THE DEVELOPMENT OF CORPORATE REAL ESTATE ASSET MANAGEMENT IN NEW ZEALAND

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Abstract

The first substantial research into the practice of Corporate Real Estate Asset Management (CREAM) in New Zealand was carried out by Wei Kium Teoh in 1992. Subsequently the author has published a number of papers in this area and a variety of post graduate students at Lincoln University have also undertaken research into CREAM via their dissertations. Several of these research projects involved surveys of large organizations in New Zealand and included similar questions. They were also spread in time over a period of 14 years. This led to the opportunity to carry out a time series analysis of the development of CREAM practice in New Zealand, the results of which are described in this paper. Findings include substantial and continuous improvement in some aspects of CREAM practice, such as the qualifications of those responsible for the management of corporate real estate and the development of strategic plans for these assets. However other findings have remained remarkably stable or plateaued, for example the percentage of organizations with a separate real estate unit, reporting levels to management and the allocation of real estate costs.

Key Words: asset, corporate, development, real estate, management, New Zealand, performance, property, survey, time series.

Introduction

In 1999 the author presented a paper at the International Real Estate Society Conference in Kuala Lumpur in which a preliminary analysis of the performance and stage of development of corporate real estate asset management in New Zealand was outlined (McDonagh 1999). That paper represented the second substantial piece of research on this topic in New Zealand at the time, the only prior study being that of Wei Kuim Teoh (Teoh 1992).

The 1999 paper reported the results of interviews with the management of forty seven organisations in New Zealand with substantial real estate assets. Subsequently, a much larger mail survey of 457 New Zealand organisations was carried out (McDonagh 2001). Then in 2005 the author and postgraduate Gary Nichols at Lincoln University, carried out a further survey of Corporate Real Estate Asset Management practices in New Zealand (Nichols 2005). This involved 334 organisations and focused on the link between overall corporate strategy and real estate strategy. The results of this research are the subject of a forthcoming paper to be presented at the European Real Estate Society Conference.

These four pieces of research represent almost all the substantive research into Corporate Real Estate Asset Management in New Zealand and span the period from 1992 to 2005. Although the focus of each piece of research was slightly different, there was enough commonality amongst the questions asked for it to now be possible to analyse if there have been any discernible trends in the performance of Corporate Real Estate Asset Management in New Zealand over this period. It was also felt it would be particularly appropriate to present the findings at the PRRES Conference in Kuala Lumpur nine years on from when the preliminary analysis was presented in the same city.

Literature Review

Property is an essential factor of production which all businesses need in order to function. It is almost impossible to conceive of a business that does not require some sort of space in which to operate. “Even an agent working from a mobile phone will seek free use of doorways for shelter” (Weatherhead 1997). However, the management of real estate assets in non-investment situations only became the focus of academic research in relativity recent times.

Zeckhauser and Sliverman introduced the topic in the early 1980’s, followed on by researchers such as Veale, Bon, Avis, Gibson and Watts, Nourse, and Roulac in the late 1980’s. The 1990’s saw somewhat of an explosion of interest in Corporate Real Estate Asset Management (CREAM) as an academic discipline internationally and there are now a substantial number of individuals and research organisations working in this field. However, this is not the case in New Zealand, no doubt due to the size of the country and the small number of property academics.

Across this body of CREAM research a number of underlying themes have emerged. The first is that all human activities utilise property to support these activities to some degree. For example Nourse (1990) says “some businesses are real estate all businesses use real estate”. He goes on to define CREAM as the study of the management of corporate real estate assets by non- real estate companies as a complement and input to their core business.

Then D. (2000) states “the principal goal of Corporate Real Estate Asset Management is to support the core business of the organisation is it serving”. Edwards and Ellison(2004) state: “Property held as an operational asset serves to support the activities of the business occupying the property. This type of property is sometimes referred to as corporate property.”

Zeckhauser and Silverman (1983) observed that most US companies treat property as an overhead cost “like stationary and paperclips”. They also found that 25% or more of corporate assets are in real property and 40%-50% of net operating incomes are property related operating costs. Bruno (2002) found that amongst the Fortune 500 companies, real estate accounts for 30%-40% of total assets and 5%-10% of operating expenses.

A second theme that pervades much of the literature is that corporate property is often not considered a strategic asset and many survey respondents reiterate “we are not in the property business”. Teoh (1992) noted that: “Owing to the apparent tranquillity of property investment and almost guaranteed profitability, property management has generally been assumed to be a task not requiring any form or expertise or formal training.”

Englert J. (2001) identified property as one of the most taken for granted and under-managed assets. He stated “real estate may have been the most under-managed business discipline in the modern corporation. Adendorf and Nkado (1996) express a similar opinion and in a report by Cornet Global (2005) based on a Ernst and Young survey, 52% of all organisations were still either doing nothing, or did not know what to do regarding their property portfolios.

A 1998 Price Waterhouse- Coopers study found 79% of executives identified real estate as a non-core and very fragmented function across business units (Bruno 2002).

Another, related theme identified by many researchers, is that a non-strategic view of corporate real estate means many property professionals focus on the transactional nature of their work, rather than devoting time to the strategic connection to overall business goals.

Veale (1989) observed that many organisations do not clearly and consistently evaluate the performance of their property and treat it as an overhead cost, even though property has a large number of unique characteristics. Most treat real estate in a reactive manner in spite of its cost coming second to payroll at 20%-40% of business value.

Nourse and Roulac (1993) state: “Too often real estate transactions are approached from a deal making rather than a strategic prospective. Economic issues should not be the focus at the expense of strategic issues, and explicit consideration of how a real estate decision should support overall strategic issues is essential."

Gilber, Black and Moon (2002) state: "Often corporate real estate officers and others in the organisation make daily decisions about facility, location, building design, space layout and lease obligations, without a plan as to how those real property holdings could contribute to the company's productivity and profitability". They also found that only 16% of CEO's in the UK view property as a strategic resource.

Research by Danny Then (2000) found a lack of an integrating framework for considering the impact of business trends and strategic decisions on corporate real estate assets. He noted: "The derivation of corporate strategic choice, without integrating the real estate and operational dimensions, clearly contributes to sub-optimal solutions in many organisations, reducing the role of real estate facilities to one of reacting to business unit demands".

Joroff, Louargand, Lambert and Becker (1993) suggested that organisations generally go through a five stage model of development. The four lower levels represent transactional type activities and only the highest level introduces strategic thinking to the process.

Sometimes a particular event is instrumental in moving real estate onto the corporate management agenda. Gibson (1994, 1995) asserted that financial pressure has forced organisations to place property on their agenda when they may have not had to do so in the past. But it is a two way street, in order to be considered at board level, property needs to be able to adequately advance its case. As Duffy (2004) suggests, corporate real estate managers need to demonstrate to senior management the contribution that workspace can make to stimulate and support business success.

McDonagh (2001) states "an impending lease expiry or a lack of room for expansion may stimulate examination of workplace design or alternate work patterns, new IT etc".

Nicols (2005) observes too may organisations treat property as a passive activity that is considered a necessary evil of doing business. It only becomes an item on senior management agenda when a significant activity looms on the horizon.

Becker and Joroff (1995) also support this view. Continuous review of property functions and up to the minute best practice is necessary rather than the traditional reactive approach of looking into a situation because a lease is expiring or another problem is looming.

Organisational structure may also encourage a focus on the transactional rather than the strategic. This was examined by Englert (2001) who found that organisations with vertical silo type structures can promote a fiefdom and non-sharing of critical information. The culture may then become centred on operational units rather the contribution units make to the organisation as a whole. Englert also presented a similar model of development to that put forward by Joroff et.al. whereby organisations tend to progress from a caretaker role to an enabling role, to a catalyst role over time.

Another common theme is that for corporate real estate to make the optimum contribution to an organisation it has to be connected directly to the senior management team. Many studies (including Veale, Pittman and Parker, Teoh, McDonagh, Nicols) have investigated how far removed the property decision making is from the CEO level and also how well informed the property team is regarding overall strategic direction.

McDonagh (2002) observed that there is a two way communication gap. Property people do not understand the intricacies of operations, and operating people do not understand the functioning of the real estate market.

Some researchers, again including Veale, Gibson, Pittman and Parker, Teoh, McDonagh, and also Duffy, have emphasised that the compilation of an asset register or management information system can be a necessary first step to moving property up the strategic agenda and into the board room. Until some hard information is available upon which to base strategic decisions, those decisions are unlikely to be taken.

French (1994) came to the same conclusion regarding local authorities. He also extended this to highlight the importance of internal rents or operating as a profit centre. This aspect has also been investigated in several other corporate real estate studies.

It can be seen from the above that there are a number of common themes woven throughout much of the research undertaken in the corporate real estate area.

There have been previous attempts to try and identify which of these themes are key factors in good CREAM performance. For example, Veale (1989) suggested seven "dimensions of performance " - the presence of a formal real estate unit, use of management information systems for real estate operations, use of property by property accounting methods, frequency of reporting real estate promotion to senior management, exposure of real estate staff to overall corporate strategy and planning, availability of information and methods for evaluating real estate performance and use, and the performance of real estate assets relative to overall corporate assets.

Similar themes were identified by Pittman and Parker (1989) who surveyed corporate real estate executives on what factors they considered were important to top performing corporate real estate asset management. Teoh (1992) in turn identified five key factors in CREAM performance and McDonagh (2001) used factor analysis to try and extract from a survey of 457 organisations six key CREAM performance variables.

