

Annual Survey of Corporate Real Estate Practice

2004 Technical Report

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Executive Summary

The main objective of the annual survey of corporate real estate practices is to facilitate inter-organisational comparisons, which will help promote more rapid diffusion of best corporate real estate management (CREM) practices across the globe.

The annual survey of corporate real estate practices was inaugurated in the summer of 1993, but it had been preceded in part by the 1991 CREMRU survey of Chief Real Estate Officers (CREOs) and chairmen from the top 100 EC Organisations. Both NACORE (International Association of Corporate Real Estate Executives) and IDRC (International Development Research Council) have been instrumental in the distribution of the survey to their membership. From 1997 the survey was conducted in collaboration with the International Performance Management Unit at Johnsons Controls Incorporated (JCI). In 1999 IDRC's endorsement of the survey has opened it to a wider international audience and following the merger of NACORE and IDRC, CoreNet have continued to support this survey.

The annual survey is aimed at Real Estate Officers: Chief Real Estate Officers (CREOs), Non-CREOs within corporate real estate organisations. The survey focuses on the incidence of CREM policies, functions and activities as well as the clarification of views concerning the knowledge or skills relevant to the CREM function in the future.

Organisations in general

The share of property in total assets and the share of property vacant have remained stable for the last four years, 20% property in total assets and 7% property vacant respectively. The share of property owned in total property has decreased to 35% and share of property in annual operating costs decreased to 7%.

Organisation background data

The long-term planning time horizon used by the majority of organisations is under 4 years. The planning timescale has decreased since 1995 but has been stable for the last four years.

The ranking of the organization of CREM this year was the same as previous years. Most organisations 89% were organized as a cost centre, 77% were organised by function.

The most common CREM mission statements were 'supporting business objectives' and providing 'cost effective facilities', followed by 'adding value to the business', 'maximising return from assets' and providing a 'minimum cost solution'. These statements emphasise the importance of the financial performance of real estate to support the business as a whole.

CREM policy, function and activity

The most popular CREM policies, functions or activities this year were: Organisation networks/intranets, Disaster recovery plan(s), Procurement policy, Property strategic plan(s) and Property management information system.

In-house and outsourced CREM functions

Outsourced service providers also can be seen to play a more dominant role in some activities namely, space design and fit-out and maintenance management and to a slightly lesser extent property management. In-house activity is dominant for portfolio management and asset management in particular but also significant for planning and development. For most of the other activities it is much more likely to be a partnership process with the activity being split between the in-house team and the outsourced provider.

CREM skills for the future

The top 5 skills considered most important for CREM for the future were in rank order: strategic planning, customer relation, real estate portfolio management, organisation's business or activity and negotiation and deal-making.

Impact of the internet on CRE

The highest ranked statements were:

- 1 'Internet based information systems will make the management and servicing of global portfolios easier'.
- 2 'Internet based information systems will speed the management integration of all corporate infrastructure resources'
- 3 'Internet based information systems will enable better business decisions concerning real estate to be made'.

The most noticeable change since 2003 is the recognition that 'Internet based information systems will speed the management integration of all corporate infrastructure resources' which was not amongst the highest ranked last year.

Challenges facing CRE in 2004

Strategic planning, disposal of property and property costs reduction were the most frequent CRE activities in 2004.

Challenges facing CRE next year

Portfolio re-alignment and asset management are the most frequent CRE activities planned for next year.

Introduction

This report presents the key findings of the 2004 survey of corporate real estate practices conducted by the Department of Real Estate & Planning at the University of Reading in conjunction with Johnson Controls Inc. (JCI) and CoreNet Global. It places this year's findings in the context of previous years' surveys (1993-2003).

The data has been collected by questionnaire sent to Real Estate Officers, that is, executives concerned with real estate in organisations.

The report's structure follows the sequence of the questions in the questionnaire, presenting background information about the participating organisations and then a description of their corporate real estate management practices.

1 The level of response to the survey

Method of analysis

The survey was conducted by self-administered questionnaires completed by Real Estate Officers within each organisation. The questionnaires were sent to the CoreNet Global membership and previous respondents mailing list organisations in 2004.

The population has been broken into the following categories:

CREOs	39.3 %	(13)
Non-CREOs within CREM organisations	51.5 %	(17)
CREM service providers	6.0 %	(2)
Others (a government organisation)	<u>3.0 %</u>	<u>(1)</u>
Total	100 %	33

A list of the names of organisations that responded can be found in Appendix I.

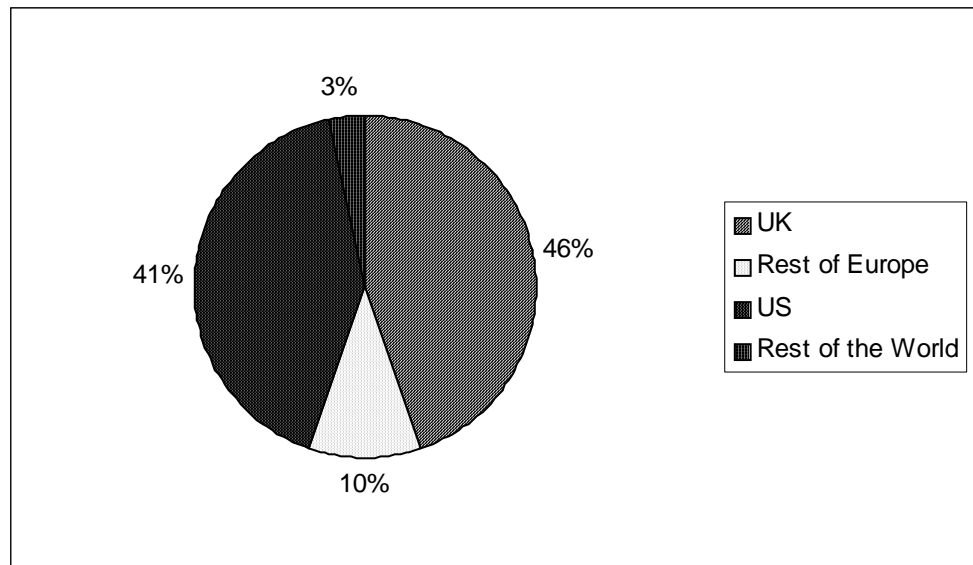


Figure 1 The respondents to the 2004 survey by region

The responses from different regions

All years

Number	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Europe	15	24	11	8	18	64	195	48	34	16	46	16
Americas	6	17	7	20	34	67	101	88	63	28	89	14
Asia						9	23	17	5	3	5	1
Australia						10	5	34	6	1	6	
Africa							2	2	1			
Middle East								1				
Total	21	41	18	28	52	150	326	190	109	48	146	31

Note: There were 8, 17, 6, 4, 14, 53, 162, 37, 25, 9, 37 and 13 participants from the UK in 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003 and 2004 respectively.

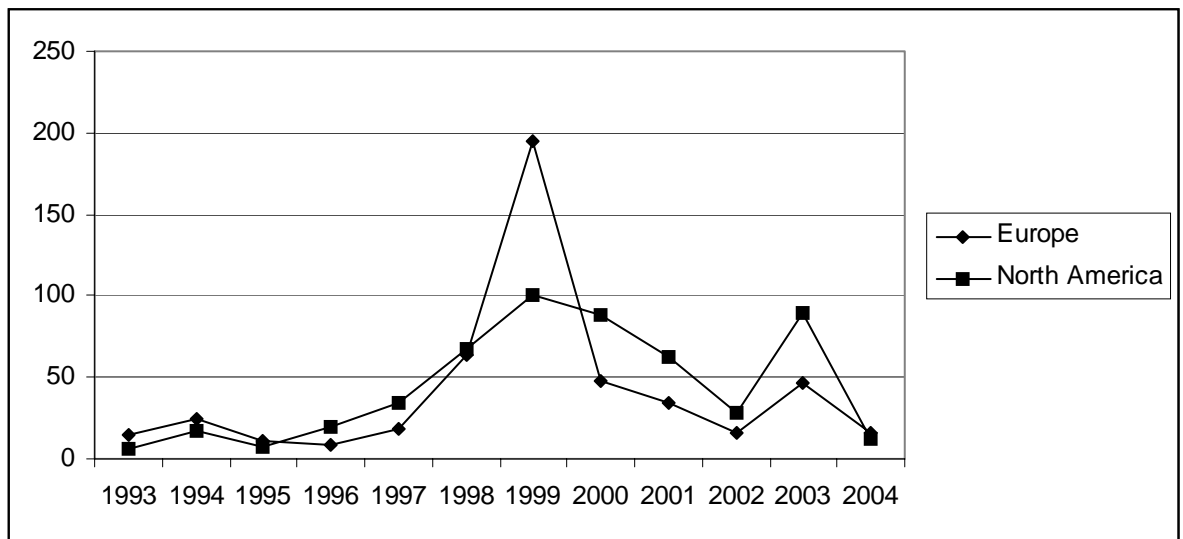


Figure 2 Response to the survey by region for the years 1993-2004

Comment

Most of the responses, 55% were from European organization, 41% from North America and 3% from other parts of the globe.

