



# STRATEGIC ADVANTAGE

Straight Talk for Real Estate Owners and Executives

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## ARE YOU PREPARED FOR THE NEXT MILLENNIUM?

Looking for a place to go on New Year's Eve in 1999? Manhattan's Rainbow Room is already booked, but there are still seats available on a chartered 747 that will be landing at the base of the Great Pyramid.

Real estate leaders might be making party plans for New Year's Eve in 1999, but their concern is figuring out what organizational skills and operational systems are going to be relevant in the year 2000 and beyond. According to most forecasters, the real estate industry will be dramatically different in the next millennium. How leaders respond to these new challenges will determine if they prosper or perish in the future. This is about surviving in the next millennium.

In the past, many real estate organizations relied on the advice and guidance of accounting firms. These firms have emphasized reactive, short-term solutions to corporate problems. When the real estate industry was growing, their advice was to recommend the purchase of new accounting software and computer systems to enhance performance. When a recession occurred, the usual advice was to lay off staff. Most accountants lack the training to understand the structural changes that are occurring within the real estate industry. Many don't realize that long-term solutions are not based on modifying tasks or eliminating people.

Real estate leaders in the next millennium must be able to reorganize themselves in a way that allows each part of the company to work in concert toward a desired

goal. Thus, a successful strategy requires a proactive — not reactive — style of leadership and performance.

Over the past decade, the inability or lack of desire by some organizations to face the true fundamentals guiding and determining performance has resulted in financial returns and operating results that are among the lowest in over 20 years. Yes, there was a recession in the late 80s/early 90s, but several firms have not only survived, they have made millions of dollars of profit. Why? Because they understood that processes, not tasks, shape performance and that when you

*"According to most forecasters, the real estate industry will be dramatically different in the next millennium."*

have a vision and a strategic plan (a road map to the future), success can be achieved. For examples of how this process-based application of strategic planning has worked, look at the list

of public real estate firms who made the New York Stock Exchange list of the best performing firms. Organizations such as Colonial Properties Trust, Summit Properties, Cali Realty Corporation, CarrAmerica Realty, and Charles E. Smith Realty Companies each took steps to improve business processes and shape a long-range strategic plan.

However, each day the next millennium gets closer. Each day that an organization relies on an accounting firm to shape future strategies, the further it gets away from creating an organization that leads rather than follows. Each day that this year's budget is the strategic plan, the further away a company

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**Next Millennium**
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pany gets from achieving optimal financial results. And, each day that a real estate organization continues to believe that "they have all the answers," the further away that organization becomes from making meaningful changes that result in improved performance and the achievement of a competitive edge. The past no longer predicts the future. In a business environment that is constantly changing, yesterday's success may be the thing that produces tomorrow's failures.

There are several factors affecting real estate organizations today that will likely shape their destiny in years to come. CEL & Associates, Inc., which guides real estate organizations through the preparation of a Strategic and Long-Range Plan (or as some call it a Next Millennium Plan), tracks more than 50 trends that can dramatically impact a real estate company's future. The following is a brief highlight of seven of those 50 trends that are typically addressed/responded to in a CEL & Associates, Inc.-facilitated strategic planning process.

**Technology:** Easily in the top five trends (many think it is the number one

trend). The rapid use, reliance and interactive application of technology is here to stay. The old accounting-based technology and software are now moving toward a performance and customer/client-based system that is interactive and dynamic. Communications, marketing, product design, reporting, training, record keeping, information retrieval, data base access, and simultaneous multi-tasking activities have shifted to the computer. The real estate technology of the next millennium will be designed by information and communications specialists, not accountants and computer programmers. Concepts such as data warehousing, transactional processing, Internet/Intranet and analytics will become well-known in the years ahead. To compete in the next millennium, real estate firms will be required to invest and re-invest profits just to "stay current." The MIS Director will likely become as important as the CFO in the next millennium. Planning for, not responding to, accelerated technology shifts will be a key determinant of future success.

**Competitive Environment:** By the year 2000 nearly 60% of the real estate firms that existed in 1990 will no longer be in existence. Some will be acquired, others will merge, several will go out of business

(bankruptcy, retirement of the owner, etc.), and many will dissolve for lack of resources and/or leaders to effectively compete. The emerging new firm of the next millennium will be either a Super National, Super Regional or Niche organization. Most of the midsize firms (100-500 employees) will find it difficult to compete. An integrative delivery of the three components of real estate (capital, development and management) will be essential for a real estate firm to be competitive. Don't be surprised if one of your major competitors is Microsoft, EDS or Nations Bank in the next millennium.

**Organization Design:** The traditional hierarchical-based organizational chart will be replaced by a design, labeled by CEL & Associates, Inc., as "Centers of Excellence." A process-centered, customer-based Center of Excellence organizational structure that supports/sponsors teams that leverage talent and are led by a coach will be the common delivery system by the year 2000. Real estate organizations in the next millennium will redesign work tasks and functions so that they create or add value, not complete a task. The successful real estate organization of the future will rely on leaders who can shape, communicate and motivate the achievement of the company's vision and values, not complete paperwork.

**Compensation:** Over the past eight years, the principals of CEL & Associates, Inc. have conducted the nation's largest, most comprehensive compensation survey of the real estate industry. The emerging trends portray an incentive-based reward system where base salaries remain fixed for one to three years, annual bonuses become meaningful rewards for those so deserving, and long-term incentives (phantom or real equity) are reserved for those who clearly create and add value. Titles will become less important in a constantly changing, team-based work environment. The next millennium compensation plan will become a cafeteria of options that are designed to achieve maximum productivity and performance. Use of independent contractors, strategic venture partners and outsourcing will become more commonplace. In the high performance real estate company of the

