more than their fair share of corporate property services and facility contracts in the 1990s will need to learn the businesses of their clients to be effective. ■

Quote

"...any company comprehensively committing to just one value will quickly see a dramatic increase in profitability."

F. Harmon

INSIDE THE REIT INDUSTRY

CEL & Associates, Inc.'s strategic alliance partner, SNL Securities (SNL), is the industry leader in providing accurate, timely and value-adding statistical databases and periodic publications for the REIT industry and has identified several interesting trends and issues shaping the REIT industry. SNL's *REIT Securities Monthly*, *REIT Quarterly* and *REIT Weekly* publications are considered to have the most comprehensive and accurate database within the REIT industry. The following are some of the emerging trends being tracked by SNL Securities.

- The Highwoods Properties Inc.'s announcement that it will acquire Crocker Realty Trust, Inc. puts an increasing spotlight on the office REIT sector. The office REIT sector has had a 7.7% total return since December 29, 1995, while all REITs and the S&P 500 returned only 3.7 and 6.7% respectively. Is this acquisition a sign of future merger activity within the office sector or merely a portfolio buy? With only 12 office sector REITs there isn't a lot of room for merger activity. However, with less than 0.5% of office real estate securitized in the REIT format, watch for increased activity in the acquisition of institutional holdings and through IPOs.
- There are now 38 public and five private REITs pursuing apartment acquisitions. While there is some fear of overbuilding, it tends to be in a concentration of "name" markets (Atlanta, Austin, Phoenix, Houston, Dallas and Las Vegas). The key to overbuilding, however, is timing. Each of these markets will occasionally overheat. But the long-range forecast is fairly positive for those who have adopted a "we're in it for the duration" strategy.
- Cornerstone Realty Income Trust, Inc. has adopted a no-debt strategy, the theory being that, as a small REIT, it can grow and acquire at the pace of REITs nearly twice its size (currently with $133.2 million in assets). Cornerstone uses its $60 million line of credit to make opportunistic acquisitions, but repays that debt within 60 days with proceeds from equity offerings. The key question for Cornerstone is, can it find enough distressed or mismanaged assets to acquire in a highly competitive market?
- Hotel REITs are starting to grow, albeit in the secondary markets. The market, however, seems to favor upscale, full-service hotels vs. the limited-service sector.
- Michael Milken, the former head of Drexel Burnham Lambert's junk bond empire, recently offered these observations regarding REITs: (1) real estate is at the bottom of the cycle since stock and real estate move in opposite directions and stocks are overpriced; (2) REITs have a market capitalization of $60.5 billion and with the value of commercial real estate estimated to be between $3-4 trillion, the REIT market has tremendous growth potential; and (3) REIT consolidations will occur until there are only 15-20 REITs with caps of $3 billion or larger.
- REITs, according to several analysts, offer specific investment opportunities. This is principally because REIT yields are now trading 83 basis points above the 30-year Treasury historical moving average, and the lack of speculative development activity in the office, self-storage and industrial property sectors.
- One issue that continues to confront the REIT industry is the level of recurring maintenance capital expenditures (cap ex) a company must incur to maintain its existing net operating income. The problem is not the amount but the basic flaw with how the industry defines REIT profitability. Recent changes in the NAREIT FFO definition did not alter the way cap ex expenditures are treated. Eric Hernel, the REITs leading research analyst, is a proponent of the movement toward FAD, CAD or an adjusted FFO as a means of properly treating cap ex expenditures. This situation is creating a Catch 22 environment. Pension funds and institutional investors want to invest in REITs but the lack of consistent information and uniform standards is holding many back. ■

For more information on how the SNL Securities and CEL & Associates, Inc. strategic alliance can assist your company, call (310) 571-3113.

APARTMENT REITs — A PROFILE

	Expenses And Reveue Retention (%)			
	Prop. Mgmt. Fee Exp./Revenue	Utilities/ Revenue	Repairs/ Maint. Revenue	FFO/ Revenue
Average for all Apartment REITs	1.6	5.7	6.9	34.3
Average for all REITs	1.5	2.6	3.4	37.7

	Percent of Debt Maturing			
	1 Year	2 Years	3 Years	4+ Years
All Apartment REITs (1993)	14.1	8.1	12.8	65.0
All Apartment REITs (1995)	9.4	9.8	8.8	72.0
All REITs (1995)	10.5	10.4	11.2	67.9