The responses from different market sectors

Method of analysis

The respondents were asked to state their main business, activity or function, which was then coded as either a service or manufacturing industry. The results are shown below as a frequency and as a percentage of the total population.

Code	Market Sector	Frequency	Percentage
1	Manufacturing Industry	7	23%
2	Service Industry	23	77%
			100%

Comment

These results show the majority of responses were from service industry organisations, 77%, almost a quarter of the responses were from manufacturing industries.

2 The Organisations

This section of the survey collected data about the organisation and has allowed comment on an 'average' organisation and the change in trend of the size of organisations over the last eight years.

2.1 Number of properties, employees and CREM employees

Method of analysis

This section's data was analysed looking at the highest, lowest and mean values for each question.

2004 results

	Highest	Lowest	Mean	Standard deviation
Turnover	£102,600,000,000	£790,000	£14,000,000,000	28441431266
Properties	2500	2	629	812
Headcount	145000	19	20548	33552
Workplaces	120000	300	12412	42170
Floor area (m² Gross)	6,480,000	36479	891696	1510954
CREM budget	£938,400,000,000	£58020	£47,000,000,000	209826028410
CREM employees	518	1	83	143

(An outlier organisation with 65,000 properties has been omitted from the calculation of average properties and a utility organisation from the calculation of floor area)

All years

Mean	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Properties (K)	1.2	0.6	1.3	1.0	0.6	1.0	0.7	1.3	1.1	1.1	1.2	0.6
Employees (K)	53	40	44	41	24	31	22	24	15	32	23	21
CREM employees	49	66	115	68	86	108	91	101	45	71	45	83

(Headcount has been used for the number of employees).

2.1.1 Properties

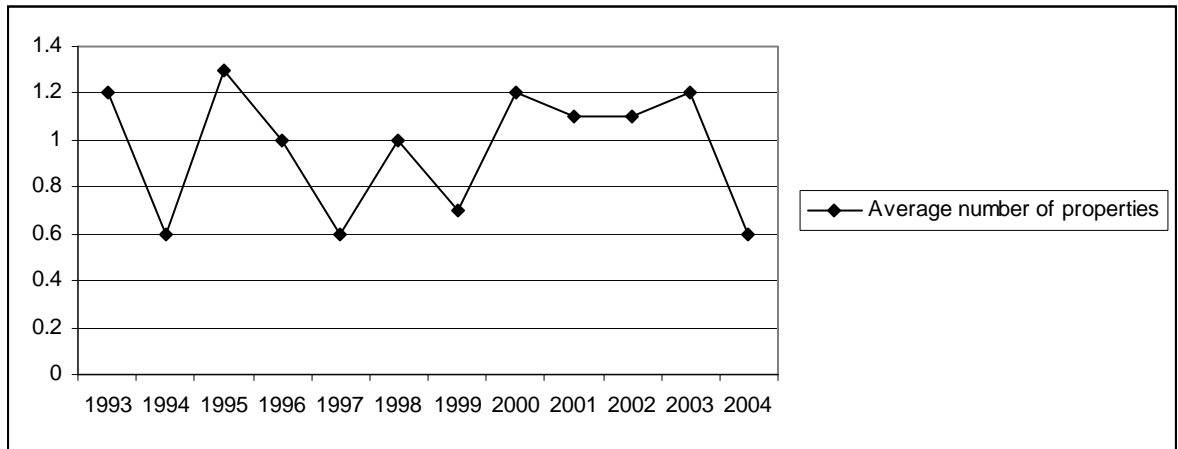


Figure 3 Number of properties in thousands owned by an average organisation for the years 1993-2004

Comment

Throughout the twelve years of this survey most organisations have had between 600-1300 properties per organisation.

2.1.2 Employees

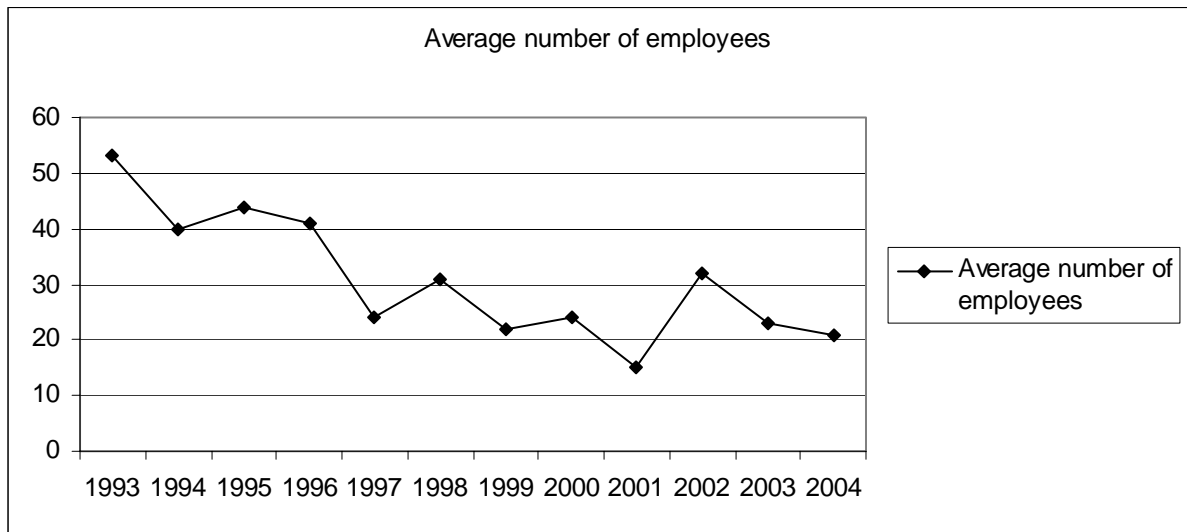


Figure 4 Number of people employed by an average organisation for years 1993-2004

Comment

Between 1993 and 2001 there was a declining trend in the number of employees for an average organisation. The trend changed between 2001-2002 and the number has increased from 15,000 to 32,000 employees (headcount). In 2004 an average organisation has 21,000 employees.

2.1.3 CREM employees

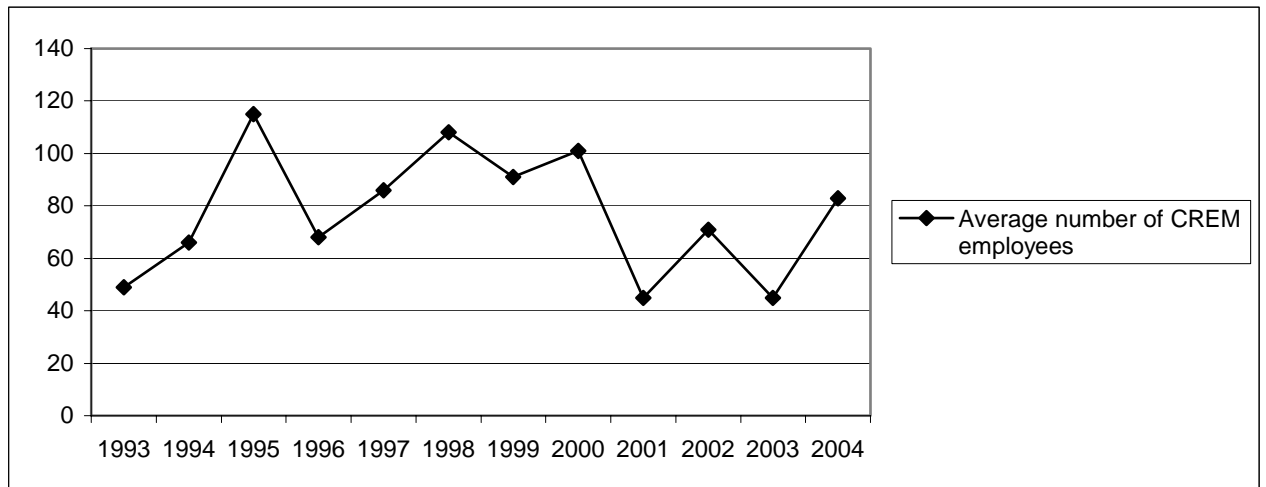


Figure 5 Number of CREM people employed by an average organisation for years 1993-2004

Comment

The number of CREM employees has fluctuated during the twelve years of this survey, between 45-115 per organization. In 2004 there were on average 83 CREM employees per organization.