In all these studies (and many others) there can be seen a high degree of commonality in terms of the issues that have been found to be significant. The fact the same issues appear to be important no matter what the circumstances, means that corporate real estate surveys carried out at different times, in different locations and for different purposes often include similar questions.

This has been found to be the case in New Zealand where the surveys and interviews carried out by Teoh, McDonagh and Nichols, though focussed on different areas, have had multiple questions the same or at least similar. As a result it has been possible to carry out a time series comparison of the performance of CREAM from the time of Teoh's research in the early 1990s through to that of Nichols in 2005. It is also likely that cross country comparison of CREAM performance may be also be possible, as international researchers are also likely to have included similar questions in survey work they may have undertaken.

Methodology

The aim of this research was to examine how the performance of CREAM in New Zealand has changed over time.

Ideally, such time series analysis would have used the same questions and the same sampling method applied to the same population at regular intervals over the research time period. Unfortunately this has not been possible in this case. Only a limited number of CREAM research projects have taken place in New Zealand and each had a different focus, sample and in some cases methodology. However, many of the organisations surveyed have been the same or at least similar and the same applies to the questions addressed to these organisations.

In addition, in many cases multiple questions were asked surrounding a single theme and therefore, even if the questions from survey to survey were not identical, a good indication of the respondent organisations position in respect of the issue could usually be determined. In some cases a degree of judgement has had to be exercised in interpreting responses and it is acknowledged that this is a limitation of this research. Where these limitations are assessed as being significant they will be highlighted in the discussion of the results.

The results of four different research projects are being compared in this paper. Three of these were surveys of organisations with substantial corporate real estate assets and the fourth was a series of interviews with corporate real estate executives. The methodology applied in each of these research exercises is detailed below in chronological order:

Wei Kuim Teoh carried out the first survey of CREAM in New Zealand during March/November 1991. This formed part of her Master of Commerce thesis which was deposited in the Lincoln University Library in 1992. A summary of the results of this research was published in the Journal of Real Estate Research in 1993.

The mail survey was addressed to the chief executive, managing director, executive chairman, secretary or general manager of all the companies listed on the New Zealand stock exchange at that time. This totalled 136 companies, but a number were excluded because they were either specialist real estate investment companies or they were in receivership, liquidation, under statutory management or suspended.

The questionnaire was divided into six main sections covering; background, organisation, structure and motives of the corporate real estate unit, inventory of real estate assets, real estate decision making and issues on corporate real estate asset management.

There were 21 main questions in the survey but a number of these had several sub-questions, resulting in 64 possible data items for each respondent. The data collected included questions of fact, for example: “Does your company have an organised real estate unit?”, “Does your company have a real estate inventory?” and also a questions of opinion, many of which were measured on a five point Likert scale. For example: “How would you rank the importance of the real estate department within your organisation?” and “Do you agree or disagree with the following statement: real estate management is not important because the companies core business activity is not real estate?”

The second CREAM research project in New Zealand was undertaken by the author and involved a series of interviews with 47 corporate real estate executives carried out during 1997 and 1998. The interviewees were not randomly selected but represented a wide cross section of organisations occupying substantial corporate real estate assets in New Zealand. An unstructured, qualitative format was used in which the interviewees were invited to put forward their own perspective on the management of real estate assets within their organisations. Occasional, non-judgemental prompts were used as required to ensure key topic areas were addressed. The interviews were approximately one hour in duration and were tape recorded and transcribed for analysis using qualitative techniques.

The first objective of the interviews was to update Teoh’s work but also extend it via consideration of a much wider range of performance indicators. The concept of stages of development of CREAM as proposed by Joroff et.al.(1993) was examined and a much broader range of organisations were surveyed compared with Teoh’s earlier work. These included central and local government, non-profit organisations such as charities and churches and large companies not listed on the New Zealand stock exchange. The results of this research were presented at the International Real Estate Society Conference in Kuala Lumpur in January 1999. Part of the rationale for the interviews was also to prepare for a much more comprehensive survey of CREAM in New Zealand.

The third piece of research, also carried out by the author, was a mail survey distributed to 457 organisations of all kinds throughout New Zealand in November 1998. The questionnaires were addressed to the property manager but it was explained they were to be completed by the person within the organisation who had primary responsibility for the purchase, leasing, management and disposal of real estate assets used in the core business of the organisation, irrespective of their title.

The survey was divided into seven sections, entitled: overall organisation, management of real estate assets, individual responsibilities, communication, information systems, outsourcing and description of the real estate portfolio. Most questions required closed end or Likert scale responses. There were a smaller number of questions inviting open-ended responses or comments. Overall there were 47 main questions and numerous sub-questions resulting in a total of 177 possible data items. A number of papers reporting on various aspects of this research have been previously published (McDonagh & Hayward 2000, McDonagh & Frampton 2001, McDonagh, 2004)

The fourth source of data for this research was a survey carried out during 2005 by a post graduate student at Lincoln University, Gary Nichols, as part of his Master of Property Studies dissertation.

This survey was email and web-based and targeted 334 organisations similar to those in the McDonagh survey. A personally addressed e-mail was sent to the individual responsible for CREAM in the organisation and they were invited to follow a link to a web based questionnaire.

The focus of this research was the strategic link between business strategy and property strategy, but as with the previously mentioned studies, there were similarities amongst the questions asked. Again the survey was divided into a number of sub-sections (general information, property management, business planning, property planning, the connection between business plan and the property plan) and the questions in turn divided into sub-questions. In total there were 43 questions and by the time sub questions were included the total number of data items was 89.

The four research projects described briefly above therefore provided the base data for this time series analysis of changes in the management of corporate real estate assets in New Zealand over a period of 14 years. (Copies of the questions actually asked are included in the appendix to this paper).

As stated previously, even though the focus of these four projects was slightly different they had multiple questions in common. The raw base data was still available for all but the Teoh research, so responses could be converted to a common basis where necessary, usually respondent percentages.

Reponses to questions that were exactly the same or similar across all four research projects are directly compared in the results section that follows. There were also questions that were not the same in every survey but gave sufficient indication of the respondent's position on an issue that a reasonable comparison could still be made between the surveys.

The McDonagh and Nichols surveys were directed at a very similar group of organisations and were also similar in terms of their content and structure. However, the mode of delivery was quite different in that one was a mail survey and the other an Internet based survey. This in itself may skew the results to some degree.

It should also be borne in mind that the Teoh research was a survey of only those organisations listed on the New Zealand Stock Exchange in 2002, whereas the other three research projects covered a far wider range of organisations.

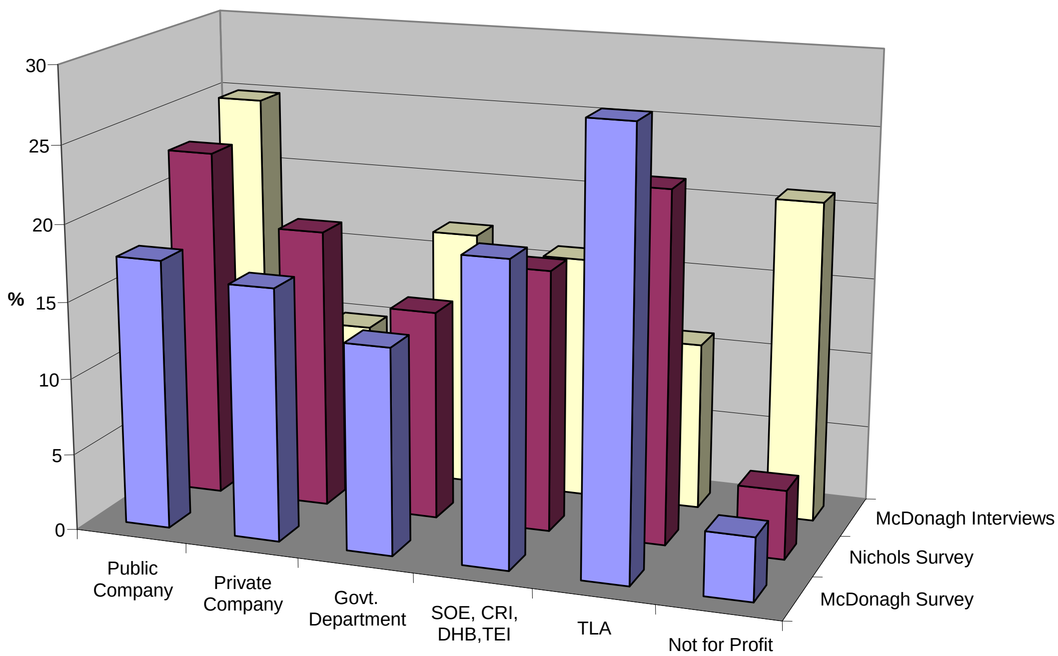
Similarly, for the interview research the respondents were not randomly selected and there may be degree of response bias in that organisations with larger and potentially more professionally managed corporate real estate tended to be selected for that process. The face to face interview process itself can also lead to some respondents not being completely forthcoming in revealing organisational practices.

Time Series Comparison - Results

Characteristics of Respondent Organisations

A much wider range of organizational types were surveyed in the interviews and later surveys than the Teoh survey and this is reflected in the responses. In addition the interviews focused on organisations known to the researcher to have substantial real estate assets and this is likely to have biased results in favour of higher levels of CREAM performance.