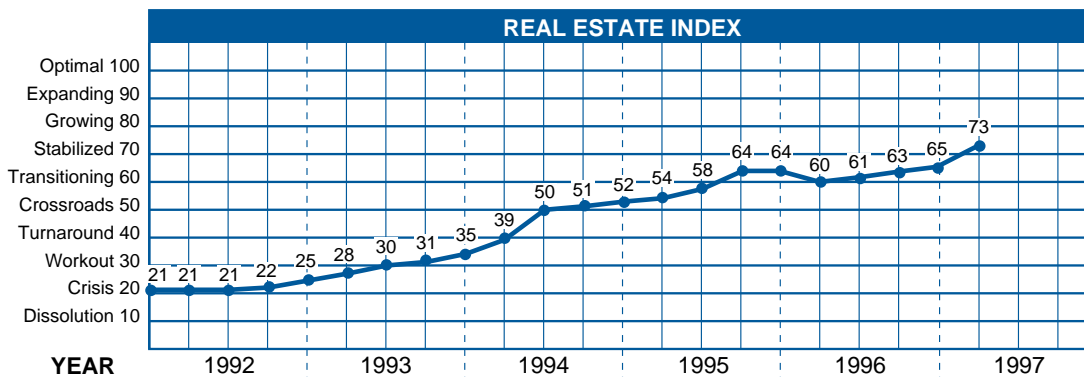
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The Real Estate Organization Of The Future	
Today	The Next Millennium
• Bureaucratic	• Fewer rules; even fewer employees
• Managed by accounting-based systems	• Dependent on performance and customer/client-based systems
• Task-based operating procedures	• Interactive, seamless, process-based systems
• Centralized	• Decentralized and empowered
• Job-based compensation	• Pay-for-performance
• Managed by managers who supervise	• Led by leaders who coach
• Knowledge of product	• Knowledge of customer/client
• Guided by budgets	• Guided by a shared vision and strategy
• Department focus	• Team-based business practices
• Pursue all opportunities	• Competing on core competencies
• Can't say no	• Willing to say no
• Complacent	• Motivated by a sense of urgency
• Constantly changing values	• Fixed and followed values
• Restricted sharing of performance data	• Widely distributed performance data
• Internal focus	• Performance benchmarks
• Stressful uncertainty	• Bright future; having fun

Source: CEL & Associates, Inc.

# AS WE SEE IT

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



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

Accordingly, the scale has increased from 65 in the fourth quarter of 1996 to 73 in the first quarter of 1997. There is both optimism and apprehension projected for 1997. The underlying reasons for the increase are principally due to the following:

- Since 1990, the blue-chip stock index has pushed through four 1,000-point barriers up to 6,700. The index has not suffered a 10% decline for six years—the longest stretch ever. However, CEL & Associates, Inc. believes that the overheated Dow (34% rise in 1995, and 26% rise in 1996 and a 173% rise since 1990) will slow down to a more moderate (yet respectable) growth rate.
- Long-term interest rates will likely remain fairly stable or decline slightly during the first six months of 1997. With an inflation rate hovering around 3%, the outlook for steady growth remains

high. Moreover, the economic expansion is now in its 68th month — an unprecedented level — offset by the fact that short-term interest rates are below long-term rates.

- Concerns about the stock market declining seem initially to be a result of a lack of confidence by Wall Street that

it can continue to achieve record growth. If you think you can't, you won't and the market will decline. The key indices to watch are the actions of the major mutual funds.

- Prices for the average home are expected to rise around 4% per year through the end of the decade. As the Baby Boomers get another year closer to retirement, the retirement or second home market should grow steadily. Investing in real estate is a more desired option for the Boomers who can't follow or control the stock market. This trend will contribute to a stable economy.
- The overall unemployment rate remains constant at or around 5.3% while U.S. workers received a 3.8% gain in average hourly earnings. Today 63.4% of the U.S. population over 16 years of age is working — the highest level ever recorded.
- CEL & Associates, Inc. maintains its forecast made in January 1995 that the U.S. economy will likely grow 2-3% in 1997. To achieve this growth rate, however, the economy will need to generate 200,000 new jobs. Modest but steady growth in 1997 will be the

likely outcome.

- Many REITs are now in a unique position of deciding whether to grow fast sooner (i.e., merge) or sustain a longer-term growth rate (i.e., steady same store growth). The likely outcome will be a number of select REIT mergers in 1997 (i.e., Paragon/Camden, United Dominion/SouthWest, among others) and twice as many potential mergers that never get beyond conversation. The "in play" REITs are: apartment REITs that are geographically concentrated; and apartment REITs that have less than 30,000 units.
- Consumer credit — particularly credit card debt — remains fairly chaotic. Total revolving credit is now around \$460 billion, up nearly 8.5% over the prior year.
- Sales of existing homes are likely to remain constant (around four million annually). However, CEL & Associates, Inc. believes that the second half of 1997 will be slower than the first six months.
- The availability of quality lodging properties for acquisition is declining rapidly. In several markets and in some product types over-building has occurred. CEL & Associates, Inc. has forecasted that the lodging industry has or will soon peak; however, the decline will not be as severe as the early 1990s. The average operating profit margin for U.S. hotels could reach 30% in 1997 — the highest since 1960. The next two to three years should see steady growth in profitability driven primarily by an availability of capital and improved operations. 1997 will likely be the best of the next three years. Property values should rise 4-5%, RevPar will increase 5-6% and overall occupancies will hover around 66% in 1997.

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**The Next Millennium**  
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future, retaining the star performers will be essential.

**Capital:** The issue will not be is there money to invest in real estate. The emerging challenge will be to develop, implement and manage a process of accessing and placing capital. Furthermore, an alarming trend for some and a welcome trend for others is the emergence of the "approved" or "qualified" capital partner status. Only those "preferred" real estate organizations will receive the lowest rates and best terms. The REITs will undergo massive consolidation and as they do institutional capital will increasingly move from the private to public manager. However, the lack of adequate capital expenditure reporting will continue to hold back many investors. The private REIT will emerge as a viable alternative for many who wish to avoid the scrutiny of being a public firm.

**Customer Information:** Clearly one trend dramatically changing the way real estate firms approach the next millennium is the need to know and profit from the use of customer, client or user data. In a recent CEL & Associates, Inc. survey, less than a handful of real estate organizations nationwide truly knew their direct and indirect customers and clients. Even fewer firms could adequately define how they deliver value to their customers based on the information that they collect. For example, say a company is managing a 10 million square foot office portfolio. If an average employee takes 200 square feet, there are approximately 50,000 employees represented in this portfolio. If each employee

comes from a household of 2.25 people, there are more than 112,000 potential customers that are literally an untapped market potential for hundreds of services.

The successful next millennium real estate firms will know and prosper from the use of data regarding their customers. There are literally hundreds of value-added services that can profitably be implemented today.

**Training:** Today's successful companies recognize the value of a trained, motivated workforce. One emerging trend is the creation of the continuous learning environment that assists employees in the understanding of their work within the context of a series of processes. Successful real estate firms in the next millennium will have a team of professionals who can interpret information quicker and more accurately than their competitors. To reach this plateau the real estate firm in the year 2000 will place as much emphasis (and resources) on training it does do on other processes.

**What Can You Do?**

Preparing for the next millennium requires a commitment to want to be successful and a receptivity to tackle the tough issues facing one's organization. Developing a Millennium Plan or a three-year Strategic Plan is a must for any real estate firm — large or small, public or private — to assure a prosperous future. If you are satisfied with business as usual, if you are content to be a reactive planner, then creating a road map (a strategic plan) that avoids future mistakes, pitfalls and missed opportunities is not for you. If you want to be recognized as a leading real estate firm, if you want to maximize your profitability, then the strategic plan-

ning process is for you.