2.1.4 Key indicators for an average organisation

All years

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Employees per property	23	35	23	18	37	29	29	19	14	38	20	35
Properties per CREM employee	25	9	11	15	8	10	8	13	25	7	23	25
Employees per CREM employee	1082	608	382	603	279	284	242	238	342	257	513	253
Gross floor area (m ²)/employee							90	136	135	78	71	42

(For these calculations 'headcount' was used for 'employee').

Comment

The average number of employees per property is 35.

The ratio of the number of employees to CREM employees varies over the twelve-year sample. In 2004 the ratio of CREM employee to employees is 1:253.

On average a CRE employee is responsible for 235 properties. This is the equal highest number throughout the survey.

The gross floor area per employee is 42m², which is lower than previous years due of the predominance of respondents from serviced based organisations and the exclusion of one respondent from a utility organisation. This result can also be explained by the types of organisations, corporates that have responded to the survey this year.

2.2 The relationship of the property owned to the organisation as a whole

Percentage	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Share of owned property in total property used	59	39	48	42	43	49	47	50	42	44	49	35
Share of property in annual operating costs	9	16	9	15	21	14	28	19	14	17	15	7
Share of property vacant								7	7	8	8	7
Share of property in total assets	17	33	8	14	29	34	29	30	23	22	24	20

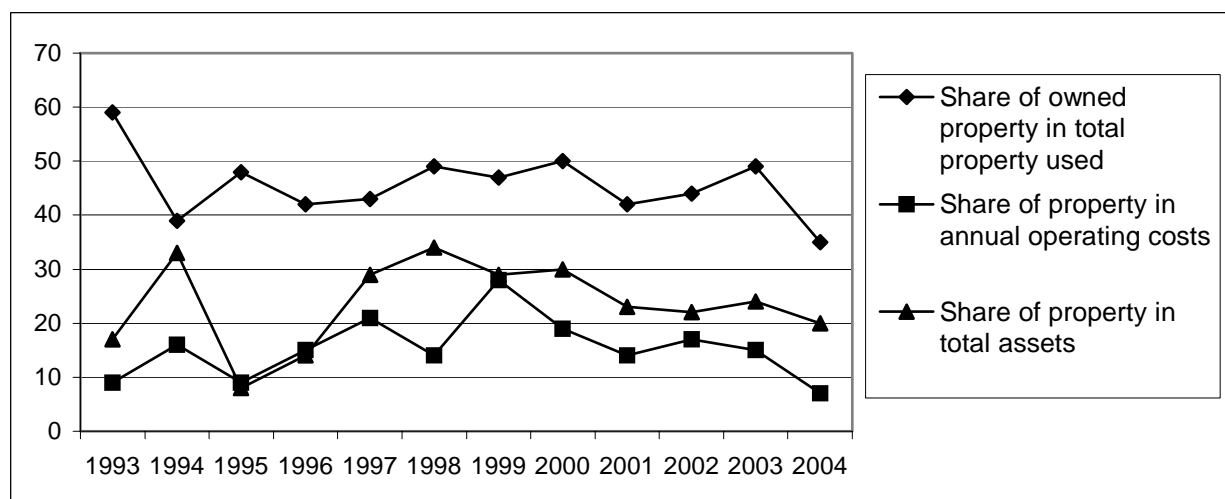


Figure 6 Share of property in use, operating costs and total assets

Comment

The share of property vacant has remained stable for the last four years, while the share of property in total assets has decreased to 20%. The share of property owned in total property has decreased to a survey low of 35% and the share of property in annual operating costs decreased to 7%.

2.3 The time horizon used for long-term planning

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Time horizon (years)	5.1	4.9	5.5	5.4	5.3	4.6	4.7	4.2	3.6	3.7	3.8	3.7

Data points were omitted from this calculation, from outlying organisations with planning time horizons between 10-50 years (1 response in 2004).

Comment

The long-term planning time horizon used by the majority of the organisations is less than 4 years. The planning timescale has decreased since 1995 but has been stable for the last four years.

3 Corporate real estate management (CREM) organisation

Method of analysis

This section gathered data about the organisation of corporate real estate management within the firms to allow comment on the different CREM structures in use and any change over time. The questionnaire offered the respondent six options to describe how CREM is organised within their own organisation. The response was either yes or no, indicating whether a mechanism is in use. The mean percentage was calculated for each year and is presented below.

2004 results

Rank	Question	% Yes
1	Is CREM unit a cost centre?	89%
2	Is CREM organised by function?	77%
3	Is CREM organised by region?	52%
4	Is CREM organised by "internal client/business unit"?	13%
5	Is CREM unit a profit centre?	20%
6	Is CREM unit a separate subsidiary?	12%

All years

Percentage	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Cost centre	67	81	71	82	75	85	81	75	83	77	79	89
Organised by function	58	58	76	62	58	76	76	76	69	77	72	77
Organised by region	43	48	71	62	29	51	48	47	41	37	52	52
Organised by "internal client/business unit"	38	37	47	27	31	33	36	39	36	39	45	13
Profit centre	29	24	29	30	17	18	28	33	25	13	20	20
Separate subsidiary	24	12	35	15	20	13	20	13	18	13	14	12

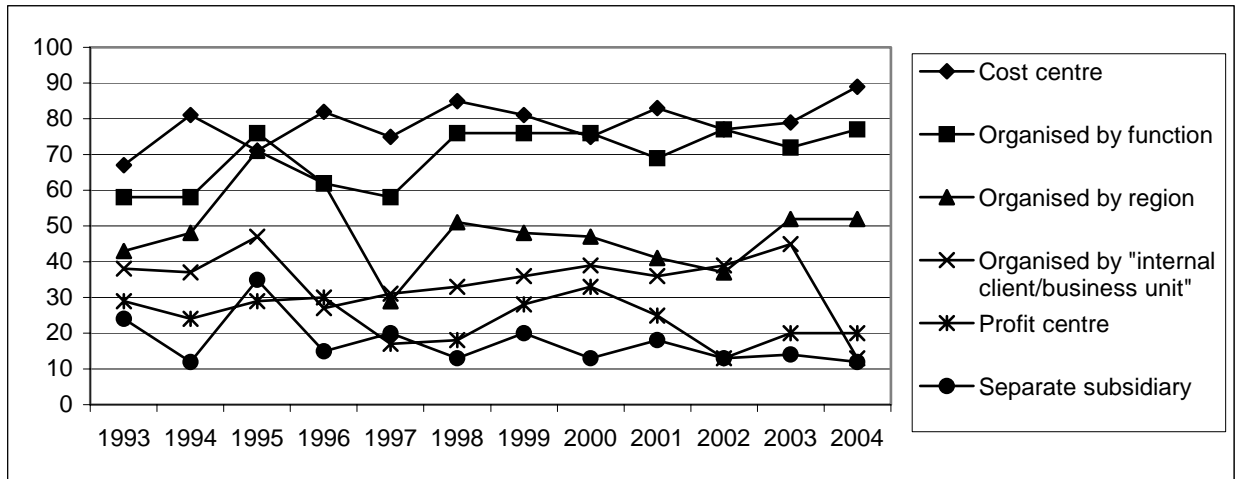


Figure 7 Trends in the organisation of corporate real estate management

Comments

The ranking of the organization of CREM this year was similar to previous years with the exception of the organisation of CREM as a business unit, which is now adopted by 13% organisations. Most organisations 89% were organized as a cost centre, 77% were organised by function, 52% by region and 20% as a profit centre and 12% as a separate subsidiary.