Respondent Organisations



While this diversity may help explain some of the inconsistencies that arose between the results, a more significant finding is the high degree of correlation on many aspects of CREAM amongst organizations with very different structures and core areas of activity. This reflects the findings of Gibson (1991), Lundstrom (1991) and Simons (1993). It is also significant that the findings from prior research carried out predominantly in the highly industrialized societies of the USA and UK are also reflected in a New Zealand context - an economy dominated by the rural and tourism sectors.

Most of the organizations responding were relatively large in New Zealand terms (but small in international terms). To some extent this was to be expected, as only organizations with relatively large property holdings were included in the sample. It could be that some response bias is reflected in these results, as there was an under representative response rate from private companies. These are likely to have fewer staff and smaller property portfolios than government departments, state owned enterprises, territorial local authorities and public companies. Smaller organizations may also be less focused or aware of CREAM issues and also short of human resources, and therefore less likely to take the time to answer a comprehensive corporate real estate survey.

A useful future exercise would be to focus on CREAM in these small organizations to see if the issues faced in respect of CREAM are the same.

The property portfolios held by the surveyed organizations tended towards one of two extremes. Either they had few freehold properties or they owned over 100 properties. A similar bipolar response was reflected in questions on preference to own or lease. This may mean that very different CREAM strategies are appropriate to the two groups depending on their tenure preference. This was already found to be the case in an earlier outsourcing study (McDonagh &

Hayward 2000) where characteristics desired in service providers were significantly different between groups favouring different tenure forms.

It also appears that as the number of properties increases, it is more likely they will be owned as freehold estate. Few owned portfolios were worth less than $1 million, with the most common categories being $11-30 million or over $100 million.

Many portfolio characteristics will be reflective of the ownership category or core business of the respondents. For example TLA's and government departments are highly likely to have high value freehold portfolios. This is probably a function of the nature of their core operations, the capital budgeting process applying to property acquisitions, and their non-taxable status reducing some of the advantages of leasing. In contrast, smaller private companies are likely to have small leasehold portfolios, due to scarcity of capital.

Existence of a Separate Corporate Real Estate Unit

In all surveys the majority of organizations had a separate corporate real estate unit, and in most cases it comprised only one or two people. These units are very much smaller than those found in overseas organizations but, despite this, it was notable how responses to most issues were very similar. Those few organizations with very large corporate real estate departments were territorial local authorities or government departments, and it is possible they also used a wider definition of corporate real estate staff than other respondents.

The similarity in the percentage of organizations with a separate CRE unit amongst the three surveys of Teoh (1992), McDonagh (2001) and Nichols (2005) is remarkable. The respective figures are 62%, 63% and 57.4%, with the Teoh result particularly remarkable considering the quite different sample to the other two surveys. This could be interpreted as either showing no progress over time or alternatively that only about 60% of organizations need a separate corporate real estate unit in New Zealand.

This is significantly less than the 86% of US organizations found by Veale (1989) to have a separate corporate real estate unit. Again this may be reflective of the scale of organizations in New Zealand where corporate real estate is often the responsibility of a single individual, often the CEO or only one step removed from the CEO.

In the interview research the percentage of organizations with a separate CRE unit was 78%. This is much closer to the result of Veale and lends support to the above hypothesis, in that the interviewed organizations were not randomly selected and represented larger organizations in a New Zealand context.

Title and Qualifications of Corporate Real Estate Unit Head

Questions on the title of the head of the corporate real estate unit were similar in the Teoh, McDonagh and Nichols surveys. This question was not asked in the interview based project. There was a greater range of titles in the later two surveys, most likely a reflection of the greater range of organizations surveyed.

A title indicating a clear property focus including the description "Property", "Facilities" or "Asset" Manager was the most popular with 39%, 44% and 43% of the sample for Teoh, McDonagh and Nichols respectively.

In the Teoh survey the second most popular title, with 31% of the sample, was "company secretary" but this title only appeared in 4% of organizations in the McDonagh survey and 6.9% in the Nichols survey. In both cases "Corporate Services Manager" or something similar was far more common and may perform a similar role. Popular in all three surveys were titles with a finance orientation such as CFO, accountant, finance manager or financial controller. These accounted for 14.6% of respondents in the Teoh survey, 12% in the McDonagh survey and 11.5% in the Nichols survey.

These results indicate the majority of organizations in New Zealand still lack a clearly identified position for a person fulfilling the CREAM role. An increasingly popular alternative is to outsource CREAM functions, but this brings its own set of problems including lack of familiarity with core operations, and conflicts of interest (McDonagh & Hayward 2000). The result of either is that corporate real estate may “fall between the cracks” of responsibility, or be carried out by someone without much expertise or enthusiasm.

On a more positive note, the number of respondents without any property or related professional qualifications reduced from 63% in the McDonagh survey to 45% in the later Nichols survey. Over the same interval those with a property qualification increased from 17% to 35% while those with professional qualifications in other areas such as engineering, accounting or law remained constant at 19%.

Corporate Real Estate Reporting Level

As mentioned in the literature review, corporate real estate unit reporting level has been identified as an important contributor to CREAM performance by earlier research. This aspect was examined in all four New Zealand research projects but unfortunately Teoh used position terminology unfamiliar in a New Zealand context (President and Senior/Executive Vice President) which may have compromised her results to some extent. Even so, she found 61% of corporate real estate units reported to positions identified as either of the above, which could be seen as equivalent to the top two organizational levels in a New Zealand context.

In the subsequent research, the number of levels away from the CEO was used instead of position names. The results are shown in the table below.

CRE reporting level	***Teoh***	***McDonagh Interviews***	***McDonagh Survey***	***Nichols***
to CEO	combined level 1 & 2	35%	36%	34%
to level2	61%	35%	40%	37%
to level 3	24%	19%	17%	23%
unclear	15%	11%	7%	6%

Again the results were quite similar in that approximately 70% of those primarily responsible for CREAM in organizations reported to either of the top two levels.

Although respondents reported to superiors with a wide range of titles, the most common were CEO and CFO, and the balance were usually only one or two steps removed from the CEO. This is in contrast to overseas research, but earlier research by the author (McDonagh 2001) found this to be more a reflection of organizational size than an indicator of CREAM performance. It may, however, mean that a change in CEO or CFO attitude to CREAM may have a rapid effect, as there is less organizational inertia to overcome.

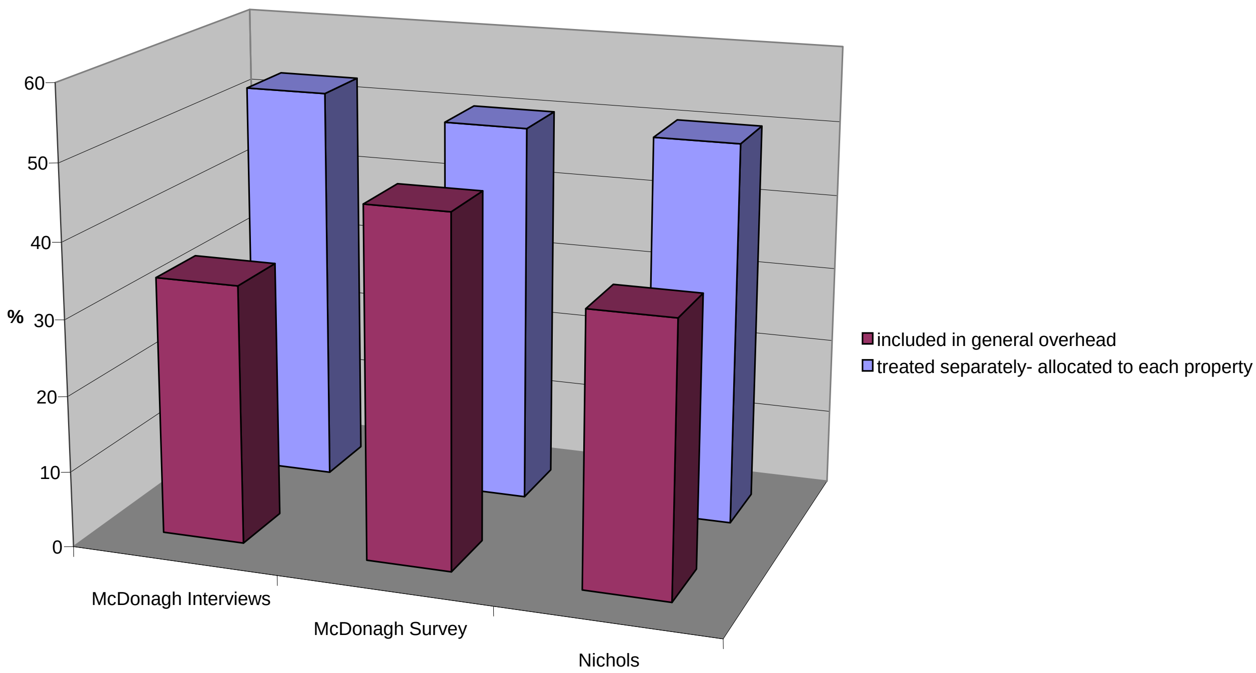
Allocation of Corporate Real Estate Costs

How organizations allocate corporate real estate costs is a recurring theme in the literature, with a number of studies presenting conflicting results on whether a cost centre or profit centre approach is preferable. Teoh found only 34.1% of organizations reported having a profit centre structure in 1992 and for the interviews in 1997-8 this figure was 37.8%. This type of question was not asked directly in the later survey research but related questions were asked on how real estate costs were allocated.