The best time to get started is NOW! Don't wait. Don't put it off until the Fall ("because that is when we normally schedule our planning process"). Think out-of-box. Act with bold leadership and conviction. You will likely be very surprised at the results.

CEL & Associates, Inc. is considered to be the nation's leading facilitator and real estate futurist. There is a reason why many of the leading real estate organizations across the country use CEL & Associates, Inc. to guide their strategic planning process — that is our specialty. We don't want to be your accountants. We don't want to sell you a new computer system. We don't want you to suffer the setbacks caused by using a "local" strategic planner — who typically has little or no real estate expertise, let alone a global real estate perspective. We want to add value to your organization so that it can succeed and climb to greater heights. It is that simple.

The next millennium is less than 1,000 days away. Why be unprepared for the surprises that await you? The opportunity to control your destiny is before you. Seize the moment before it is too late. Make your reservation now. The future is going to be very exciting and rewarding. ■

**FOR MORE INFORMATION**

For more information on how CEL & Associates, Inc. can help you and your organization prepare for the next millennium, call us at (310) 571-3113. Our strategic insights and long-range plans can and do make a difference. Our client list reads like a Who's Who in real estate.

**WORTH READING**

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

- *Leading Change* by John P. Kotter, Harvard Business School Press, 1996.
- *Turned On* by Roger Dow and Susan Cook, Harper Business, 1996.
- "Get With The New Power Game" by Thomas A. Stewart, *Fortune*, January 13, 1997.
- *The Second Curve* by Ian Morrison, Ballantine Books, 1996.
- "Property Tycoon Seeks Wall Street Success For Main Street Empire", *Wall Street Journal*, January 9, 1997.
- "The Little Empire That Could: REIT Trends in 1996" by Jennifer Petch, *Institutional Real Estate Securities*, December 1996.

# MANAGEMENT REPORT

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

- Starting January 1, 1998, health insurance providers will no longer be able to impose lower spending limits on mental-health coverage than the limits they impose on physical-health coverage. Typically managed-care plans have a \$1 million lifetime limit for medical care but have only a \$50,000 limit for mental-health care. The likely impact on real estate firms will be to cut back medical or surgical benefits or dramatically increase expenditures for mental-health coverage.
- The share of total compensation going toward benefits within privately held organizations has declined for the second year in a row.
- Thinking of relocating an executive? In a recent survey of relocation preferences, the most desired destinations — Boston, San Francisco, New York and Washington, D.C. Least desired — Los Angeles, Cleveland, Houston and Minneapolis.
- In a recent survey, 95% of employees feel that annual merit pay increases are an entitlement.
- Today the word termination is synonymous with the word lawsuit. A survey of 450 top HR executives and in-house lawyers found that 60% of the responding companies had one or more employee lawsuits. Most lawsuits are settled out-of-court; not because they lack merit but because the cost of defending an employee lawsuit through trial ranges from \$100,000 to \$250,000. Best preventive medicine — document your actions, don't discriminate, provide separation assistance and talk to a lawyer first.
- Does your organization have an Internet policy? If not, you need one to prevent Internet abuse, control costs, and reduce risk.
- How many hours are wasted each work week? While the estimates vary, many believe the average employee wastes approximately 30 minutes a day or 2 1/2 hours per week. However, there are undoubtedly others in your organization who waste one hour per day or 5 hours or more per week. At \$20 per hour, one wasteful employee costs an employer \$2,600 per year. For a company with 50 employees within this salary level, the productivity value lost to the company is \$130,000 per year. Occasionally wasted time for those making more than \$20 per hour would raise this loss even higher.
- Outsourcing the HR function and leasing HR employees to a Professional Employer Organization (PEO) can save money, reduce risks, improve efficiency, develop a better workforce, and help the company focus in its core business. The growth of PEOs since 1984 has been phenomenal. Between 1984 and 1994, the number of PEOs grew from 36 to 2,000 firms. Today there are more than 2,500 PEOs. The number of leased workers has grown from 10,000 in 1984 to more than 2.5 million today. The savings by using a PEO can vary from 3-10% of payroll expenses. Is it time within your organization to test the risk/benefits and savings/costs of engaging a PEO to perform the HR functions within your firm? If you have less than 300 employees, a PEO might be a cost savings solution for your organization.
- Fifty million work days were lost in 1996 due to "pain." Pain (i.e. headaches, menstrual pain, lower back pain, muscle and neck pain or sprains) cost employers \$3 billion in wages. Interestingly, most pain is caused by lifestyle, (i.e., exercise, smoking, over-eating and stress).
- Effective in 1997, a new law assists HR Directors and others to define a highly compensated employee. Employees are considered highly compensated if they (1) owned more than 5% of the company during the current or preceding year; and (2) if they earned more than \$80,000.
- The idea of offering annual bonuses is not new to the real estate industry. However, many companies are now offering incentive-based pay to all levels of workers. The typical bonus ranges between 3-7% of their base pay. These incentive rewards, which are generally tied to the company's performance, are replacing the annual merit pay increases.
- If you have a regional or national real estate organization and want to derive cost of living data for a wide variety of metropolitan areas then you should try DataMasters' Web-based Cost of Living Index, which converts living costs for 399 metropolitan areas in 50 states. This "equivalent earning value" can be accessed on the Internet at [www.datamasters.com](http://www.datamasters.com).
- The gender-based pay gap still prevails within the real estate industry. The easiest test to see if this problem exists within your organization is to take the top 5, 10, 20, 30 senior-level executives and see: (1) what percentage are women; and (2) do the two to three highest ranking women make more, the same or less than their counterparts.
- "Casual days" are now one of the simplest and cheapest ways of improving morale. It is estimated that more 60% of the U.S. real estate companies have or employ some variation of casual day (i.e., once a week, twice a week, on the Friday preceding a holiday, etc.). Is your organization still a member of the 40% who don't utilize this no cost perk?
- Information or systems employees continue to be in great demand, particularly those with real estate, Internet or Web Page experience. The typical salaries paid a "Webmaster" range from \$55,000 to \$65,000, while the IS Director's base salary will typically range from \$81,000 to \$94,000. The balance of Systems Analysts, Programmers and Database Analysts will earn \$43,000 – \$53,000. ■

# COMPENSATION IN 1997

## THE HAVES AND HAVE NOTS

Compensation within the real estate industry made a dramatic comeback in 1996. For the first time in nearly eight years, base salary increases were commonplace and annual bonuses were distributed in larger amounts and to a larger employee base than in recent years. The combination of: a continuing economic recovery; the industry's emergence from a 2-3 year period of frozen or reduced salary increases; dramatically improved organizational productivity, performance and profitability; increasing awareness, within the public markets, on levels of compensation being given to competitor/comparable groups; and continued consolidation within the real estate industry, is freeing up more dollars for the star performers and next generation in leaders.