4 CREM aims and objectives

Method of analysis

To ascertain the current CREM aims and objectives of organisations the respondents were asked to state their organisations' CREM mission statement in their own terms. These statements were analysed by content analysis by breaking down each statement according to recurring terms used and developing a framework of generic headings to code each statement. The coding framework for each section is shown. This approach has allowed comment on the frequency of terms used within the mission statement.

4.1 CREM mission statement

Code	Mission statement (frequency)	North America	UK	Rest Europe	Rest World	Total
1	Supporting business objectives	1	3	3	1	8
2	Provision of cost effective facilities		3	3		6
3	Adding value to the business		1	3		4
4	Maximising return from assets		4			4
5	Best quality service	1		2		3
6	Customer satisfaction					
7	Reduce floor space					
8	Right space, facilities, time, quality, cost		2			2
9	Improve employee productivity		1	2		3
10	Minimum cost solution		3	1		4
11	Increase workplace flexibility		2		1	3

CREM mission statements

UK

- 4 To provide clear direction on all real estate issues and to maximise the real estate return.
- 2 CRE partners with the business units to provide real estate solutions that are valued timely and cost effective as fully accountable asset managers provide value added services.
- 1 To ensure that *** has the property it needs to conduct its business.
- 8 To provide the business with the right space and the right facilities at the right time, quality and cost.
- 4 To make property a competitive advantage for the group.
- 1, 4, 9 Workplaces procedures will contribute to *** financial performance by developing implementing and sustaining an integrated infrastructure that improves productivity, attracts and retains employees and leverages and drives *** technology and vision.
- 3 Achieving value for the organisation from real estate.
- 8, 10 To provide fit for purpose real estate solutions and services to the group at minimum cost contributing to lowering the group's cost base.
- 4, 10 To support the *** by delivering cash proceeds from disposals and cost reductions through operational excellence.

- 1, 2 To ensure the smooth running of business operations whilst maintaining cost controls and good corporate governance.
- 2, 11 To inspire our stakeholders through cost effective creative and flexible workplace solutions.
- 10, 11 Provide a safe and forward thinking environment whilst optimising and reducing costs.

USA

- 5 Be the benchmark of the industry of shared services.
- 1 Unit supports business to achieve its group strategic and operational targets.

Rest Europe

- 1, 10 *** was created to assist all four businesses, optimise use of real estate resources and embrace corporate objectives to advance the goals of *** in the most financially prudent fashion.
- 3, 9 Advance cost business and workplace effectiveness through the physical work environment.
- 5 RE services department's main goal is to become a best in class CRE operation appropriate to the size and resources of ***.
- 1,2 Provide suitable cost effective premises where and when needed to support business.
- 5 To set an example of excellence in FM management.
- 1, 2, 3 To provide cost effective and value added premises solutions to *** We strive to meet the individual needs of each business enabling them to motivate their staff while ensuring that all decisions appropriately meet the corporate needs of *** as a whole.
- 3 Support the business by leveraging our real estate spend.
- 2, 9 To manage facilities and real estate in a cost effective manner allowing for maximum workplace utilisation, productivity and safety.

Rest World

- 1, 11 Helping *** meet its business objectives by developing innovative working environments that encourage collaboration flexibility and mobility.

Comment

This year all organisations that provided their CREM mission statement were corporates. Given the level of response to this question from the different regions it would be unreliable to comment on regional trends. These results do show that 'supporting business objectives' and providing 'cost effective facilities' were the most common aspects of CREM mission statements, followed by 'adding value to the business', 'maximising return from assets' and providing a 'minimum cost solution'. These statements emphasise the importance of the financial performance of real estate to support the business as a whole.

4.2 Current CREM objectives

Method of analysis

The respondents were asked to tick their 5 most important CREM objectives from a list of 19 statements. The responses were ranked and are shown in the table below.

Rank	Question	% Yes
1	Minimise the operating expense of the portfolio	69
2	Meet the individual needs of business operating divisions	63
3	Meet the workplace needs of business growth	47
4	Reduce the portfolio's size/divest space	44
5	Maximise the quality of the workplace in support of work activity and team productivity	34
6	Minimise the liabilities and risks to the organisation caused by property and its use	31
7	Integration of an acquired/merged organisation's portfolio	25
8	Minimise the capital investment required of the portfolio	22
9	Support dynamic cultural change through the workplace	19
10	More integration & benefits with other functions	19
11	Minimise property oriented operational constraints on the organisation	19
12	Enhance the organisation's internal and external image through its property and working environments	19
13	Maximise the work practice flexibility of the workplace	16
14	Minimise direct real estate/FM headcount requirement through flexible outsourcing	16
15	Maximise the organisational benefits from a 'global' property resource	13
16	Maximise the investment/capital value of the portfolio	13
17	Develop E-business strategy	9
18	Liquidation of property asset value for business investment	3
19	Maximise the physical flexibility of the workplace	0

Comment

The percentage response shows how many people listed that objective amongst their 5 current objectives, that is 22 of the 32 respondents to this section listed 'Minimise the operating expense of the portfolio' as one of their 5 current objectives = 69%.

The results are shown in rank order. The most popular CREM objectives were to 'Minimise the operating expense of the portfolio' to 'Meet the individual needs of business operating divisions' and 'Meet the workplace needs of business growth'. There was a split in the ranking of the CREM objectives: the top two CREM objectives accounted for a significant proportion of the responses.

5 CREM policies, functions and activities

Method of analysis

This section asked the respondents to state whether the following items are part of their CREM policies, functions and activities, indicating yes or no whether it is done at all. The responses were either yes or no. The responses have been presented as percentages in rank order.

Rank	Question	Yes %
1	Organisation networks/intranets	87
2	Disaster recovery plan(s)	87
3	Procurement policy	84
4	Property strategic plan(s)	77
5	Property management information system	77
6	Separate evaluation of real estate	71
7	Intranet/internet service portal site	71
8	Property performance benchmarking study(s)	70
9	Policy on the use of consultants	68
10	Formal workplace standards	67
11	Property-by-property accounting	65
12	Property services help-desk	65
13	Teleworking or work-at-home policy	63
14	Supplier alliance and creation management	63
15	Internal rents	55
16	Serviced offices	55
17	Ongoing property performance measurement	50
18	Desk sharing	48
19	E-procurement	38
20	Clear desk policy	38
21	E-business strategy	37

All years **CREM policies, functions and activities**

Question	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Property strategic plan(s)	90	88	78	82	83	89	84	78	87	90	85	77
Organisation networks/intranets					29	40	84	91	89	90	81	87
Property management information system	86	95	89	82	88	85	91	85	81	92	80	77
Procurement policy					52	69	76	82	86	94	77	84
Disaster recovery plan(s)	43	54	61	57	56	64	79	73	81	88	77	87
Separate evaluation of real estate	76	73	67	86	85	84	66	70	75	71	75	71
Supplier alliance and creation management							66	65	75	79	70	63
Policy on the use of consultants	67	85	67	64	65	62	63	63	68	73	70	67
Intranet/internet service portal site					38	51	79	79	78	72	70	71
Teleworking or work-at-home policy	19	24	33	32	37	58	33	65	66	70	66	63
Ongoing property performance measurement	76	63	72	71	58	69	72	64	70	74	65	50
Property-by-property accounting	76	59	50	61	50	62	77	74	68	70	62	65
Internal rents	81	56	78	57	60	53	70	66	69	64	62	55
Property performance benchmarking study(s)	52	78	72	68	67	82	68	66	81	70	61	70
Formal workplace standards	57	68	67	64	71	75	70	71	75	78	60	67
Property services help-desk					48	60	53	55	62	70	56	65
E- procurement								65	62	68	46	38
E-business strategy								66	66	62	44	37
Serviced offices							39	43	42	53	29	55
Desk sharing	38	34	44	32	27	47	36	37	45	50	25	49
Clear desk policy	14	22	22	25	17	22	33	37	28	32	12	38