The results show a consistent pattern over time with all research reporting a percentage of around 50% of organizations treating property related costs separately and allocating them to individual properties. At the other end of the scale, in the McDonagh and Nichols surveys around

35% include property costs in generally allocated overheads. The figure for the interviews was higher, but this is likely to be due to less non-responses.

Allocation of Real Estate Costs



The interview research also revealed several respondents who were not directly allocating property costs at present but were investigating doing so.

Existence and Quality of a Strategic Corporate Real Estate Plan

The existence and quality of a strategic plan for corporate real estate assets has been identified as a significant factor by many earlier researchers. A comparison of the results from all four research projects in New Zealand is shown below.

CRE Strategic plan	***Teoh***	***McDonagh Interviews***	***McDonagh Survey***	***Nichols***
good or very good	17.1%	31%	28%	28%
implied/or OK	26.8%	21%	12%	44%
poor or NA	48.8%	47%	57%	29%

A good or very good CRE strategic plan being in place still applies only to a minority of the organizations surveyed, and while the percentage in this category almost doubled between 1991 and 1998 it seems to have stabilized since at around 30%.

Where there does seem to have been improvement is in the number of organizations who now have an adequate CRE strategic plan (44%) and a reduction in those who have a poor plan or none at all (29%).

In common with research in the USA by Duckworth (1993) and Stephens (1994) and in the UK by Avis, Gibson and Watts (1989), interview respondents often commented that they were unsure of how to develop a strategic plan, and in particular, how to bring core business strategies back to the implications for property assets. This may indicate a lack of integration of CRE staff into core business strategic planning and also the reverse - a lack of understanding of real estate markets by core business managers.

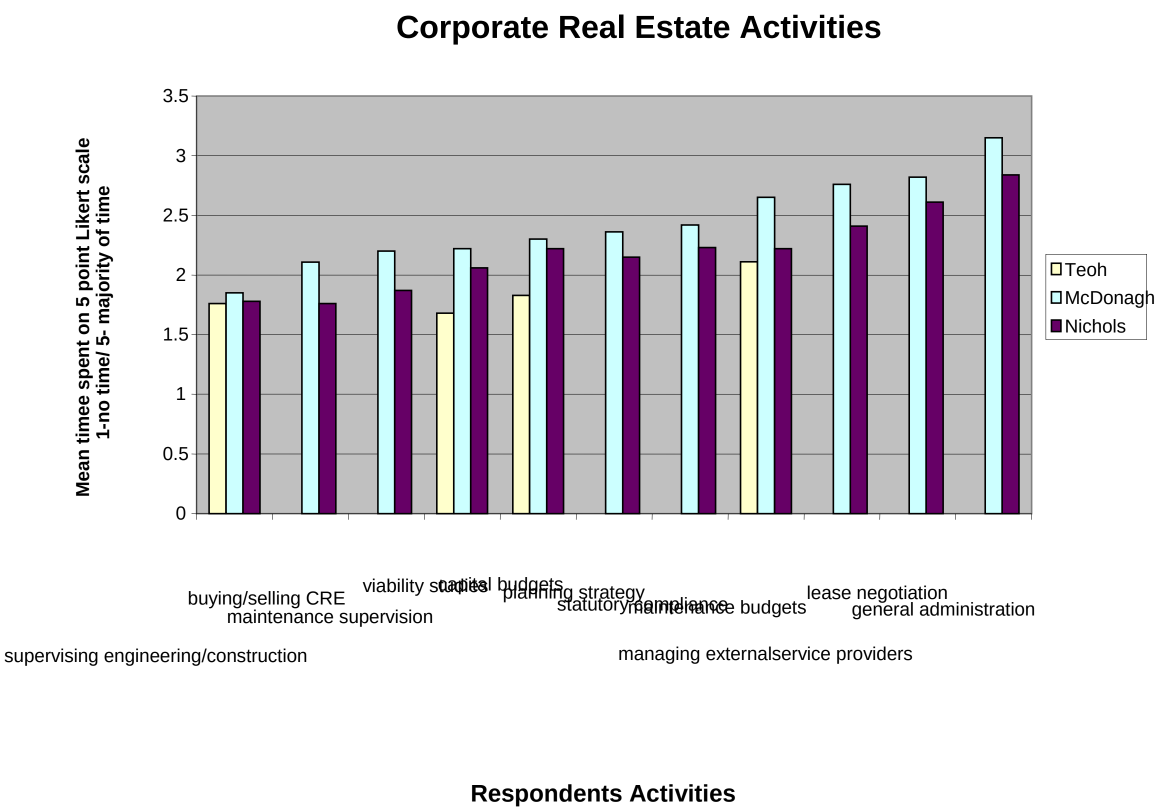
This situation has been addressed in New Zealand in recent years by the publication of a comprehensive manual on strategic planning for property assets (The NAMS Property Manual). This has a focus on large public sector organizations and has been widely adopted. This may have led to the substantial improvement in the Nichols results.

Also reported, and similar to findings by Gibson (1994, 1995), were situations where a strategic plan for corporate real estate assets was "required" by senior management or an external agency, but there was insufficient base information or expertise to develop a meaningful and well grounded plan. The result was plan that the CRE managers had little faith in but it "kept management happy" while they continued to struggle with developing a better plan or else continued to deal with day to day issues in a reactive manner.

The above situation may be reflected in the 28.7% of respondents in the Nichols survey who stated their property plan provided "no relevance or guidance" or the 31% who said the plan was not referred to in making property decisions. Another 20.6% said the property plan was "not aligned at all" with the organizations overall business plan.

Corporate Real Estate Management Activities

Several typical CREAM management activities identified in earlier research were examined by all the surveys. In the Teoh survey the questions asked were slightly different from later research in that they asked for the relative importance of various activities, rather than the time spent on them.   Even so, some interesting comparisons can be made.



Teoh found finance and budget analysis to be relatively unimportant, but in contrast both capital and operational budgeting were found to occupy reasonable amounts of the respondents time in the McDonagh and Nichols surveys. This may be a reflection of the number of public sector organizations in the recent surveys that may be under tighter budgetary constraint and have fewer financing options.

Viability studies were rated less important than finance and budget analysis by Teoh, and exhibited a similarly reduced time commitment in the later research.

Construction supervision would be an activity expected to occupy a relatively small amount of time, given the intermittent occurrence of this activity in many organizations, and also be relatively lowly rated in terms of importance. This indeed was the case, with all the surveys showing a remarkably similar response pattern for this issue.

Ratings 4 and 5, corresponding to higher commitments of time, were used relatively little across all activities. This indicates respondents spend smaller amounts of time across a wider range of tasks – reflected in frequent “moderate” and “some time” responses.

Only moderate time being spent on planning strategy (on average) indicated a more reactive approach to management than occurs at the higher stages of CREAM development.

However, further analysis of the data revealed the greatest standard deviations for both surveys were for: planning and developing real estate strategy, lease negotiation, engineering and construction, and supervision and maintenance supervision. This result seems to support the findings of earlier research that many organizations in New Zealand seem to operate at very different ends of the CRE stages of development model as proposed by Joroff et al. The lowest standard deviation amongst respondents in all surveys was for the question on capital budgeting activities.

Senior Management Attitude Towards CREAM

Positive management attitude has been identified by numerous previous researchers (Veale 1989, Gale and Case 1989, Teoh 1992 and others) as being a crucial prerequisite to developing a high level of performance in respect of corporate real estate asset management.

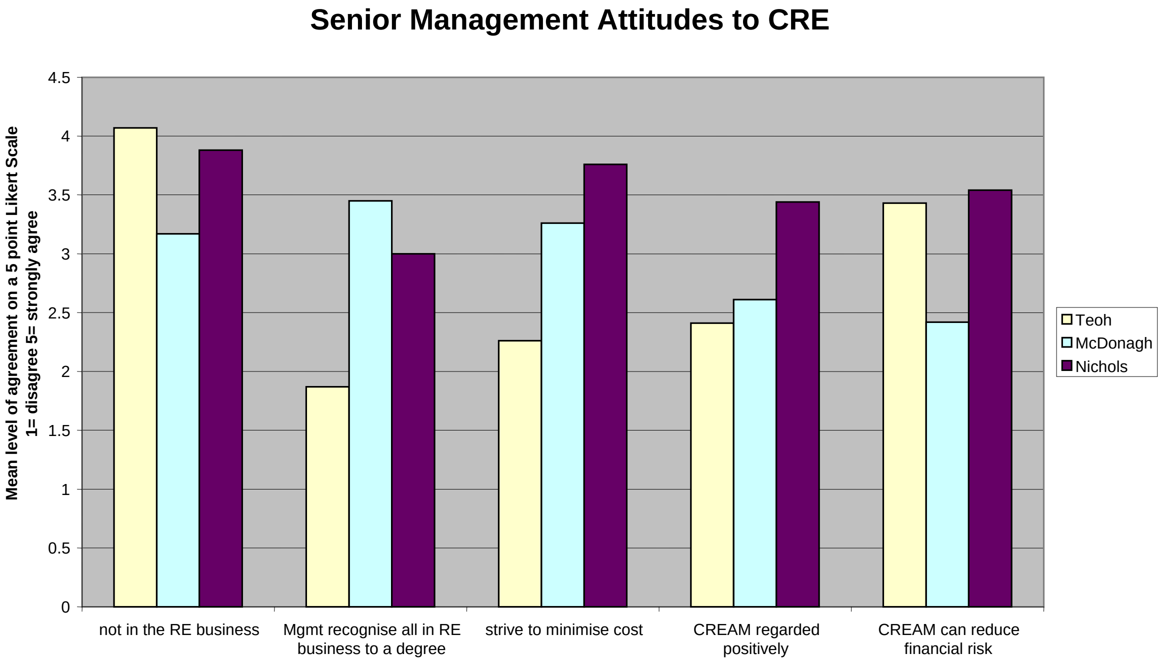
Five questions that provided some insight regarding senior management attitudes to CRE could be directly compared between the Nichols and McDonagh surveys and five questions asked by Teoh were similar enough to be included in the comparison subject to some reservations. The overall results are shown below.