Today, compensation within the industry is being structured to: provide "meaningful" rewards to those who truly make a difference; recognize those professionals who create value through extraordinary efforts; and provide a "carrot" for those who make a long-term commitment to their respective firms. These are just a few of the findings and trends emerging from CEL & Associates, Inc.'s recently completed **1997 National Real Estate Compensation Survey**.

The 1997 survey of real estate organizations recorded compensation within 300+ companies employing approximately 150,000 professionals. **The 1997 National Real Estate Compensation Survey**, the largest of its kind in the country, uncovered many interesting and surprising findings. However, the most startling finding emerging from the survey was the growing disparity between the healthy and crossroads companies. Healthy organizations appear to be making significant investments in people, while the crossroads companies have some dollars to invest, but not enough to motivate (or retain) all of their performers. The following findings illustrate the gap that is growing larger.

	Healthy/ Haves	Crossroads/ Have Nots
Average Salary Increase for 1997	7.2%	3.9%
Average Realization of Bonus Potential	74%	28%
Increase in Future Bonus Potential	5-10%	None

There are the super-national, mega-regional and local real estate organizations. The not-so-large regional firm or not-so-small local firm is struggling. Competition for sites, assets, capital, management contracts, leasing/brokerage opportunities is very intense. Six years ago, CEL & Associates, Inc. predicted that 60% of the real estate organizations in business in 1990 would not exist by the year 2000. This prediction is rapidly becoming a fact — and nowhere is it more apparent than in the area of compensation. The mid-size or locally-restricted real estate organization in 1997 is quickly becoming a dinosaur. These firms are not large enough to attract and retain outstanding talent, yet are dependent on a few star performers to sustain/maintain cash flow. These organizations, based on the 1997 survey results, do not pay the salaries or offer the incentives that the larger and growing firms are currently providing. The net result — increasing turnover within the small to mid-size firms.

Compensation in 1997 is now a vital component and priority within the real estate industry. The pay-for-performance reward system is commonplace. Benchmarks, standards of excellence and the performance scorecard are increasingly being deployed as real estate leaders continue to "make an investment in people." Team-based incentives, point-to-point strategic and performance tie-ins, and the recognition that company versus individual goals are the preferred priority have become cornerstones of today's dynamic real estate compensation plan.

In addition, one of the emerging compensation trends is the implementation of the "Real Estate Cafeteria Plan." The Cafeteria Plan, as it has been labelled by

some real estate executives, recognizes that titles, base salary, annual bonuses and long-term incentives are independent elements of an integrated compensation program. An employee with a Cafeteria Plan could be a Vice President, receive a salary lower than a Manager, have the potential to receive an annual bonus higher than an Executive Vice President, and yet not participate in the long-term incentive plan. This mix-and-match style of a Cafeteria Plan gives maximum flexibility to a real estate organization.

The **1997 National Real Estate Compensation Survey** highlighted a turning point within the real estate industry. Value for services rendered has shifted from a job description to a process-driven performance measurement. Team-based, interpreters of information, with excellent client/customer skills are being rewarded at increasingly higher levels. Many real estate organizations use client/customer base evaluative measures (i.e., tenant or resident satisfaction); productivity indices; external benchmarks; 360 degree evaluations; and "potential" measures to stimulate outstanding performance.

In addition to the salary and bonus information contained in the **1997 National Real Estate Industry Compensation Survey**, CEL & Associates, Inc. also obtained several interesting facts or emerging compensation trends.

### Emerging Trends

- The annual merit increase appears headed for extinction. Over the past year, an estimated 78% of U.S. real estate organizations link rewards with results. The combination of low inflation and a growing array of variable-pay programs tied to company, business-unit, individual and team performance are shifting the annual merit increase to an increase in performance-based bonus potential. The expected annual raise is gone. In its place is the variable pay program. Employers are not pay-

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1997 NATIONAL REAL ESTATE COMPENSATION SURVEY <sup>(1)</sup>

Position	1996 Base Salary Range (2)			1996 Bonus Potential as a % of Salary Average	Earned 1996 Bonus as a % of Salary	
	High	Median	Low		Average	Highest
<b>Executive</b>						
Chief Operating Officer	\$239,100	\$185,000	\$130,900	57.9%	48.6%	185.2%
Division Executive	\$193,700	\$155,500	\$117,300	63.7%	50.8%	105.0%
Regional Executive	\$182,200	\$135,000	\$87,800	54.9%	46.0%	150.0%
<b>Corporate</b>						
Business Development Exec.	\$148,200	\$120,000	\$91,800	52.5%	44.7%	117.4%
Human Resources Executive	\$94,200	\$72,000	\$49,800	25.2%	19.3%	78.8%
General Counsel	\$179,400	\$150,300	\$121,100	40.1%	33.3%	100.0%
MIS Executive/IT Director	\$98,600	\$75,000	\$51,400	23.0%	17.8%	50.0%
Communications Executive	\$91,700	\$69,500	\$47,300	30.6%	28.0%	117.6%
Director of Research	\$118,600	\$92,500	\$66,400	22.3%	18.5%	50.0%
Portfolio Executive	\$124,800	\$93,000	\$61,200	47.1%	37.7%	100.0%
<b>Financial</b>						
Financial Executive -CFO	\$175,000	\$136,500	\$98,000	44.8%	39.0%	139.0%
Finance Director	\$121,900	\$89,000	\$56,100	38.9%	30.3%	105.0%
Controller	\$93,500	\$75,000	\$56,500	23.3%	20.7%	90.6%
Financial Analyst	\$61,500	\$48,500	\$35,500	16.0%	13.3%	45.0%
<b>Asset Management</b>						
Asset Mgmt. Executive	\$143,000	\$113,000	\$83,000	47.3%	38.8%	208.6%
Asset Mgr. - Office	\$102,000	\$81,700	\$61,400	34.4%	31.5%	105.0%
Asset Mgr. - Retail	\$94,300	\$75,000	\$55,700	31.1%	28.2%	73.3%
Asset Mgr. - Industrial	\$90,200	\$75,000	\$59,800	31.5%	24.9%	93.3%
Asset Mgr. - Multi-Family	\$85,500	\$70,000	\$54,500	35.4%	30.1%	95.7%
<b>Property Management</b>						
Property Mgmt. Executive	\$133,500	\$100,000	\$66,500	37.2%	31.7%	208.6%
Property Mgr. - Office	\$72,900	\$60,000	\$47,100	19.6%	18.3%	73.7%
Property Mgr. - Retail	\$74,200	\$55,000	\$35,800	16.7%	19.0%	105.0%
Property Mgr. - Industrial	\$63,000	\$55,000	\$47,000	16.1%	20.0%	105.0%
Property Mgr. - Multi-Family	\$58,500	\$50,000	\$41,500	15.8%	12.6%	32.6%
On-Site Mgr. - Office	\$55,900	\$44,900	\$34,000	12.5%	9.6%	25.7%
On-Site Mgr. - Retail	\$65,800	\$52,800	\$39,700	13.2%	11.6%	25.7%
On-Site Mgr. - Industrial	\$48,300	\$40,000	\$31,700	9.4%	7.3%	12.8%
On-Site Mgr. - Multi-Family	\$35,100	\$30,000	\$24,900	13.4%	11.3%	32.3%
<b>Project Management</b>						
Development Executive/Partner	\$145,600	\$121,000	\$96,400	41.4%	33.9%	180.0%
Project Manager	\$82,700	\$69,800	\$56,800	22.7%	19.2%	75.8%
Land Engineer	\$81,500	\$75,300	\$69,200	29.8%	25.5%	77.8%
Construction	\$125,800	\$102,000	\$78,200	26.7%	22.5%	100.0%
<b>Leasing</b>						
Leasing Executive	\$135,400	\$100,000	\$64,600	50.5%	51.0%	500.0%
Leasing Representative	\$77,500	\$55,300	\$33,100	52.4%	54.5%	340.0%
Leasing - M/R Analyst	\$59,800	\$44,300	\$28,700	15.0%	19.4%	86.2%
<b>Acquisitions</b>						
Acquisitions Executive	\$168,600	\$130,000	\$91,400	55.4%	43.0%	108.7%
Acquisitions Associate	\$83,000	\$65,000	\$47,000	25.5%	22.8%	94.7%
Acquisitions - M/R Analyst	\$56,400	\$47,000	\$37,600	17.0%	13.6%	26.7%