	Debt Leverage Ratios (%)		Composition of Debt (%)	
	Aggregate Debt/ Total Capitalization	Maximum EBITDA/ Interest Exp.	Aggregate Secured Debt/ Total Debt	Aggregate Variable Rate Debt/ Total Debt
All Apartment REITs (1993)	30.8	2.6	84.8	46.8
All REITs (1993)	30.7	2.6	69.8	29.6
All Apartment REITs (1994)	39.8	3.3	78.5	38.3
All REITs (1994)	37.0	3.1	72.7	35.6
All Apartment REITs (1995)	40.6	3.1	71.8	20.3
All REITs (1995)	35.7	2.9	72.4	26.7

Numbers may not add due to rounding.
Source: SNL Securities, REIT Securities Monthly, May 1996.

The Search For Quality Service

Since the days when the cave dwellers bartered their weapons, pottery or handiwork for food, shelter or clothing, the art of product differentiation has been applied. Thousands of years ago, access to goods and services was often the deciding factor — those further away were often precluded from bartering. As the years passed, however, competition increased, improved transportation dramatically reduced access problems, and captive markets disappeared. Today, product or service differentiation has become the essential ingredient within the marketing repertoire of real estate companies.

One universally agreed-upon fact is clear — real estate organizations that fail to meet the demands of their clients or customers watch revenues decline or remain flat, and many, like the Neanderthal man, just disappear (i.e., get acquired, declare bankruptcy, merge or simply go out of business).

Throughout the United States, leaders of real estate organizations struggle with the question: "How can we improve the overall quality of our products and services that will differentiate us from everyone else?" In the past, product innovations, design, technology and one-of-a-kind expertise could set one company apart from the rest. Today, however, industry consolidation, technology, securitization, easy-to-access databases and standardization have eliminated many of the competitive advantages. The emergence of the mega-firms such as Koll, NHP, Insignia, Trammell Crow, etc., has, and is, creating a distinction blur. When all the companies look, sound and act like each other, it doesn't seem to matter which you select to develop, manage, lease or sell your asset.

The same is true in the REIT industry where quality service differentiations have gotten lost in the pursuit of "same store" and FFO growth, and in the home building industry where product differentiation is frequently measured in terms of pricing. This is bad news for many in the real estate industry. Customer or client loyalty in many industry segments has become lost in marketing, pricing or cost arguments. Quality service, unlike pricing or cost differentials, wins customers and clients for life. Tenants, residents, third party clients, home buyers and institutions want relationships and real-time performance. Service is now the criteria upon which the clients, customers and users of real estate product and services differentiate one organization from another.

It is virtually impossible to secure new business opportunities, marketshare and remain profitable if you have to find new customers or clients to replace the one's you've lost. The goal of leading real estate firms in the 90s is to build customer and client loyalty through service excellence and to secure new customers and clients because of your service excellence.

Quality service initiatives cannot be successful until there is a shared, company-wide vision, key values and the definition of what constitutes truly quality service. It is a waste of time to tell each other in staff meetings that "we have the highest quality service" without independent measures of excellence (performance benchmarks to the best in the industry).

The first step in the (re)design of a quality service program is to get feedback from your customers and clients. Real estate customers, clients and users do not buy "things," they buy "expectations." Understanding those expectations and opinions is critical in the management of those expectations.

To address the need for measuring expectations, CEL & Associates, Inc. developed the tenant and resident satisfaction survey instrument and performance benchmarking program called **REACT**. Within 12 months of our release and marketing of this survey program, **REACT** became the most widely used

(continued on page 14)

> "**REACT** is the only national, tenant/resident satisfaction survey instrument designed, developed and administered by real estate professionals that provides users with accurate, reliable and valuable performance and property benchmark data in a timely and responsive manner."

NEW REACT FEATURES ADDED IN 1996!

To serve the benchmarking, performance improvement, reporting, marketing and specialized needs of our rapidly growing list of **REACT** users nationwide, CEL & Associates, Inc. has added the following new and exciting features for 1996.

- **Custom Design Features Expanded.** Users can now customize the survey instrument to suit unique property, location or information needs. Select from our inventory of hundreds of questions. Develop your own questions. Use our standard **REACT** survey instrument. Let our survey design specialists help you develop the best survey instrument for your use.
- **New Results Tables Added.** We have increased the number of analytical tables and statistical summaries from five to more than 25 for each property report and from 5 to over 35 for each portfolio or consolidated report.
- **"Industry's Best" Data Updated.** Based on the results of thousands of surveys, our "industry's best" data has recently been updated. See how you compare.
- **Company Benchmark Option Added.** Users can now establish their own "Company's Best" index feature. This feature enables **REACT** clients to set their own performance standards.
- **New Satisfaction Indexes Added.** We have added three new satisfaction indexes to all **REACT** reports. Now all **REACT** users will receive Overall Satisfaction, Property Satisfaction, and Performance Satisfaction scores.