Analysis of the responses in more detail revealed approximately 50% of senior management strongly felt “they are not in the property business” in both the Teoh and Nichols surveys while only 12.5% felt this way in the McDonagh survey. This result is confusing when the responses to the question regarding whether management recognize “all organizations are in real estate to some degree” followed the more typical pattern of improvement over time.

A consistent pattern of improvement applied to questions regarding management “focus on cost reduction” and the distribution of responses within each survey was also not significantly different.

Teoh asked for a rating of whether “current organizational CREAM needed improvement” whereas the later two surveys asked if CREAM was “regarded positively”. While the highest rating for the earlier research was a neutral response, the more recent results for a similar question showed the majority of organizations were relatively positive regarding their existing CREAM performance (over 50% rating of 4 or 5 on a five point Likert scale).

This may mean that performance has actually improved – but not necessarily so as the respondents belief may not be in accord with reality. There is also a potential bias problem as the earliest survey was of CEO’s whereas the recent surveys were of corporate real estate executives who are potentially reporting on their own performance.



Another common question was whether management believed active CREAM could reduce financial risk to the organization. While the mean Likert scale rating in the graph above shows a drop in the McDonagh survey, deeper analysis of the data indicates a more complex situation, the mean being influenced by a small number of negative and large number of neutral responses in the Teoh survey.

Conclusion

The results of this research reveal that while some aspects of CREAM practice have continued to improve over the fourteen year span of the surveys, others have remained stable or stabilised.

For example, the percentage of organisations with a separate CRE unit was between 57% and 63% in all of the surveys and the higher percentage (78%) in the interviews can be explained by the different sample and methodology.

The title of the manager responsible for CREAM included the description “Property”, “Facilities” or “Asset” Manager in 39%, 44% and 43% of the sample for the Teoh, McDonagh and Nichols research respectively. Also popular in approximately 13% of all cases were titles with a finance orientation.

A significant change has been the reduction in the percentage of respondents without any professional qualifications from 63% in the McDonagh survey to 45% in the Nichols survey. Over the same interval those with a property qualification increased from 17% to 35%.

The CREAM manager reported to either of the top two levels of management in an organisation in approximately 70% of cases across three of the research exercises. The slightly lower figure of 60% in the Teoh research can be explained by problems with the question design.

Around 50% of organisations treat property costs separately and allocate them to individual properties in all three of the research projects where this issue was examined.

There was a substantial increase in the percentage of organisations with a good or very good strategic plan for property subsequent to the Teoh survey which recorded a figure of 17.1%. However, this now seems to have stabilised with the most recent surveys both recording 28%

and the interview research very similar at 31%. More recently there been a reduction in those organisations with a very poor, or no CRE strategic plan, from approximately 50% in the first three surveys to 29% in 2005.

In terms of activities undertaken, budget analysis was of moderate importance, particularly in the later surveys, whereas supervising construction and undertaking viability studies were relatively unimportant in all cases. General administration and lease negotiations were the most time consuming, but of note was the fact that across the research no activity was especially dominant – CRE managers appear to be generalists.

The attitude of senior management towards CREAM has been found to be significant in previous studies, but on this issue, the results of this research are a little unclear. The percentage of respondents who felt "they are not in the property business" fluctuated wildly between surveys whereas there was the expected improvement over time on issues such as "management recognise all organisations are in real estate to some degree" and CREAM is regarded positively. The difference in the survey sample for the Teoh research may again be a significant factor here.

A general observation has been the remarkable similarity of findings in respect of some issues despite the use of different samples and different research methodologies. Significant similarities to some of the findings of international research were also found, despite the very different scale and focus of the New Zealand economy.

However, more in-depth analysis has revealed that, while the pattern of response to some questions is similar, it is very different in others. For example, the standard deviation of responses on questions relating to strategic planning and maintenance supervision was relatively large. This seems to support the findings of earlier research that many organizations in New Zealand seem to operate at very different ends of the CRE stages of development model as proposed by Joroff et al. It is envisaged that the survey work on which this research is based will be repeated at regular intervals into the future. This will further build the available data and facilitate further investigation of this and other CREAM issues.

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Appendix

Below are copies of the actual survey documents referred to in the previous paper, as well as the prompting questions that were associated with the interviews.

Teoh Survey

APPENDIX C Sample Mail Questionnaire

SURVEY ON CORPORATE REAL ESTATE ASSET MANAGEMENT

Background

What is your job title ?____

What is your main line (or lines) of business ? [Encircle the appropriate sector code below]

AGS	Agricultural and associated services	AUT	Automotive
BLD	Building	CHM	Chemical and fertiliser
CON	Construction	ELE	Electrical
ENE	Energy and fuel	ENG	Engineering
FIN	Finance and banks	FOD	Food
FOR	Forestry and forest products	INV	Investment
LIQ	Liquor and tobacco	MET	Meat and by-products
MCM	Media and communications	MED	Medical supplies
MIS	Miscellaneous services	PRO	Property
RET	Retail merchants	TEX	Textile and apparel
TRN	Transport and tourism	MIN	Mining

Organisation

Does your company have a formally organised real estate unit? Yes No

How long has such a unit been in existence? __________ years

Is the unit now a: ______Department of the company
______Subsidiary of a parent company

What is the title of the real estate unit head? ______________________

The real estate unit reports to the company through: (please tick where appropriate)
______President ______Treasurer/Controller
______Group Senior/Executive Vice President ______Division Vice President
______General Counsel ______Other (please specify)

Structure and Motives of Corporate Real Estate Unit

If your answer to the Question 3 above is "Department of the company", on what basis does your company organise its real estate activities?
______Cost centre within operating division ______Profit centre within real estate unit
______Cost centre within real estate unit ______Depends on the property
______Profit centre within operating division No separate department for real estate

2. If you manage your real estate for profit, what are your basic rationales or motivations behind this approach? (Please check those which apply)
   - ___ increased efficiency of real estate resources
   - ___ generate revenue for overall corporate purposes
   - ___ generate revenue for other real estate requirements
   - ___ investment of idle corporate funds
   - ___ induce competition with the market place
   - ___ induce competition among properties within the company's portfolio
   - ___ more effective evaluation of individual property performance
   - ___ tax purposes
   - ___ other ________________________

3. If you manage your real estate as a cost centre, what are your basic rationales or motivations behind this approach? (Please check those which apply)
   - ___ ease of use
   - ___ facilitate cost recovery through Cost of Goods Sold (for company's main product)
   - ___ real estate units not sufficiently profitable by nature
   - ___ shortages of management expertise/manpower to manage for profit
   - ___ equal allocation of real estate expense across line operations (through overheads)
   - ___ "not in the real estate business"
   - ___ top management resistance
   - ___ other ________________________

D. Inventory of Real Estate Assets

1. Does your company maintain: (Please check)
   - ___ A real property inventory
   - ___ A separate real property management information system (i.e. MIS)

2. If you do not maintain an inventory or MIS for your company's real estate, what are the primary barriers for developing and operating such systems in your organisation?
   - ___ not enough funding/manpower
   - ___ difficult to effect change in organisation
   - ___ not cost justifiable
   - ___ not enough power vested in real estate function
   - ___ real estate functions/responsibilities too decentralised
   - ___ resistance to new procedures or methodology by real estate staff
   - ___ unfamiliar with available inventory/MIS systems for real estate
   - ___ cannot convince top management
   - ___ other ________________________

E. Real Estate Decision-making

1. How does the after-tax return on real estate (net income plus appreciation) compare with your company's overall return?
   - ___ real estate returns are generally higher
   - ___ real estate returns are generally the same
   - ___ real estate returns are generally lower
   - ___ we do not calculate real estate returns

2. How often does the president or CEO participate in corporate real estate decisions?

   ___ often ___ sometimes ___ seldom ___ never

3. Final decisions on real estate financing are made by the company:

___ President	___ Real estate unit
___ Treasurer/controller	___ Other (please specify) ________
___ Line operating manager	

F. **Issues on corporate real estate management**

1. How would you rank the importance of the real estate department within your organisation ?	Not important 1	2	3	4	Very important 5
2. Please indicate the importance of each of the following real estate functions: (Use the same scale)					
(a) planning additional capacity	1	2	3	4	5
(b) finance and budget analyses	1	2	3	4	5
(c) property appraisal and market analysis	1	2	3	4	5
(d) real estate construction and development	1	2	3	4	5
(e) lease-buy decision-making	1	2	3	4	5
(f) redeployment	1	2	3	4	5
(g) negotiations	1	2	3	4	5
How would you rank the success of the current corporate real estate management system in your organisation?	Not good 1	2	3	4	Very good 5
Do you personally believe that the current real estate system requires improvement?	Strongly disagree 1	2	3	4	Strongly agree 5
Please circle, where applicable, the urgency of change in the following areas:					
(a) to increase return on investment of real estate	Not urgent 1	2	3	4	Very urgent 5
(b) to enhance the value of fixed assets	1	2	3	4	5
(c) to reduce or limit occupancy cost (space overhead, operating expenses, debt service, etc)	1	2	3	4	5
(d) to respond more quickly and effectively to situational factors (e.g. emergency repairs, behind schedule construction, lease expiration, etc) which demand immediate management attention	1	2	3	4	5
(e) to change the management reporting level (e.g. to have the property manager reporting directly to the respondent)	1	2	3	4	5