(1) Data reflects a consolidation of all firms. Additional summary tables are available by type or size of firm and geographic location.  
 (2) Quartiles: High = 75th percentile, Median = 50th percentile, Low = 25th percentile.

**Compensation In 1997**  
(continued from page 6)

- ing for longevity anymore.
- Just as the real estate industry completes its shift to performance-based pay plans, the level of “bonus disputes” has risen. The number of complaints, regarding what were the standards or performance expectations, are occurring more frequently. To alleviate this problem, most firms are using measurable performance measures and/or the Performance Scorecard. The discretionary bonus, formerly the preferred performance measure within the industry, has declined in popularity.
- The balance between controlling compensation costs and remaining competitive has become very challenging for real estate leaders. On one hand, an effective compensation plan motivates performance, improves morale and increases productivity. However, on the other hand, keeping compensation costs down enables the organization to be more competitive. Nowhere is this more apparent than in the “Have” and the “Have Not” firms. The have firms can reward superstars without losing internal equity. The have not companies do not have a choice — they can’t pay top dollar to retain their stars.
- The 24-hour employee is becoming an expected norm. The use of pagers, cellular telephones, fax machines, e-mail, voice mail, and on-line computer access is creating the “always available” real estate executive of the 90s.
- The “versatile generalist” is becoming the preferred hire over the “specialist.” The rapid advancements in technology, product design, market dynamics, capital formation and business practices have given value to the multi-dimensional or “full service” employee. Change in the 90s is the predictable constant.
- While CFOs tend to earn far less than top executives (i.e., CEOs and COOs), their compensation has generally grown at a faster pace — particularly within the REIT industry.
- Watch for the emergence of the two-tiered compensation/reward system —

one for those who have a “career track” and one for those who have a “position track.” Continuous improvement is being recognized and rewarded.

- The **1997 National Real Estate Compensation Survey** supplemental information revealed further decreases in the number of Manager-level professionals as real estate organizations respond to increasing pressures to “improve the bottom line.” Hardest hit have been the District and Regional Manager positions.
- Outsourcing will continue. Survey participants again identified legal, human resources, payroll, design, market research, in-house survey specialists, internal communications (i.e., company newsletter) and select property specialists (i.e., janitorial, security, landscaping, etc.) as the positions most likely to be outsourced.
- The compensation disparity among geographic locations will likely continue. However, it appears that the gap among the major hubs (Chicago, Atlanta, Washington, D.C., New York/Boston, Houston/Dallas, Los Angeles and San Francisco) and all other cities is getting larger. Pay differentials now range from 1-5%.

**Conclusion**

Compensation in 1997 will be a story of the “Haves” and “Have Nots.” Base salary increments and annual bonus awards were higher than they have been for several years for real estate firms that are growing. For organizations that have seen their portfolio size, cash flow and volume of business remain stable or decline, base salary increases and bonuses have been far less.

Outcome-based compensation is becoming the popular choice of real estate companies that want verifiable results. Outcome-based compensation is based on a broad set of procedures known as “multi-attribute utility analysis.” As a general rule, three to five goals or outcomes are now the desired optimal format for most organizations.

In addition, variable pay has become the compensation vehicle of choice, while the Cafeteria Plan has emerged as the preferred compensation program. Those real estate companies that have devel-

oped and implemented a successful, performance-based compensation program are likely to see improved productivity and profitability.

As the economy continues to grow, compensation and performance benchmarking will be priorities for real estate leaders. 1997 appears to be a year of opportunity. The question facing all organizations is whether you are a Have or a Have Not real estate company. If you are a Have, congratulations. If you are a Have Not, it would be wise to take steps to become a Have real estate organization.

**How to Access the Survey Data**

Have you ever desired to compare your salary and bonus data to a true peer group? Have you wanted to contrast your compensation program with a comparable group of real estate organizations? If you have, then the salary and bonus comparison or assessment program called **COMPare** is for you. **COMPare** takes your salary and bonus data from 1-39 positions within your organization and compares it to the national statistics for all firms and to a composite of comparable firms (i.e., same region, same size, same type, etc.).

Since all compensation data in the **1997 National Real Estate Compensation Survey** is confidential, we will not disclose the names of firms used in the comparative database. However, with approximately 300 firms located throughout the U.S. in the database there is a likely profile for literally all real estate organizations.