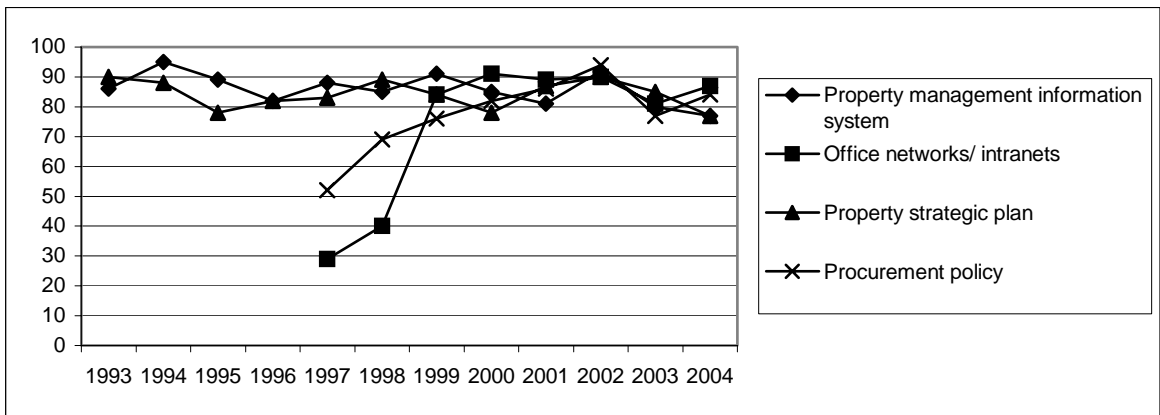


Figure 8 Trends in CREM policies, functions and activities

Comments

The most popular CREM policies, functions or activities this year, in common with previous years were: Organisation networks/intranets, Disaster recovery plan(s), Procurement policy, Property strategic plan(s) and Property management information system. It is noteworthy that property strategic plans and Property management information system have slipped in the ranking.

6

CREM Functions: In-house vs Outsourced Provision

In previous years the survey had asked which CREM policies, functions and activities were undertaken by organisations. It was clear that during the last decade may have become “embedded”. Given that in recently years there has been a general decline in the number of CREM employees in many organisations, one of the issues which had not been explored was which functions were being undertaken in-house and which were being outsourced, wholly or partially.

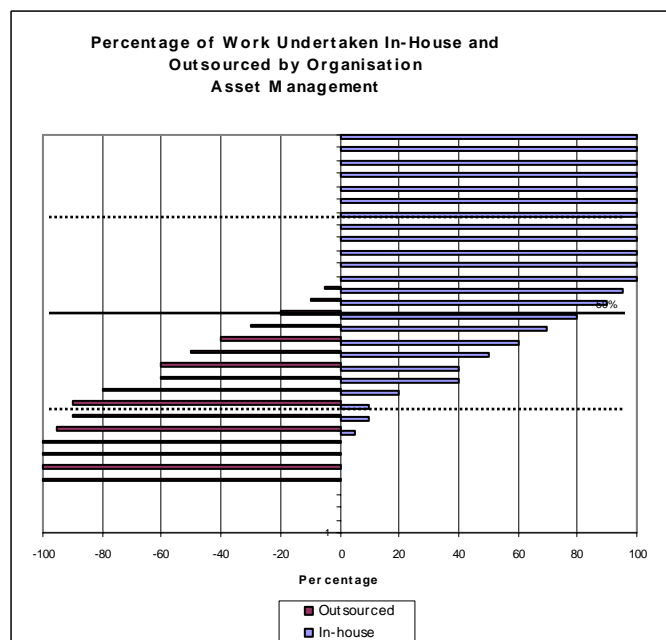
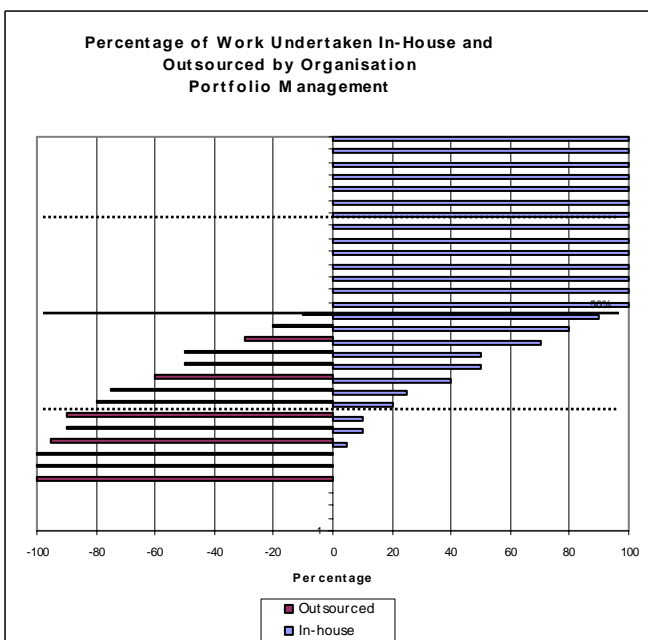
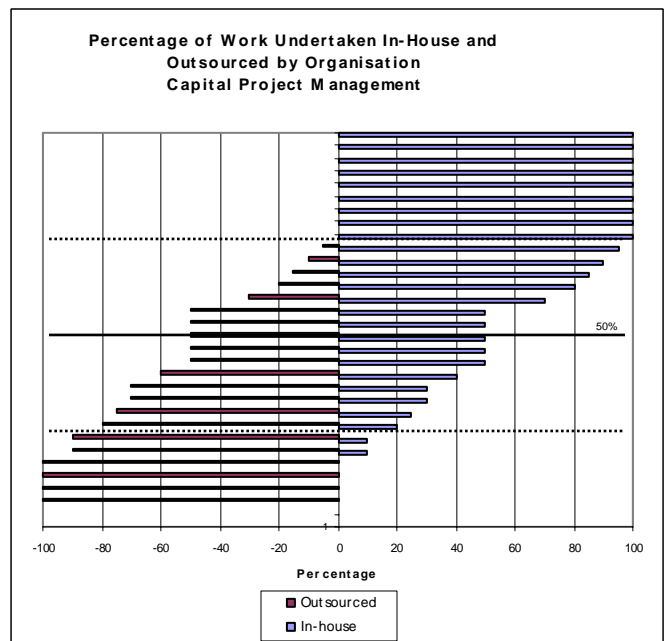
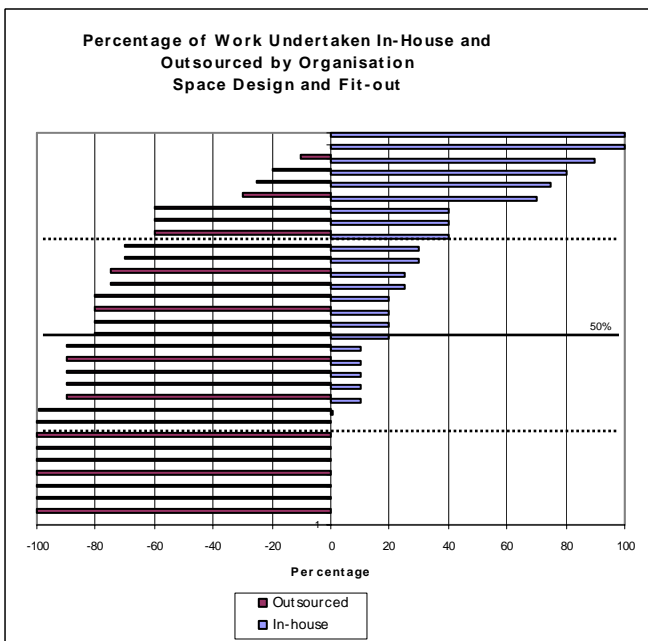
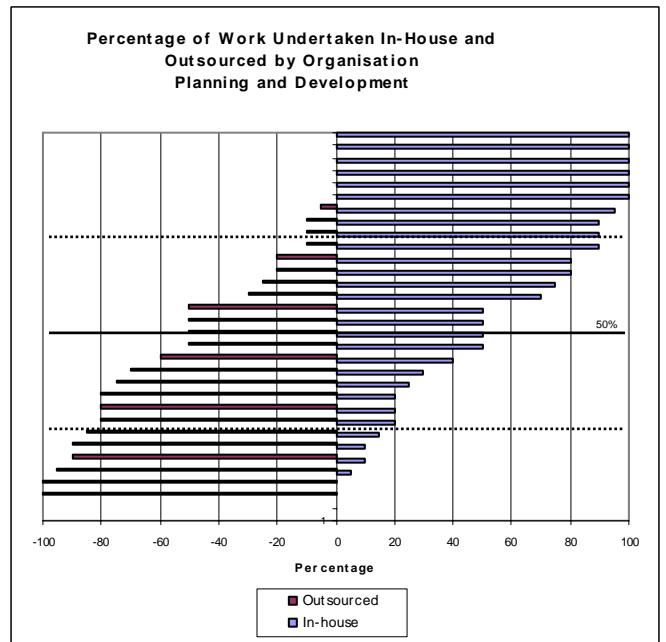
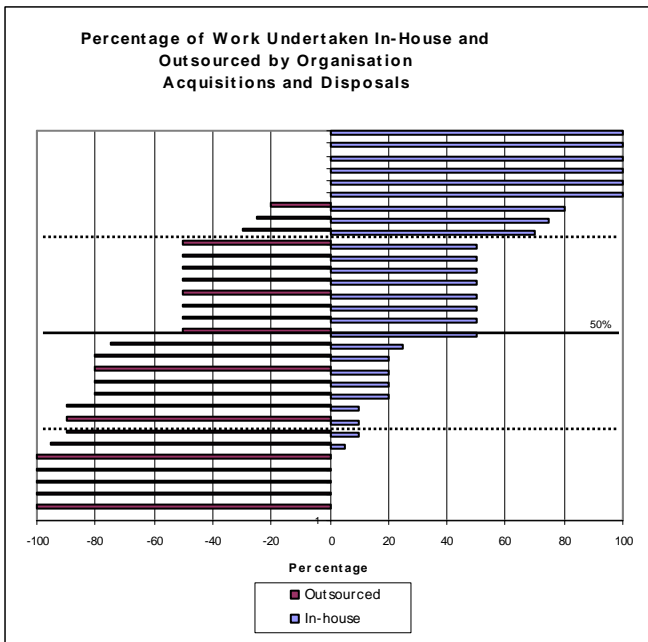
The questionnaire asked respondents to estimate the division between in-house and outsourced activity for nine separate functions representing activities through the property lifecycle: acquisitions and disposals, planning and development, space design and fit-out, capital project management, portfolio management, asset management, facilities management, property management, maintenance management, managing internal moves, and managing surplus property.