(f) to increase the communication between the respondent and the property manager through more frequent periodic meetings, both formal and informal — 1 2 3 4 5

(g) to decrease the utilisation of outside property consultant by employing good property professionals — 1 2 3 4 5

6. Please evaluate the following statements:

	Strongly disagree				Strongly agree
(a) Real estate management is not important because the company's core business activity is not real estate.	1	2	3	4	5
(b) Uncertainty and unpredictability of future real estate markets, economic conditions, and organisational space needs greatly reduce my capacity to effect optimal real estate solutions.	1	2	3	4	5
(c) Diversifying real estate portfolios (by lease/own ratios, lease term maturation, capital financing vehicle, etc) can significantly reduce financial risk.	1	2	3	4	5
(d) I have regular exposure to, and a firm understanding of, overall corporate strategic plans and objectives from which to base real property decisions.	1	2	3	4	5
(e) Future flexibility (in terms of commitments, location, building design and use, etc) is a top priority in evaluating real estate alternatives.	1	2	3	4	5
(f) I do not have sufficient information or methodology available to clearly evaluate the physical performance or use effectiveness of my buildings.	1	2	3	4	5
(g) Real estate decision-making, on average, plays a critical part in the overall performance of my organisation.	1	2	3	4	5
(h) Real estate decision-making is an integral part of corporate strategic planning.	1	2	3	4	5
(i) Responsibility for real estate assets are delegated too far down in my organisation.	1	2	3	4	5
(j) The president or CEO usually gets involved in corporate real estate decisions.	1	2	3	4	5

This is the end of the questionnaire.
Once again, thank you for agreeing to take part in this study.
Should you be interested in receiving a copy of the survey results, please enclose your business card.

PLEASE RETURN THE COMPLETED QUESTIONNAIRE NOW!

McDonagh Interviews

Prompting questions – used as necessary

- Main line of business?
- Number of corporate real estate staff?
- Firm name?
- City or town where based?
- Interviewees name?
- Value of portfolio in $M ?
- Size of portfolio in number of properties?
- Existence of CRE inventory?
- Existence of separate CRE unit?
- Internal rents charged?
- Level of relationship to CEO?
- Methods used for evaluation of CRE?
- Existence of strategic plan for CRE?
- Attitude of senior management to CRE?
- Assessment of stage of development of CREAM?
- Use of outsourcing?
- Cost centre or profit centre for CRE?
- Joint ventures used for CRE?
- General comments?

McDonagh Survey

Lincoln University Corporate Real Estate Survey

Note: Questionnaires returned by the due date will enter a prize draw for three cases of wine

Overall Organisation

O1. Please tick the phrase that best describes the ownership structure of your organisation.

- ☐ Public Company
- ☐ Government Department
- ☐ Private Company
- ☐ State Owned Enterprise/Agency
- ☐ Territorial/Regional Authority or LATE
- ☐ Not For Profit Organisation

O2. What is the core business of your organisation?____________________________

O3. Circle the approximate number of staff employed by your organisation.

1-10 11-20 21-50 51-100 101-200 201-500 over 500

O4. If "Restructuring" is defined as a **complete and major change** in total organisational structure, and/or legal status, and/or core business objectives - has your organisation been restructured in recent times? (tick one)

☐ Not at all ☐ Minor restructuring ☐ Extensive restructuring If so, how long ago__________

O5. In relation to your "core business" tick the statement that most closely represents your organisation.

☐ The nature and/or direction of our core business is uncertain, therefore flexibility is paramount.

☐ The direction of growth for our organisation is clear but we still need to keep our options open. There can be special advantages in having the "right" location for our core business.

☐ Our market is competitive so we need to be efficient and/or have a special advantage to survive – for example, a full range of products and/or services to attract our share of the established market.

☐ Our market is well established and extremely competitive so keeping costs down is number one priority. With little scope for price rises, gaining market share is the avenue of growth for us.

☐ We are not in a competitive market type of situation.

O6. In your organisation the costs of occupying real estate: (please tick which apply)

☐ Are included as part of overall organisational overhead and not apportioned to organisational units

☐ Total real estate costs are included with other overheads and apportioned to organisational units

☐ Real estate operating expenses (eg local authority rates) are apportioned to organisational units

☐ Real estate operating expenses and depreciation are apportioned to organisational units

☐ Real estate operating expenses and a capital charge are apportioned to organisational units

☐ Real estate operating expenses and market rentals (or equivalent) are charged to organisational units

Other____________________________________(please specify)

Management of Real Estate Assets

M1. Does your organisation have a formally organised real estate unit or person with this area as their sole responsibility?

☐ Yes ☐ No (please tick)

If Yes, please answer questions M2-M5 below: If No, go to question M6.

M2. State the number of - property management staff ________ - physical maintenance staff ________

M3. Has your organisation's real estate unit/division been restructured (as defined in question O4) recently?

☐ Not at all ☐ Minor restructuring ☐ Extensive restructuring If so, how long ago__________

M4. How has the number of employees engaged in property work in your organisation changed during the past 5 years? (tick one)

☐ Stayed about the Same ☐ Increased Slightly ☐ Increased Significantly
☐ Decreased Slightly ☐ Decreased Significantly

M5. If additional space/land was required by an operating unit within your organisation, which of the following most closely resembles the process by which the space would be provided? (please tick one)

☐ The operating unit would arrange the supply of the additional space/land itself.

☐ The operating unit would specify what was required, the real estate/property unit would then arrange for it to be purchased, constructed, leased or otherwise supplied. The operating unit would need to justify the cost.

☐ The operating unit would specify what was required, the real estate/property unit would then arrange for it to be purchased, constructed, leased or otherwise supplied. The real estate/property unit would also be responsible for ensuring the real estate costs were not excessive.

☐ The operating unit would identify a need, then the real estate/property unit would examine options and prepare a solution believed to meet the need at reasonable cost. The real estate/property unit may propose rearranging operations to meet the need within existing space or make other savings. If operating units reject these proposals they would have to develop and justify their preferred alternatives.

☐ The operating unit would identify a need, then the real estate/property unit would offer a market based solution charging a readily determinable market rent. If there were specialised "non market" operational requirements these would be an additional cost to the operating unit.

☐ All organisational space needs are anticipated by regular meetings of heads of operating units, the real estate/property unit and management. This team reviews and justifies existing real estate costs as well as the operational and financial implications of alternative options. Decisions arrived at are implemented by the real estate/property unit.

M6. Please circle which of the following are used by your organisation for assisting in making real estate decisions.

	never used	rarely used	sometimes used	often used	always used
Accounting rate of return/payback period	1	2	3	4	5
Discounted cash flow techniques (IRR, NPV etc)	1	2	3	4	5
Consideration of risk diversification	1	2	3	4	5
Relationship to market value/rental	1	2	3	4	5
Sale and leaseback analysis	1	2	3	4	5
Consideration of non financial factors	1	2	3	4	5
Independent property management consultants	1	2	3	4	5

M7. Which of the following statements <u>most closely resembles the current role</u> of real estate management **in your organisation**? (please tick one)

- ☐ Accounting for the costs of using real estate and allocating both the real estate and its costs to operating units.
- ☐ Investigating ways to use less real estate or increase efficiency (eg. by standardising office layouts, combining facilities, sub-leasing/selling excess land/buildings, refurbishing old buildings to suit new uses).
- ☐ Organising provision of land/ buildings/ other real estate so that operating units of the organisation have what they need.
- ☐ Examining trends in conjunction with operating units, developing the real estate implications of these trends for the "core" operations of the organisation and proposing optimal solutions.
- ☐ A separate business unit earning a return on the capital tied up in real estate assets by providing the space requirements of operating units in return for market related rents and operating expenses.
- ☐ None of the above (please elaborate)______________________________

M8. Please circle the degree to which each of the following statements is representative of **<u>your organisation</u>**.

	statement strongly applies		partly applies		does not apply
Real estate management is not considered important because your organisation's core activity is not real estate.	1	2	3	4	5
Management of real estate is regarded negatively as it is seen to demand excessive charges and/or reporting requirements.	1	2	3	4	5
Management of real estate is regarded favourably as it is seen to provide cost effective solutions to operating units' real estate needs.	1	2	3	4	5
The real estate needs of operational units are largely determined by a set of standardised rules or policies (for example so many many m2 per person at various levels).	1	2	3	4	5
Top management recognises that every organisation that occupies space is in the real estate business as well.	1	2	3	4	5
Teams, alliances or joint ventures of both internal and external staff are formed to solve particular real estate related problems.	1	2	3	4	5
In your opinion the management of real estate assets in your organisation needs major improvement.	1	2	3	4	5
Management of real estate assets can significantly reduce the organisation's overall financial risk.	1	2	3	4	5
Uncertainty associated with future real estate markets, economic conditions and organisational space needs greatly affects your capacity to effect optimal real estate solutions.	1	2	3	4	5
Staff responsible for real estate have regular exposure to, and a good understanding of, overall organisational strategy and plans on which to base real estate decisions.	1	2	3	4	5
You do not have sufficient information or methodology available to clearly evaluate the performance or use-effectiveness of your organisation's real estate assets.	1	2	3	4	5
Responsibility for real estate decisions is delegated too far down in your organisation.	1	2	3	4	5

Individual Responsibilities

R1. What is your title in your organisation?________________________________

R2. How long have you held this position?________________________________

R3. List any formal qualifications relating to the management of real estate assets you currently hold.