For REITS or real estate organizations seeking to (re)develop their compensation programs, for those seeking to compare and contrast compensation data, or for those that need validation when hiring or promoting a professional, you are encouraged to call CEL & Associates, Inc. at (310) 571-3113. ■

**FOR MORE INFORMATION**

For more information on the **1997 National Real Estate Compensation Survey**; CEL & Associates, Inc.’s compensation program assessment, design and validation; or on how to **COMPare** your salary and bonus information to an anonymous group or peers, please call (310) 571-3113.

# THE 1997 NATIONAL REAL ESTATE INDUSTRY LEADERSHIP SURVEY

CEL & Associates, Inc.'s recently completed **1997 National Real Estate Industry Leadership Survey** reveals many interesting findings and trends regarding the year to come, emerging opportunities and organization-

al/operational characteristics. CEOs, Managing Directors, EVPs, SVPs, Division Presidents and real estate leaders throughout the U.S. responded. What they told us was remarkably straight forward and revealing.

The following charts and tables highlight a portion of the findings from the **1997 National Real Estate Industry Leadership Survey**. A complete report of the findings has been distributed to each 1997 participant firm.

<b>How is your business doing?</b>	<b>All</b>	<b>CEOs</b>	<b>Exec.</b>	<b>Public</b>	<b>Private</b>
Very Good	35%	40%	28%	42%	36%
Good	47%	44%	53%	42%	47%
Average/Fair	12%	12%	13%	17%	10%
Poor	6%	5%	8%	0%	7%
Very Poor	0%	0%	0%	0%	0%

<b>What is your outlook for 1997?</b>	<b>All</b>	<b>CEOs</b>	<b>Exec.</b>	<b>Public</b>	<b>Private</b>
Best year ever	17%	14%	21%	23%	17%
Better than 1996	49%	60%	38%	54%	47%
About the same as 1996	29%	19%	38%	23%	29%
Worse than 1996	5%	7%	3%	0%	7%

<b>What area(s) of the U.S. do you expect to have the most opportunity for real estate growth in 1997?</b>		<b>What real estate product or land use do you expect to experience the most growth in 1997?</b>	
Far West	24%	Suburban Office	25%
Southeast	22%	Multifamily	19%
Southwest	17%	Industrial R&D	17%
All Other Areas*	37%	SF Housing	12%
(*no area received more than 8% of the responses)		Retail/Misc.	1-2% each

<b>What is the current "performance to potential" ratio within your organization?</b>			
Operating at 110% of potential	3%	Operating at 80% of potential	39%
Operating at 100% of potential	4%	Operating at 70% of potential	21%
Operating at 90% of potential	21%	Operating at 60% of potential	12%

**CEL & Associates, Inc. asked 24 leadership questions. The following are several highlights of the findings:**

<b>Question</b>	<b>To A Very Great Extent</b>	<b>To A Great Extent</b>	<b>To Some Extent</b>	<b>To A Small Extent</b>	<b>Not At All</b>
Does your company "do things right the first time"?	4%	45%	42%	9%	0%
Does your compensation program incentivize performance?	14%	29%	42%	7%	8%
Does your computer technology give you an advantage?	10%	38%	31%	14%	7%
Does the marketplace know who you are and what you do?	6%	31%	43%	18%	2%
Are your employees empowered to make decisions?	9%	44%	35%	10%	2%
Does your company have clear 3-5 year goals?	6%	25%	36%	15%	18%

(Numbers may not total 100 due to rounding.)

# MEASURING CUSTOMER SATISFACTION

STOP. . . and answer this question. Which real estate organization do you admire most? Which real estate company embodies all that you aspire to be? When you have thought of a firm, two characteristics guaranteed to be present are: (1) a commitment to providing outstanding service; and (2) the ongoing measurement of customer satisfaction. Highly profitable companies recognize the value of knowing and listening to their customers.

Leading real estate organizations have discovered that service quality (and ultimately performance) is whatever the customer says it is or perceives it to be — not what the Property Manager, Asset Manager or Leasing Representative thinks it is or declares it to be. How often have you heard a Property Manager or Regional Manager say, "...our clients love us — just look at our buildings, they are always full." However, behind that bravado is a false sense of security that consistently erodes when the opinions of customers are solicited. In the short-term, the satisfaction of customers does not matter. But over the long-term, customers do matter, and if their opinions are not solicited they will consistently turn to a competitor — as soon as the opportunity/option becomes known or the situation becomes intolerable.

How do you retain clients, tenants and/or residents? How do you leverage your existing client, tenant and/or resident base for additional profits and improved performance? The answer and first step is easy — measure their level of satisfaction. Find out what they think. This measurement of customer satisfaction can be done by selecting one or more of the following methods: face-to-face interviews; focus groups; telephone polling; or the most popular method — mailback opinion surveys.

After selecting the proper methodology, the second step is to design a statistically reliable survey instrument. CEL & Associates, Inc., the nation's largest surveyor of client, tenant and resident sat-

isfaction (over 500,000 surveys expected in 1997) learned several years ago that survey design is an art as well as a science. What do you want to survey? How should each question be properly phrased (i.e., neutral, negative and positive questions)? How should each question be sequenced? What measurement scale should be used (4, 5, 6, 7, 8, 9 or 10 point scale)? How will the survey instrument look and be presented? How many questions? What pilot and/or field test will be used to validate the reliability of the instrument?

The third step is: developing the analytical model; determining the optimal data entry process (i.e., scanning has the fewest errors, human tabulation has the most); establishing the comparative standards from which to assess performance; and identifying the types of data sorts.

The fourth and final step is developing the format of presenting the data. How will the results be presented? How will charts, graphs and statistical tables be completed and formatted? How will the results be verified to the actual survey instruments? What method of quality control will be employed? While initially daunting, the measurement of customer satisfaction can be internally done — it will take approximately three years and over \$100,000 to develop a user friendly, statistically reliable survey instrument and process.

Fortunately, there is an alternative. CEL & Associates, Inc. has spent more than three years and \$100,000 to develop a customer satisfaction measurement tool and process. Called **REACT**<sup>®</sup>, this turnkey process requires minimal company time to administer, and all the tabulations, analysis, report preparation and processing are done by CEL & Associates, Inc.

Unlike many customer satisfaction survey instruments designed internally by organizations that have the best of intentions but not the resources to benefit from a national and regional perspective or the results of testing its validity, **REACT**<sup>®</sup> asks approximately 55 questions, yet takes only 10-12 minutes to complete. **REACT**<sup>®</sup> sur-

veys the tenants or residents, the Property Manager and the Building Owner (the Respondent groups). Using proprietary software developed specifically for the real estate industry, **REACT**<sup>®</sup> can provide the customer with a confidential survey instrument (thus dramatically increasing the validity, reliability and level of responses) and the real estate owner or management company with specific property or portfolio results. Plus, the results are also compared to the Best-In-The-Industry and between each Respondent group.