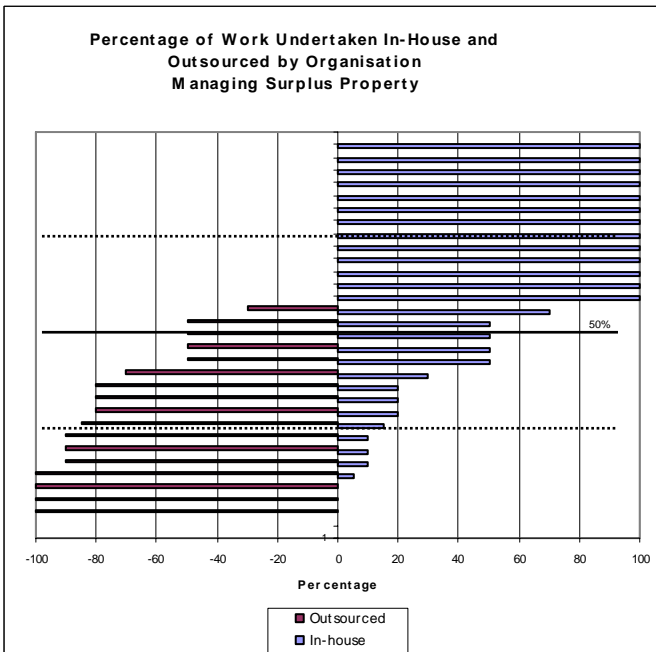
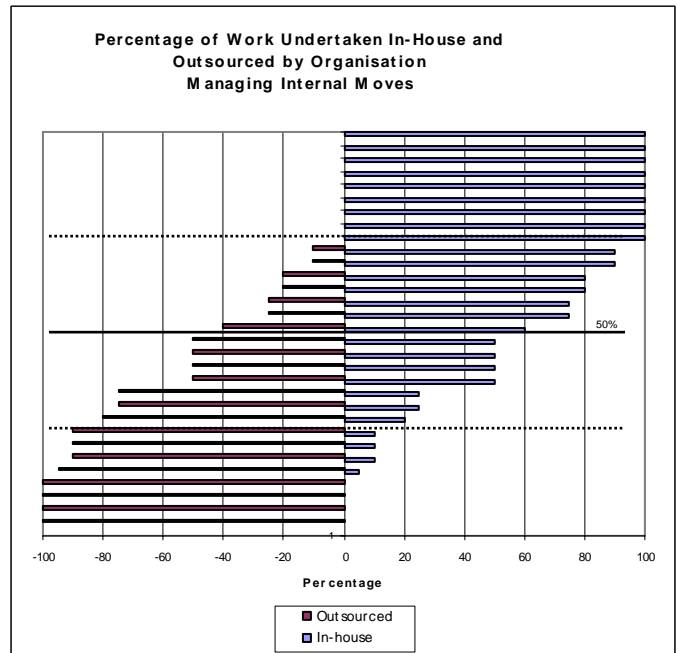
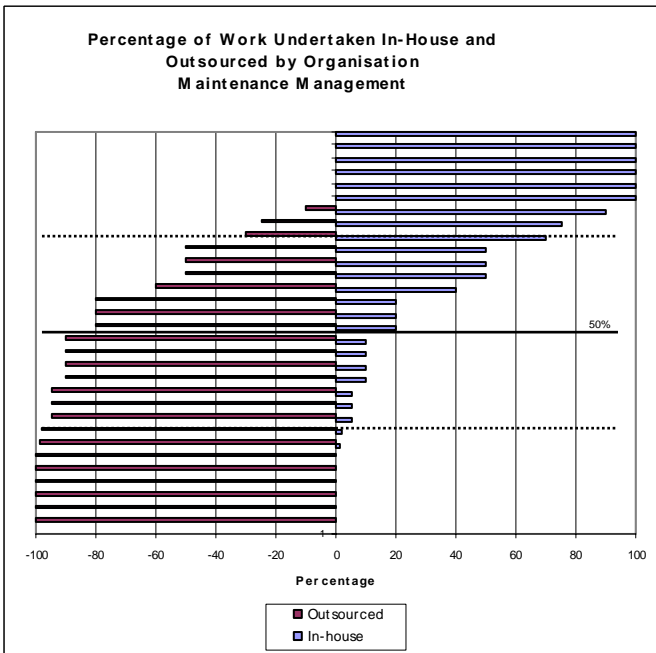
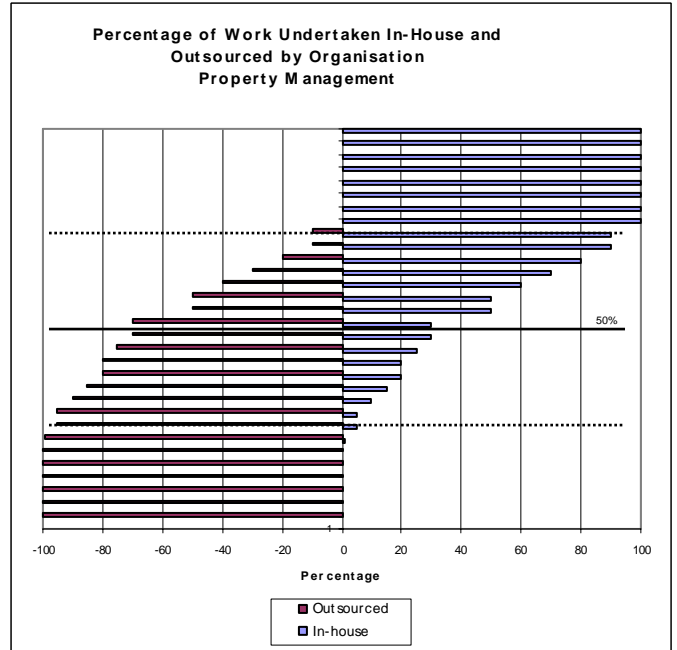
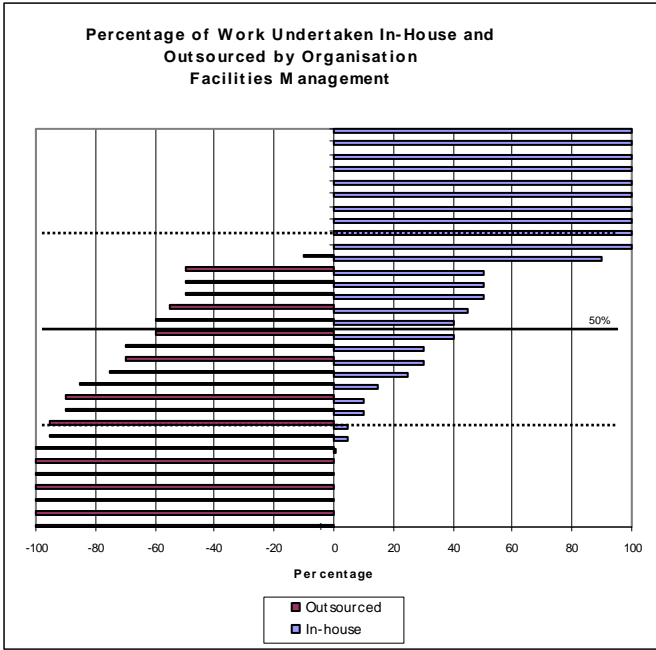
The diagrams below show the split between in-house and out sourced activity for each of these functions. The bars on the left show the portions of activity outsourced while the bars on the right show the proportion undertaken in-house. Quartile lines have been added to help understand what proportion of the organisations predominately in-source or out-source and activity.