____

R4. What is the title of the person you report to?________________________________

R5. Indicate (by circling) the importance of the issues below to a person holding your position in your organisation:

	not important				critically important
The impact of a major real estate project on the balance sheet of your organisation	1	2	3	4	5
The impact of a major real estate project on the public perception of your organisation	1	2	3	4	5
Lease versus own and/or sale leaseback financial analysis	1	2	3	4	5
Cost of accommodation per occupier	1	2	3	4	5
Benchmarking against industry standards	1	2	3	4	5
Reviewing core operations to ensure efficient use of real estate assets	1	2	3	4	5
Using real estate to gain a strategic advantage for your core business 1	2	3	4	5	
Contribution of cash flow to the organisation from real estate assets	1	2	3	4	5
Maximisation of tax advantages	1	2	3	4	5
Holding assets for capital gain/inflation hedge	1	2	3	4	5
Refinancing of real estate to raise capital for operations	1	2	3	4	5
Accounting information being available on individual properties	1	2	3	4	5

R6. Circle the amount of time you personally spend on the following activities in your present position.

	minimal time		moderate amount		most time
preparation of capital budgets	1	2	3	4	5
preparation of maintenance/operational budgets	1	2	3	4	5
buying/selling real estate assets	1	2	3	4	5
undertaking financial viability studies	1	2	3	4	5
monitoring performance of existing assets	1	2	3	4	5
planning/developing real estate strategy	1	2	3	4	5
general administration	1	2	3	4	5
financial reporting	1	2	3	4	5
supervising engineering/construction	1	2	3	4	5
lease negotiation/administration	1	2	3	4	5
Building Act/ health and safety	1	2	3	4	5
market analysis	1	2	3	4	5
cost control	1	2	3	4	5
maintenance supervision	1	2	3	4	5
managing external service providers	1	2	3	4	5

R7. For your organisation, please tick the decisions that can be made by operational unit/division managers who are not directly involved in property.

☐ Real Estate disposal ☐ Real Estate purchase ☐ Real Estate maintenance

☐ Real Estate capital expenditure. ☐ Real Estate lease negotiations ☐ None of these decisions

Communication

C1. In terms of reporting level, circle how many steps you are away from the CEO of your organisation.

1 2 3 4 5 more

C2. Please circle how frequently would you liaise with the following:

	Daily	Weekly	Monthly	Qtrly	Annually
Chief Executive Officer	D	W	M	Q	A
Chief Financial Officer	D	W	M	Q	A
"Core" Business Unit heads	D	W	M	Q	A
Real Estate Agents/Valuers/Consultants	D	W	M	Q	A
Engineers/Technical people	D	W	M	Q	A
Service Providers (cleaners etc.)	D	W	M	Q	A
Staff in other units within your organisation	D	W	M	Q	A

C3. Does your organisation have a written overall strategic plan for real estate? ☐ Yes ☐ No

If yes, circle when was it first prepared? 3 6 12 24 36 months ago or longer

How often is the plan reviewed/updated? never 3 6 12 24 36 monthly or longer

Please circle below the degree of integration of the above real estate plan with core business operations.

poor integration 1 2 3 4 5 complete integration

Information Systems

I1. With respect to having access to an accurate computerised database containing details on each property, would you please **Firstly** circle the **importance** of a database to your organisation and **Secondly** circle the **performance** of **your** organisation's database on the scale below. Circle N/A if you have no database.

not important		1	2	3	4	5	extremely important
poor performance	N/A	1	2	3	4	5	excellent performance

I2. If your organisation has a computerised property database circle its performance on each of the following:

Shows adequate details on:	Poor		OK		Excellent
- Current use of property	1	2	3	4	5
- Physical attributes - ie. size, dimensions, age etc	1	2	3	4	5
- Legal matters including zoning, tenure etc	1	2	3	4	5
- Lease details if applicable	1	2	3	4	5
- Purchase cost	1	2	3	4	5
- Current market value	1	2	3	4	5
- Operating/maintenance costs	1	2	3	4	5
- Maintenance programme	1	2	3	4	5
- No. of people working within specific buildings	1	2	3	4	5
- Usefulness in assisting in strategic decisionmaking	1	2	3	4	5
- Usefulness in identifying non-performing properties	1	2	3	4	5

Outsourcing

S1. Does your organisation have a strategy on outsourcing real estate-related tasks to external service providers?

☐ Yes ☐ No If yes, is this strategy set out in writing? ☐ Yes ☐ No (please tick)

S2. Is your organisation using external real estate service providers more, the same, or less than it did 5 years ago?

☐ More ☐ Same ☐ Less (please tick)

S3. Please circle the rating that best describes the frequency with which the following real estate functions are typically outsourced by your organisation (ie. provided to your organisation by external service providers).

	Never	Sometimes	Frequently	Always	N/A
Real estate strategic planning	1	2	3	4	5
Feasibility studies/market analysis	1	2	3	4	5
Real estate valuations	1	2	3	4	5
Selection of sites/premises	1	2	3	4	5
Procurement of sites/premises	1	2	3	4	5
Space layout planning	1	2	3	4	5
Building design	1	2	3	4	5
Construction/fitout management	1	2	3	4	5
Property/lease administration	1	2	3	4	5
Facilities management/maintenance	1	2	3	4	5
Building Act/Health and Safety compliance	1	2	3	4	5
RM Act/ town planning issues	1	2	3	4	5
Surplus property/lease disposal	1	2	3	4	5

S4. Does your organisation currently have any contracts with external service providers for periods of 3 years or greater, for the provision of any of the services listed in question S3 above? (tick one) ☐ Yes ☐ No

S5. Rank the 5 main reasons (from 1 to 5, 1 being the main reason) that your organisation obtains real estate services from external service providers (if applicable).

	Rank
To obtain a more independent service	____
To gain a better quality of service	____
To reduce the cost of the service	____
To access skills, technology, best practice not available within your organisation	____
As the service is not a core business of your organisation	____
To provide greater flexibility in staff resources	____
Other________________________________	____

S6. Tick the **3 methods** most commonly used by your organisation to identify real estate service providers.

☐ Advertising (eg. request for proposal)
☐ Direct approach by service provider
☐ Networking/personal contact
☐ Recommendation from an associate
☐ Professional affiliations
☐ Real estate publications
☐ Other________________________________

S7. Indicate the importance of the following characteristics in your selection of a real estate service provider

Characteristic	Importance (please circle)				
	Not important		Moderate		Extremely important
Relevant past experience	1	2	3	4	5
Size of Company	1	2	3	4	5
Quality of assigned employees	1	2	3	4	5
Local expertise	1	2	3	4	5
Project methodology	1	2	3	4	5
Reputation/references	1	2	3	4	5
Independence of service	1	2	3	4	5
Price	1	2	3	4	5
National capability	1	2	3	4	5
Overall 'chemistry'	1	2	3	4	5
Breadth of services available	1	2	3	4	5
Quality of proposal/presentation	1	2	3	4	5
Existing relationship with provider	1	2	3	4	5
Other ________________	1	2	3	4	5

S8. Please circle to indicate the importance of the following skills/criteria for individual personnel/consultants providing real estate services to your organisation.

Skill	Importance				
	Not important		Moderate		Extremely important
Investment analysis skills	1	2	3	4	5
Market knowledge	1	2	3	4	5
Depth of experience in property	1	2	3	4	5
Formal property qualifications	1	2	3	4	5
Breadth of skills	1	2	3	4	5
Negotiation skills	1	2	3	4	5
Presentation skills	1	2	3	4	5
Strategic management skills	1	2	3	4	5
Market analysis skills	1	2	3	4	5
Understanding of your organisation	1	2	3	4	5
Knowledge of business management principles	1	2	3	4	5
Other ________________	1	2	3	4	5

S9. Please circle to indicate the importance of the following personal attributes for individual personnel/consultants providing real estate services to your organisation.

Attribute	Importance				
	Important		Very Important		Extremely important
Timeliness/responsiveness	1	2	3	4	5
Lateral thinking/creativity	1	2	3	4	5
Sound judgement	1	2	3	4	5
Accuracy/thoroughness	1	2	3	4	5
Communication skills	1	2	3	4	5
Ability to work in teams	1	2	3	4	5
Overall professionalism	1	2	3	4	5
Positive attitude/commitment	1	2	3	4	5
Confidentiality	1	2	3	4	5
Adaptability	1	2	3	4	5
Problem solving ability	1	2	3	4	5
Other ________________	1	2	3	4	5

S10. To what extent do you consider the following factors contribute to successful outsourcing of property services?