The lessons learned and experience gained by conducting literally hundreds of thousands of surveys each year are several of the reasons why **REACT**<sup>®</sup> has become the most popular customer satisfaction measurement tool. It is more cost effective and can be done more quickly and accurately than an in-house survey. Most importantly it takes real estate firms out of the survey business. **REACT**<sup>®</sup> has become the industry standard by which real estate organizations measure client, tenant and resident satisfaction. For many real estate professionals, **REACT**<sup>®</sup> surveys are now a part of their annual performance evaluation.

Measuring customer satisfaction is now a priority within many leading real estate firms — public or private, national or local, big or small, one or hundreds of properties. The daily pressures to improve results take more than looking at the numbers or declarations that quality service is a priority. Increasing productivity, performance and customer loyalty start with knowing and listening to your customers and measuring their satisfaction. Profitability is the net result of customer satisfaction. ■

## FOR MORE INFORMATION

For more information on **REACT**<sup>®</sup> — the real estate industry's most widely used customer satisfaction survey, please call (310) 571-3113. Getting started is easy to do. Call for pricing information and our long list of **REACT**<sup>®</sup> users.

# EMPLOYEE OPINION SURVEYS: A POPULAR PERFORMANCE IMPROVEMENT TOOL

Today, the number one challenge, frustration and opportunity for real estate leaders (CEOs, COOs, Managing Directors, Division Presidents, Regional Executives) is "...how can we increase the productivity and performance from our managers, staff and operating units?" Real estate is not a business based on fixed assets (buildings); it is a business built and dependent on variable assets (people). Motivating, encouraging, creating a seamless team of professionals — at all levels — can make the difference between being a good or becoming a great firm. But dynamic real estate organizations don't achieve greatness by policies, precedents or e-mails. They achieve unparalleled success because they listen and learn from their customers, clients and most importantly — their employees.

The benchmark real estate organizations of the 90s take the time to develop "Partners in Performance." These Partners are the employees who believe that working for the company is not only fun and rewarding, but that they have been given opportunity and have the resources to produce superior results. Successful real estate firms don't "think," they "find out" how good (or great) they are. To accomplish this they start with a company-wide Employee Opinion Survey.

The opinions of the employees on such matters as leadership, communications,

**Reasons Why Leading Real Estate Organizations Survey Employee Opinions**

- Improves Morale
- Enhances Productivity
- Provides Valuable Feedback
- Identifies Barriers to Performance
- Delineates Improvement Opportunities
- Supports Goal Setting
- Sets Leadership Priorities
- Adds Value
- Improves Profitability
- Streamlines Decision-Making
- Sets Personal Development Priorities
- Improves Communications
- Provides Independent Opinions
- Gives Employees Freedom to Express Attitude
- Improves Teamwork and Team Building
- Measures Greatness
- Enhances Capacity to Serve Customers
- Provides a Quantifiable Measure

decision-making, compensation, teamwork, productivity, key values and clarity of direction provide the organization (and top management) with a benchmark/scorecard on multiple performance matters. Typically, the opinions of employees are divided into three groups: Executives, Managers; and Staff. Does the on-site Property Manager share the same opinion as the Controller or Division President? Where are communications breaking down? Where is morale the highest, lowest? Are there offices or regions that have higher or lower scores than the company as a whole? What areas appear to be limiting performance? And, what is the potential for improved performance?

The answers to these questions and others clearly identify where performance is not being optimized. The results of a statistically valid Employee Opinion Survey can then be translated into a series of action plans/steps that, when completed, will result in improved productivity, higher morale, better communications and world-class performance.

Conducting an Employee Opinion Survey is easy to do. The first step is deciding if and when to do it. However, in today's rapidly changing workplace environment, employee performance can often mean the difference between a good or a great result. Getting underway starts

with two words — "Let's go."

Over the past three years, CEL & Associates, Inc. has developed, tested, designed and perfected an Employee Opinion Survey. This survey instrument and process is called **Feedback**. Designed by real estate professionals, statisticians, opinion measurement experts and survey design specialists, **Feedback** asks 60 of the most popular and insightful questions. Respondents take less than 15 minutes to complete the five-point, bubble coded survey instrument. From start to finish the entire survey, tabulation and statistical report preparation takes only 2-3 weeks to complete. The costs are very low (the computers and scanners do all the work) and the results are not only extremely valuable but will assist your organization in improving performance, productivity and morale. For less than a couple of Big Mac Value Meals per employee, **Feedback** will dramatically move your organization closer to becoming a great firm. ■

**Eight Critical Employee Opinion Factors Measured By Feedback**

1. Leadership
2. Key Values
3. Teamwork and Communications
4. Compensation
5. Decision-Making
6. Productivity
7. Clarity of Direction
8. Personal Development

**FOR MORE INFORMATION**

If you would like more information on **Feedback** and how it can improve your company's performance, please call CEL & Associates, Inc. at (310) 571-3113. One of our Specialists will be able to answer any questions you have.

# PREDICTIONS

## What Is Going On In Las Vegas?

Just when the underwriters were signaling that Las Vegas was overbuilt, overheated and slowing down, comes several contrarian indices. New York-New York, the 2,000+ room, 20-acre city in caricature opened recently to rave reviews. Over 600,000 guests visited during its first three days of operation. Mirage Resorts has announced a 3,000 room replica of a Northern Italian resort on a 122-acre site, projected to open in 1998. Bally Entertainment has announced a 2,900-room project called Paris (complete with an Eiffel Tower) to open in 1998. Planet Hollywood and ITT Corporation are developing a 3,200-room project, scheduled to open in 1999. Project Paradise, a 4,000-room "South Seas" theme complex by Circus Circus is scheduled to open in late 1998. On the site of the old Sands Hotel, a 6,000-room resort is being developed to resemble Venice, Italy (scheduled to open in 1999). Hyatt Hotels will open a 500-room hotel/casino at Lake Las Vegas in 1998. The Ritz Carlton is targeting 1999 for the opening of its 526-room hotel/casino.

When these projects are added to the list of renovations and expansions (Holiday Inn added 456 rooms; Circus Circus added 1,000 rooms; the Luxor added 1,950 rooms; Caesar's Palace will add 2,150 rooms; and Harrah's expects to add 1,000 rooms in 1997), the future is clearly not bleak.

Since 1990 the population of Nevada has grown 33.4% (versus U.S. growth of only 6.7%). The multifamily sector and low-end/entry level housing market segments stand to gain from this expansion over the next 2-3 years. Any warnings of softening must have been generated by those who wish they had thought of it first.