Although it is not possible to comment on trends, as in the rest of this survey there are some interesting observations. It is possible to characterise organisations as either undertaking an activity predominately in-house or outsource (at least 90%) or using a partnership or blended approach where there is a more even split between in-house and outsourced activity (50%- 50% or 60%-40%). Outsourced service provides also can be seen to play a more dominate role in some activities namely, space design and fit-out and maintenance management and to a slightly lesser extent property management. In house activity is dominant for portfolio management and asset management in particular but also significant for planning and development. For most of the other activities it is much more likely to be a partnership process with the activity being split between the in-house team and the outsourced provider.

Overall, this data starts to demonstrate the approach to outsourcing by organisations and the influence that this approach has on the skill set of the in-house team.

CREM Functions: Proportion of function undertaken in-house and proportion outsourced





7 The knowledge and skills crucial to CREM in the future

Method of analysis

This section gathered the respondent's perceptions of the knowledge and skills which would be crucial to CREM in the future. The respondent was asked to rank each statement on a scale of 1-5 (1= least important, 5= most important). This mean results are presented in the table below.

Statement	Mean	Standard Deviation
Strategic planning	4.2	0.9
Customer relations	4.1	1.1
Real estate portfolio management	4.0	1.1
Organisation's business or activity	4.0	1.2
Negotiation and deal making	3.9	1.0
Workplace design	3.7	0.9
Performance measurement	3.7	1.0
Risk management	3.7	1.1
Personnel management	3.7	1.0
Project management	3.6	0.9
Performance benchmarking	3.6	1.0
Scenario planning	3.6	1.1
Corporate finance	3.6	1.0
Property acquisitions and disposals	3.5	1.1
General business administration	3.5	0.7
Environmental management	3.5	1.0
Information technology	3.4	0.9
Corporate infrastructure resource management	3.4	0.9
Information management	3.3	1.0
Real estate development	3.3	0.8
Value management	3.3	1.0
Alliance management	3.3	1.0
Corporate social responsibility	3.3	1.1
Globalised services	3.3	1.3
Total quality management	3.2	0.7
Facilities management	3.1	1.0
Community relations	3.1	1.2
Process re-engineering	3.1	1.1
International finance/ economics	3.1	1.0
Security and safety management	3.0	1.0
Investment appraisal	3.0	1.2
Contract management and law	3.0	0.9
Government regulation	2.8	1.0
E-business	2.8	0.9
Management accounting	2.8	0.9
Marketing	2.7	1.1
Construction management	2.7	0.9
Design management	2.7	1.0
Tax management	2.4	0.9
Foreign languages	2.2	1.2

All years												
Statement	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Strategic planning	4.4	4.4	4.4	4.6	4.3	4.5	4.1	4.2	4.3	4.5	4.4	4.2
Real estate portfolio management	4.1	4.3	4.2	4.3	4.3	4.1	4.2	4.1	4.2	4.2	4.3	4.0
Negotiation and deal making	4.2	4.1	3.9	4.5	4.1	4.0	4.0	4.0	4.2	4.0	4.0	3.9
Organisation's business or activity	4.2	4.4	4.6	4.3	4.0	4.3	4.0	4.1	4.1	4.1	4.0	3.9
Customer relations					4.0	4.1	3.8	4.0	4.0	4.2	4.1	4.1
Performance measurement	4.1	3.9	4.5	4.1	3.9	4.1	3.8	3.9	4.0	3.9	3.9	3.7
Project management					4.0	3.8	3.5	3.7	3.9	3.7	3.7	3.6
Information management					3.6	3.6	3.6	3.7	3.8	4.0	3.6	3.3
Value management								3.6	3.8	3.7	3.7	3.3
Information technology mangmnt	3.8	3.6	4.1	4.1	3.6	3.6	3.7	3.7	3.7	3.7	3.3	3.4
Performance benchmarking					3.8	3.9	3.6	3.7	3.7	3.8	3.8	3.7
Risk management					3.5	3.6	3.6	3.7	3.7	3.7	3.8	3.7
General business administration								3.6	3.7	3.6	3.6	3.6
Facilities mangmnt	3.7	3.7	3.8	3.9	3.8	3.5	3.5	3.6	3.7	3.8	3.5	3.1
Environmental management	4.0	4.0	3.9	3.9	3.7	3.6	3.6	3.6	3.6	3.4	3.7	3.5
Workplace design	3.3	3.7	3.6	3.6	3.4	3.6	3.4	3.6	3.6	3.5	3.5	3.7
Scenario planning								3.5	3.6	3.7	3.5	3.6
Corporate finance					3.4	3.8	3.4	3.5	3.6	3.6	3.5	3.6
Personnel mangmnt	3.2	2.9	3.2	3.7	3.4	3.5	3.3	3.5	3.6	3.6	3.5	3.6
Alliance mangmnt								3.5	3.5	3.5	3.5	3.3
E-business								3.6	3.5	3.2	3.1	2.8
Corp. infrastructure resource mangmnt								3.5	3.5	3.6	3.5	3.4
Total quality mangmnt	4.0	3.9	3.9	3.9	3.5	3.7	3.5	3.5	3.5	3.8	3.3	3.2
Security and safety management	3.1	3.4	3.5	3.1	3.2	3.0	3.2	3.4	3.5	3.6	3.5	3.0
Government regultn.	3.3	3.3	3.6	3.9	3.2	3.2	3.2	3.4	3.4	3.4	3.3	2.9
Real estate development	3.3	3.3	2.9	3.2	3.4	3.5	3.6	3.4	3.4	3.6	3.3	3.3
Globalised services								3.2	3.1	3.2	3.2	3.3
Process re-engineering					3.0	3.2	2.9	3.2	3.2	3.3	3.1	3.1
International finance/economics	3.0	3.4	3.2	3.0	3.1	3.4	3.0	3.0	3.0	3.1	3.1	3.1
Community relations	3.0	3.0	3.2	3.4	3.0	3.3	3.0	3.3	3.3	3.3	3.1	3.1
Contract management and law	3.2	3.3	3.3	3.6	3.4	3.3	3.2	3.2	3.3	3.6	3.0	3.0
Investment appraisal								3.4	3.2	3.4	3.2	3.0
Mangmnt accounting					3.0	3.1	3.0	3.2	3.3	3.1	3.2	2.8
Marketing					3.0	3.5	3.3	3.2	3.2	3.2	3.0	2.7
Tax management	3.1	3.0	3.2	3.0	2.6	2.7	2.9	2.9	2.9	2.8	2.7	2.5
Foreign languages					2.2	2.6	2.4	2.4	2.7	2.6	2.3	2.2