Factor	Importance				
	Not important		Moderate		Extremely important
Provider's understanding of your business	1	2	3	4	5
Acceptance of outsourcing by your staff	1	2	3	4	5
Cost savings achieved	1	2	3	4	5
Responsiveness of the service provider	1	2	3	4	5
Communication/interface between the parties	1	2	3	4	5
Retention of ultimate control	1	2	3	4	5
Quality of service provided	1	2	3	4	5
Quality of personnel assigned by provider	1	2	3	4	5
Clarity of objectives prior to outsourcing	1	2	3	4	5

Effective performance measurement tools	1	2	3	4	5
Performance based fee structures	1	2	3	4	5
Full analysis of costs prior to outsourcing	1	2	3	4	5
Well developed service level agreement	1	2	3	4	5
Well planned transition of services	1	2	3	4	5
Other____________________	1	2	3	4	5

S11. If property services have been, or presently are outsourced by your organisation, please indicate the general success of this outsourcing. (circle on the scale below)

Very successful		Moderately successful		Unsuccessful
1	2	3	4	5

Please comment on the ways in which this outsourcing has been:

Successful____

Unsuccessful______________________________________

Are there any property services that your organisation previously outsourced, that are now being performed internally within your organisation? (tick one) ☐ Yes ☐ No

If yes, please comment

______________________________Continue on separate sheet if necessary

Finally, Please Outline Your Organisation's Real Estate Portfolio

P1. Circle the approximate number of properties your organisation owns freehold.

nil 1-5 6-10 11-20 21-50 51-100 100+

P2. If known, circle the total value of properties owned freehold (if applicable).

less than $1M $1-5M $6-10M $11-30M $31-50M over $50M

P3. Circle the approximate number of properties your organisation leases.

nil 1-5 6-10 11-20 21-50 51-100 100+

P4. If known, please state your organisation's approximate total annual rental costs. ________________

P5. Please circle to indicate whether your organisation prefers to lease or own operational real estate.

Strong preference to lease		neutral		Strong preference to own freehold
1	2	3	4	5

P6. How does your organisation generally record real estate value? (please tick one)

☐ Historic Cost ☐ Current Market Value ☐ Depreciated Replacement Cost

Other____(please specify)

THANKYOU FOR TAKING THE TIME TO COMPLETE THIS SURVEY
- PLEASE RETURN IT IMMEDIATELY TO ENTER THE PRIZE DRAW

Nichols
Survey

Corporate Real Estate Survey

This survey comprises 43 questions and is split into five sections:

1. General Information
2. Property Management
3. Business Planning
4. Property Planning
5. The connection between the Business Plan and the Property Plan

Thank you for taking the time to complete this survey

Section 1 - General Information

What phrase best describes your organisation?

- Public Company
- Private Company
- Government Department
- State Owned Enterprise or Crown Research Institute
- District Health Board
- Tertiary Education Institute or University
- Territorial Authority or L.A.T.E.
- Not for Profit Organisation

What is the core business of your organisation?

How many people are employed by your organisation?

- 1-10
- 11-20
- 21-50
- 51-100
- 101-500
- over 500

How many sites do you operate from in NZ?

- 1
- 2-5
- 6-10
- 11-50

125

- 51-100
- over 100

How many buildings are in the portfolio?

- 1
- 2-10
- 11-50
- 51-100
- over 100

Approximately what percentage of property is OWNED?

[ ]

What is the approximate value of the OWNED part of the portfolio?

- N/A
- <$1M
- $1-5M
- $6-10M
- $11-30M
- $31-50M
- $51-100M
- >$100M

What is the approximate annual rental cost associated with the LEASED part of the portfolio?

- N/A
- <$0.1M pa
- $0.1 -1M pa
- $1-5M pa
- $5-10M pa
- >$10M pa

Section 2 - Property Management

Basic Job Details

What is your title? [ ]

How many years have you been working in the property profession? [ ]

List any formal qualifications relating to property/real estate that you hold.

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At what level in the organisation do you operate?

- Board
- CEO or equivalent
- GM or equivalent
- Unit Manager/National Manager
- Team Leader/Supervisor
- Property Manager / Facilities Manager
- Other

Do you have primary responsibility for the property portfolio?

- Yes
- No

What types of activities do you NOT do? (select as many as apply)

- Facilities management
- Property management
- Acquisitions and disposals
- Development
- Strategy

Please select the amount of time you personally spend on the following activities in your present position

1 = No time spent 5= Majority of my time

	1	2	3	4	5
Preparation of capital budgets					
Preparation of maintenance/operational budgets					
Buying/selling real estate assets					
Undertaking financial viability studies					
Planning/developing real estate strategy					
General administration					
Supervising engineering/construction					
Lease negotiation/administration					
Statutory compliance - e.g. Building Act/Health & Safety					
Maintenance supervision					

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Managing external service providers

Does your organisation have a formally organised real estate unit or person with primary responsibility for property?

- Yes
- No

State the number of staff in the property unit.	Number
Property Management Staff	
Maintenance Staff	
Administration Staff	
Other	

Does your organisation treat property as a separate business cost or is it included as a general operating overhead?

- Treated separately and allocated to each property
- Treated separately but cannot be allocated to each property
- Included in general operating overhead

For your organisation, please select the decision(s) that can be made by operational unit/divisional managers who are directly involved in property:

- Real estate disposal
- Real estate purchase
- Real estate maintenance
- Real estate capital expenditure
- Real estate lease negotiations
- None of the above

When making real estate requests, does the operational unit/divisional manager (select as many as apply):

- consider their immediate business needs
- consider the needs of other business units as well their own
- consider wider regional issues
- consider a national perspective
- consider national policy and/or strategy around the provision of accommodation

In your opinion, please select the degree to which senior management would agree with the following

1 = Disagree 5 = Strongly agree

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	1	2	3	4	5
We are not in the property business	○	○	○	○	○
Property is simply a place to house a function	○	○	○	○	○
Property is a necessary overhead and a cost to the business	○	○	○	○	○
Management recognise that all businesses are in real estate to some degree	○	○	○	○	○
We have created a unique working environment that our staff enjoy	○	○	○	○	○
We strive to minimise property cost	○	○	○	○	○
We use our architecture to provide brand recognition	○	○	○	○	○
Our facilities are configured to assist our processes	○	○	○	○	○
We want our customers to have a positive experience	○	○	○	○	○
We work to position our brand so clients have convenience	○	○	○	○	○
Management of property is regarded positively as it is seen to provide cost effective solutions to operating units real needs	○	○	○	○	○
Management of real estate assets can significantly reduce the organisation's overall financial risk	○	○	○	○	○

How does your organisation record real estate value for the owned part of the portfolio? (select as many as apply)

- ☐ Historic purchase cost
- ☐ Book value
- ☐ Current market value
- ☐ Depreciated replacement cost
- ☐ Other

How does your organisation record real estate value for the leased part of the portfolio? (select as many as apply)

- ☐ Annual rental
- ☐ Annual gross occupancy cost
- ☐ Total financial commitment e.g. lease term x annual rent
- ☐ Weighted average lease term
- ☐ Other

Section 3 - Business Planning

Does your organisation have a Business Plan?

- ○ Yes
- ○ No

How often does the Business Plan get reviewed?

- ○ 6 monthly

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- Annually
- 2 yearly
- 5 yearly
- 10 yearly
- Never
- Don't know
- Other

How is the Business Plan communicated to staff?

- Specific memo to each section head
- In-house company newsletter
- Company email to all staff
- Senior management team meetings then disseminated to each section/division
- Not formally communicated to staff
- Other

Does property play a part in the Business Plan?

- Yes
- No

Comment:

Are corporate vision, goals and related strategies clear to all staff?

- Yes
- No

Comment:

Is it easy to obtain a clear understanding of each business unit's vision, goals and related strategies?

- Yes
- No

Comment:

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Are there clear financial objectives and metrics that link all groups?

- Yes
- No

Comment:

Is there a shared planning process that links the different unit's strategies?

- Yes
- No

Comment:

Are there clear measures and reporting mechanisms that ensure strategies are implemented?

- Yes
- No

Section 4 - Property Planning

Does your organisation have a property plan?

- Yes
- No

Does the thinking behind the property plan consider:

- A large cohesive integrated picture of portfolio wide issues
- Considers groups of property by type
- Considers groups of property by geographical location
- Considers each property in isolation
- Other

Does the property plan get referred to in making property decisions?

- Yes
- No

In your opinion, how well does the property plan provide relevance and guidance to what should happen with the portfolio?

- No relevance/guidance

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- Some relevance/guidance
- Very relevant providing excellent guidance

How often does the Property Plan get reviewed?

- 6 monthly
- Annually
- 2 yearly
- 5 yearly
- 10 yearly
- Never
- Don't Know
- Other

Section 5 - The connection between the Business Plan and the Property Plan

In your opinion, what importance is placed on the Business Plan in developing the Property Plan?

- None
- Low
- Average
- High

How well would you say the Property Plan is aligned with the Business Plan?

- High level of alignment
- Well aligned
- Sometimes aligned
- Not very well aligned
- Not aligned at all

Does the property planner attend senior management or board meetings?

- Never
- Occassionally
- Always

If the Business Plan changes, are there corresponding changes made to the Property Plan?

- Never
- Occassionally
- Always

If a Business Case is used to obtain approvals, does the Business Case reference and consider the pre-determined Property Strategy and Business Strategy for alignment?

Yes No

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Business Strategy considered	○	○
Property Strategy considered	○	○

In your opinion, what are the key linkages between the Business Plan and the Property Plan? (select as many as apply)

- ☐ Business driven demand setting the requirements for property
- ☐ Providing an appropriate work environment to promote staff performance & satisfy client need
- ☐ Meet pre-determined performance metrics
- ☐ Cost control of the real estate function
- ☐ Location driven
- ☐ No linkages
- ☐ Other

Thank you for completing this survey. Please click 'Submit' to save and exit.

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