National News

- The retail segment of the real estate industry continues to display a troubled future. The recent merger of the Simon Property Group and DeBartolo Realty Group is another sign of further downsizing and consolidation. The property management margins in retail have declined so low that one must be very large to survive and receive the benefits of scale. The recent acquisition of Tucker Properties Corporation by Bradley Real Estate, Federated Department Store's acquisition of The Broadway department store chain and the increasing number of closures of smaller retailers reflect an industry in turmoil. The Simon/DeBartolo merger was inevitable since the mall market is flat, the founders have passed the leadership mantel to the next generation of leaders who tend to view the future in terms of performance vs. personal interests and the fact that this merger was an act of convenience. The combined firm will own 111 malls in 32 states, own/control approximately 110 million square feet plus another 16 million square feet of third party assignments.
- Prudential Real Estate Investors and the Crow Investment Trust have formed the PruCrow Industrial Properties L.P. The primary goal of this new venture is to acquire and construct approximately $200 million worth of industrial properties throughout the U.S. over the next two years. Trammell Crow contributed 22 properties (1.8 million square feet) to seed the new company.
- According to Smith Travel Research, the top five U.S. resort destinations by occupancy are: Las Vegas - 81.3%; Reno - 78.3%; Hawaii - 76%; Phoenix/Scottsdale - 75.1%; and San Francisco - 75%.
- Today there are 4,145 timeshare resorts worldwide in 75 countries. The timeshare industry has grown to $4.7 billion in sales and the increased activity level of well-known firms such as Marriott, Hilton, Hyatt and Disney has added credibility to an often un-credible industry. The Marriott Vacation Club, established in 1984, now has 30 resorts in 14 locations, with more than 2,200 villas and 75,000 owners. Marriott properties cost between $8,000 and $39,000, depending on location and season.
- Grubb & Ellis's purchase of IBM's 26% interest in Axiom Real Estate Management gives it total control of a management entity that manages approximately 70 million square feet of commercial real estate in more than 350 properties. Grubb & Ellis, which has had recent leadership changes, has re-emerged as a strong, seamless provider of real estate services nationwide.
- Goldman Sachs' Whitehall Real Estate, L.P. III fund invested nearly $700 million in 1995 to acquire $2.5 billion worth of real estate assets and operating companies. These acquisitions have made this fund fully invested, and Goldman Sachs is in the process of raising capital for a fourth fund. In addition, Goldman Sachs has recently formed a $400 million Emerging Markets Real Estate Fund for investments in real estate assets in places such as Latin America and Asia.
- Low-income housing tax credits, created by Congress in 1986, had been used to build or rehabilitate nearly 750,000 residential units by 1995. In 1995, another 90,000-100,000 units were added using tax credits. Despite this large number of units nearly 50% of tax credit projects had compliance failures.
- Recent REIT earning announcements support the CEL & Associates, Inc. assessment that retail REITs are to be avoided. ■

The Search For Quality Service
(continued from page 13)

SELECT FROM THE FOLLOWING REACT SURVEY MODULES

- Office
- Multi-Family
- Retail
- Industrial
- Facilities

survey instrument within the real estate industry. Designed and developed by building owners, tenants, residents, property managers, opinion experts and survey design specialists, **REACT** measures the performance of property managers, quantifies the opinions of building owners, identifies the concerns of the tenants or residents, and compares their expectation scores to the scores from the best in the industry.

REACT has become the standard performance measurement tool for many REITs, developers, asset and property management firms, institutions and advisors. If you want a cost effective tool (prices start as low as $250 per building); if you desire to truly get a quantifiable measure or benchmark on the perceived level and quality of property management services you are rendering; and if you seek to take the first step to differentiating your company from your competitors, **REACT** has been designed for you.

Like the cave dwellers of years past, differentiating your product(s) and service(s) is essential for survival. There is no reason not to take the first step. Creating a sense of differentiating momentum will result in improved performance, increased profitability and added market-share. The choice is clear and available — will your organization be able to face the challenge? ■

FOR MORE INFORMATION

If you would like more information on **REACT** — the nation's most widely used tenant and resident satisfaction survey program — call us at (310) 571-3113. We look forward to serving your needs and assisting you to differentiate the level and quality of your organization's product(s) and service(s).