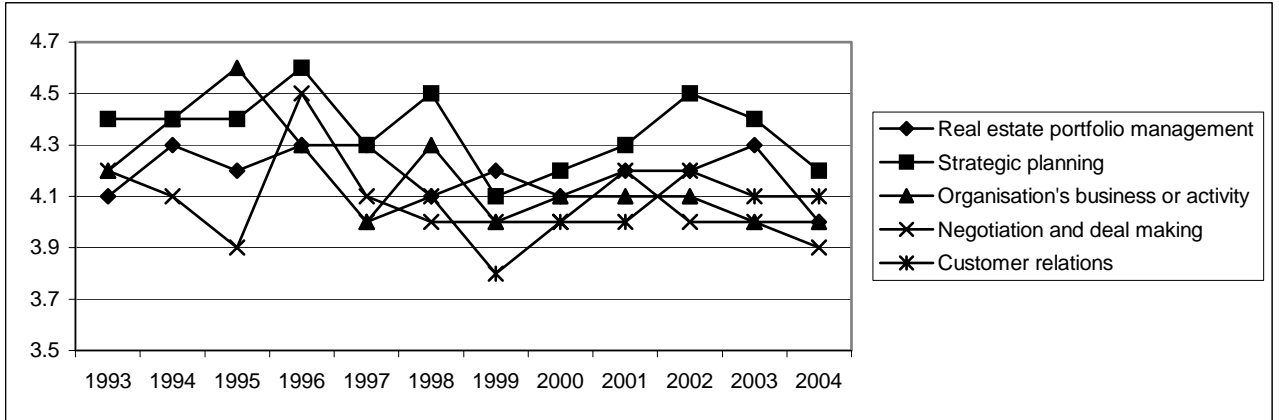


Figure 37 Knowledge and skills crucial for CREM in the future

Comment

The top 5 skills considered most important for CREM for the future were in rank order: strategic planning, customer relation, real estate portfolio management, organisation's business or activity and negotiation and deal-making. These skills were the highest ranked in previous years but the significance of customer relations has increased. The results from early years of the survey reflect uncertainty in the CREM skill set. In more recent years there is greater agreement on the skills required for CREM.

8 Impact of the internet on corporate real estate and the property industry

Method of analysis

This section was introduced in last year's questionnaire to gather information concerning the impact the internet and e-business is having, or likely to have on the property industry. The respondent was asked to rank each statement on a scale of 1-5 (1 = strongly disagree, 2 = disagree, 3 = not sure, 4 = agree, 5 = strongly agree).

Response between 1-5	Mean	Standard Deviation
Internet based information systems will make the management and servicing of global portfolios easier.	3.9	1.1
Internet based information systems will speed the management integration of all corporate infrastructure resources.	3.9	1.1
Internet based information systems will enable better business decisions concerning real estate to be made.	3.8	0.9
The internet is causing revolutionary change to the structure and practices of the property industry.	3.1	1.0
The internet is enabling existing practices to be improved significantly, but will not lead to radical change.	3.1	1.1
E-business will streamline organisation processes, reduce headcount and thereby reduce space demand	3.1	0.8
Business-to-business internet technologies, by reducing transaction costs make it easier to change suppliers	2.9	0.8
The biggest threat to existing service providers is not from competition within the industry, but from others currently outside the property industry	2.9	0.9
E-procurement is only useful for buying commodity products and services and not for anything customised.	2.8	1.0
Within 12 months most real estate processes will use or will be based on internet technologies	2.6	1.2

Comment

The highest ranked statements were:

- 4 'Internet based information systems will make the management and servicing of global portfolios easier'.
- 5 'Internet based information systems will speed the management integration of all corporate infrastructure resources'
- 6 'Internet based information systems will enable better business decisions concerning real estate to be made'.

The most noticeable change since 2003 is the recognition that 'Internet based information systems will speed the management integration of all corporate infrastructure resources' which was not amongst the highest ranked last year.

9

CRE activities this year**UK**

- 9 Securing planning permission for development.
- 3 Cost compression.
- 10 Organisational and staff capacity/ capability.
- 8 HQ relocation, CSR, DRBCP.
- 10 Workplace planning within existing UK HQ.
- 4 Implementation of a major investment programme and a cost control programme.
- 5 Portfolio optimization in a rapidly changing business environment.
- 1, 5 Merger and acquisition consolidation and strategy planning.
- 4 Strong investment yields for CRE in a flat pricing environment (ie competition from property investors).
- 3 Reduce costs by 20% whilst leveraging suppliers to improve the same level to our customers/associates.
- 8 Changing business needs.

Rest Europe

- 4 Divestments cost efficiency (budget not in balance) new operating model, new cultures abroad and domestic.

USA

- 6 Process improvement for site selection lease negotiation tenant improvement tasks
- 2 Disposal of owned properties.
Improving services value while competing with pressure to reduce costs in overheads.
- 5 Shifting to a more centralized portfolio management model, driving flexibility into real estate decisions.
- 2 Disposing of excess property including sale, lease, sublease.
- 1 Strategic planning.
- 2 Meet demand update strategic occupancy plans for all major locations disposition of surplus space.
- 7 Business growth, increased regulatory risk focus, contract expires of major service providers.

Code		Frequency
1	Strategic planning	3
2	Disposal of property	3
3	Property cost reduction	3
4	Asset management	2
5	Balancing portfolio	2
6	Lease negotiation	1
7	Service provider contracts	1
8	Business re-organisation	1
9	Planning permission	1
10	Workplace planning	2

Comment

Strategic planning, disposal of property and property costs reduction were the most frequent CRE activities in 2004.

10

CRE activities next planned for next year**UK**

- 9 Securing planning permission with added complexity of new legislation.
- 4 Retender suppliers with KPI, offshoring etc.
- 4 Driving real estate as a priority where its financial impact is not high.
- 11 ***, operational integration of IT and property.
- 8 Unknown at this time, company to under go major reorganisation.
- 3 Cost control programme and pressure on space.
- 5 Portfolio optimization in a rapidly changing business environment.
- 1, 5 Implementing merger and acquisition consolidation and strategy planning.
- 4 Radical redesign of space standards, continued pressure on portfolio holding costs.
- 12 Environmental awareness and managing the impact of the environment is and will continue to be a big issue.
- 5 Changing business needs.

Europe

- 7 Cost efficiency sourcing of all CRE suppliers, outsourcing of all service production.
- 1 More integrated real estate operations in re-organisation of core business.

USA

- 3 Reducing cost per square ft as rents escalate.
- 4 Acquisition/merger activity.
- 3 Continued pressure on overheads consolidations in support of path to profitability.
- 5 Shifting to a more centralized portfolio management model, driving flexibility into real estate decisions.
- 5 Disposing of excess property including sale, lease, sublease.
- 3 Reduce costs.
- 1, 5 Meet demand implementation of strategic occupancy plans, disposition of surplus space.
- 7 Analysis in anticipation of contract expiry of our lead service provider.

Code		Frequency
1	Strategic planning	3
2	Disposal of property	
3	Property cost reduction	3
4	Asset management	4
5	Balancing portfolio	6
6	Lease negotiation	
7	Service provider contracts	2
8	Business re-organisation	1
9	Planning permission	1
10	Workplace planning	
11	Integration of IT and property	1
12	Environmental awareness	1

Comment

Portfolio re-alignment and asset management are the most frequent CRE activities planned for next year.

Appendix I Participating Organisations 2004

ADAPTEC Inc.
Aggregate Industries plc.
The Auto Club
Bank of America
BCBC
Cable & Wireless
Canadian Imperial Bank of Commerce
Citigroup Health Services
Colliers Jackson Stops
Crawford & Company
Deutsche Bank
Fortum Power and Heat AB
Getronics
GVA Grimely
Hertz Europe
Hitachi Data Systems
JDS Uniphase Corp.
Kelsey-Seybold Clinic
Nationwide Building Society
Owens & Minor Inc.
Pacific Gas and Electric co.
Pfizer Inc.
Prudential
Reuters
SAIC
Shell
Siemens Real Estate
Sun Microsystems
Telecom NZ Ltd
UBS AG
Vaasan & Vaasan
VAiLOG SRL
VNU Inc.
Yahoo! Inc.