Fax Your Information Request

FOR MORE INFORMATION

Would you like more information on the various performance improvement or profit enhancement programs described in *Strategic Advantage*? Copy this page and fax or mail it to us to receive more information on the following programs:

Check Here If You Want More Information	Program	Description
☐	**REACT**	**REACT** is a performance evaluation process that lets building owners, property managers and those who hire third party management firms know how their tenants (current and prior) evaluate their services. Many use this tool for benchmarking and measuring tenant satisfaction.
☐	**Strategic Planning**	Setting a vision, (re)establishing an organization's core values, determining the various performance/financial goals, shaping the proper strategies to achieve the vision and goals, and developing the action plans that successfully enable the strategies to be implemented are the main components of **Strategic Planning**.
☐	**COMPensation**	A must for anyone structuring a pay-for-performance compensation program, comparing company compensation data to industry standards, and those desirous of establishing a meaningful evaluation system. An excellent program for structuring compensation for top management.
☐	**Feedback**	If you want to find out what your clients, customers, tenants, residents and/or your employees think of your organization, **Feedback** is the survey vehicle and process for you. **Feedback** is more cost effective than internal surveys, gets answers that are only told to an independent surveyor, and defines the recommended actions needed to improve a company's image and identity. Completely turnkey.
☐	**SUCCESSION**	**SUCCESSION** is ideal for owners and CEOs thinking about getting out of the business within the next five to seven years.
☐	**DECISIONS**	If you are considering selling your company or acquiring another real estate organization, **DECISIONS** is a process that answers the question, "Does this make organizational, operational and financial sense?"
☐	**COMPare**	For human resources directors, administrators, CEOs and owners, **COMPare** takes salary and bonus information and compares it to the national industry standards and to a composite profile of comparable organizations. Nearly 40 positions are available for comparative purposes from **COMPare**.
☐	**REIT Trends**	For more information on the REIT industry, *REIT Weekly*, *REIT Securities Monthly*, or the other data services of SNL Securities.
☐	**1996 National Real Estate Compensation Survey**	Nearly 300 firms nationwide, employing approximately 150,000 professionals, participated in this study — the largest of its kind in the U.S. Copies are available for $995.

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Trends To Watch

Trends to Monitor Closely	Likely Impact
• Several leading owners of large real estate portfolios have recently taken an exit strategy approach to acquisitions. The timing of the future sale is becoming as important as the timing of the acquisition. Several owners are beginning to position/ready their assets for a not too distant sale.	• Watch for a likely future wave of selling in 1998-1999 as the market for quality assets tightens and the optimism regarding a new millennium fuels investor interest. The last 24 months of the 1990s will likely be the best time to sell.
• Gambling has now become a $37 billion industry and continues to grow at a rapid pace.	• Watch for household spending trends which reveal reduced monies available for housing and discretionary spending as a result of increased gaming activity. The chance for a dream takes precedence over an improved lifestyle today.
• The REIT buying frenzy appears to be over.	• Watch for pressure to increase development activity, as the lack of quality product for sale continues. Overbuilding can return in several sectors (particularly multi-family) and in select markets. Developers and investors beware.
• Recent winners of several prestigious third party contracts were selected because of their technology.	• Watch for most real estate firms to move to real-time data access. Clients want information now versus later.
• Timeshares are moving to city or urban destinations. Marriott has a project in Boston and Hilton and Hyatt are seeking city locations.	• Watch for other national lodging chains to convert some city properties to timeshare to extend their brand names and improve guest loyalty.
• Despite the Telecommunication Act of 1996 which let real estate owners and service providers settle building access and pricing matters, the threat of public policy change remains.	• Watch for FCC rulings to see how involved the government intends to get in telling real estate owners how to accommodate pre-wiring issues. A negative ruling could have a major impact on new construction costs.
• Retail and entertainment are proving to be the right mix to attract shoppers and consumer traffic.	• It will be important to track the success (or failure) of the Irvine Spectrum entertainment complex in California, the progress of Kansas City's Power & Light District and Showcase, a $94 million retail entertainment center in Las Vegas.
• The American Society of Heating, Refrigeration and Air Conditioning Engineers will issue a draft of the new indoor air quality standards and building energy efficiency.	• It is expected that ASHRAE will propose even more stringent energy efficient requirements. Translation: higher construction and operating costs in the not too distant future. ■

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