## Retailers Brace For More Setbacks

The disappointing retail sales news from the Christmas season was generally bad news for the suppliers of retail space. Margins for retailers are shrinking as market-share battles intensify. Mergers, consolidations and bankruptcies are projected to continue in 1997. Some analysts are

questioning whether holiday retail sales (frequently a significant portion of total annual sales) are slipping in importance.

The percentage of retail sales generated from catalog, Internet, television shopping networks and on-line commerce continues to increase. Wall Street is selling luxury retail stock. Credit card charge-offs are rising. Retail customers are increasingly value-conscious. Consumer electronic and computer retailers have had disastrous sales performance. CEL & Associates, Inc.'s retail tracking index indicates another 12 months of flat or poor performance. If you haven't already, sell or convert those big boxes now before it is too late.

## Consolidation Within The REIT Industry Likely In 1997

The acquisition of Paragon Group by Camden Properties Trust, the Simon/DeBartolo merger, and the recent acquisition of Southwest Property Trust by United Dominion Realty Trust are just the tip of the iceberg. There were 12 REIT-to-REIT mergers or acquisitions in 1996.

CEL & Associates, Inc. is aware of several other REIT merger discussions under way and more are likely to begin as the class of "recession REITs" discovers that the challenges and pressures to grow are difficult to accomplish when you're under \$1 billion in cap value. However, only 15 REITs have a market cap value in excess of \$1 billion. For reasons of both liquidity and efficiency, pension funds and institutional investors are reluctant to invest in companies with less than a \$350 market cap value. Small REITs are typically not rated (only 57 of the 170+ REITs are rated) and thus are not only unattractive investments because of their size but because they do not have an institutional stamp of approval.

The reason the market has not seen more REIT mergers is simple — many REITs are currently priced at a premium and acquiring another REIT is more expensive than acquiring a portfolio of assets from a private company. CEL & Associates, Inc. believes that the REIT

industry (which owns around 3% of publicly-held real estate) will grow — but with perhaps 50% fewer players.

## Is Recession Looming On The Horizon?

While the consensus economic outlook for 1997 is for more of the same, albeit a little slower, there are some troublesome indicators on the horizon. Wages are rising and that is the first signal that the economy is beginning to "overheat." When wages increase, the Fed typically has stepped in to slow down the economy. This slowdown is a result of the Fed raising short-term interest rates. When interest rates rise, the economic growth rate declines.

Another indicator of a possible recession is the yield on 30-year government bonds (which are rising) and the mixed bag of corporate profits (i.e., the whispered vs. actual differentials). The dramatic growth of mutual funds has put more investors at "market" risk. Any economic slowdown and these investors will either cash in or use their credit cards to pay an increasing percentage of bills (this is now occurring).

For the real estate industry, the three factors to watch are: retail and corporate profits (any declines mean reduced leasing and development activity); rising interest rates (any increase means less discretionary dollars to spend); and consumer debt levels (any increase generally means that economic growth is really based on borrowings, not real growth).

While CEL & Associates, Inc. is concerned about a recession, the short-term indicators are for 1997 to be a slightly slower repeat of 1996.

## Are World Wide Web Sites Hype Or For Real?

Within the real estate industry "getting on the Web" has become a preoccupation for many firms that either: (1) feel it is necessary to stay competitive; (2) feel it is a bothersome fact that must be attended to; or (3) welcome the opportunity to reach out to new customers and new markets.

*(continued on page 14)*

# THE 360 DEGREE PERFORMANCE MEASURE

More than 90% of the *Fortune* 1000 companies are using some form of “full circle feedback” to provide a mirror for improving the performance of their leaders and key managers. This full circle performance measure is also called the “360 Degree Evaluation” or “**360 Review**.” Utilized by several real estate organizations, the **360 Review** focuses on identifying the reasons for under-achievement by the organization’s leaders and managers. The **360 Review** is particularly useful in periods of increasing: competitive pressures; challenges to grow profitability in order to keep pace with industry leaders; and before/after major change (i.e., downsizing, reorganization, mergers or leadership transition) has occurred.

The **360 Review** is a process whereby select executives and key managers are provided performance feedback by their co-workers, peers, direct reports, indirect reports and a sampling of support personnel. In essence, the individual receives evaluative information from those above, below, and on par with themselves. The feedback is obtained through a confidential and anonymous questionnaire.

The value of completing a **360 Review** is that each participant receives candid feedback and a scorecard on the leadership attributes and behaviors which have contributed to that participant’s effectiveness and performance. Through self-evaluation and the external insight that occurs with a **360 Review**, a company cultivates employee effectiveness. When an employee improves, so does the organization.

## QUOTE

“We have found the 360 Review process to not only improve personal performance but it has created a more team-based environment, improved internal communications, and energized leadership.”

John Weigle  
Faison Corporation

Effective employees are a company’s most valuable asset. However, the time and resources dedicated to assessing the performance of its leaders are typically far less than needed. Often, feedback is a top down process where one leader of higher ranking evaluates another leader of lower ranking. Collecting honest feedback from employees who work for, alongside, or who are indirectly associated with that leader is rarely done. Thus, the opportunity to provide the employee with a well-rounded assessment of his or her leadership attributes and behaviors is lost. Is it any wonder then why the needed personal development changes do not occur? Without an honest **360 Review**, meaningful change and performance improvement rarely occurs.

Deciding to complete a **360 Review** is not for everyone. Those firms that have a long-term commitment to continuous improvement and want to achieve the highest levels of performance and productivity are best suited for a **360 Review**. Companies that want to move from being good to great achieve that goal after completing a **360 Review**. And companies committed to enhancing the value of their most important asset — employees — embrace a **360 Review** process.

The first step to completing a successful **360 Review** is the formation of a Review Team. The Review Team is comprised of 10-15 individuals who will provide the anonymous feedback. Using an experienced outside evaluator like CEL & Associates, Inc. will assure the confidentiality of the responses.

After the **360 Review** questionnaires are distributed and collected, a 360 Leadership Report is prepared. This summarizes the feedback received and identifies the self-improvement goals needed to improve behavior/performance. The 360 Leadership Report is discussed with each individual (or in a small group with a Facilitator). A compilation of the results can also be provided to the firm.

## Checklist of Firms Who Need a 360 Review

- Poor/Unsatisfactory Profits
- High Turnover
- Turf Battles
- Poor Internal Communication
- Lack of Leadership Alignment
- Declining Morale
- Resistance to Change
- Under-achievement

If you checked more than two, your organization would benefit from the 360 Review.

Each Executive and Manager is given a list of self improvement goals and, with the Facilitator, sets an action plan for accomplishing each goal. Frequently a Mentor or Mentor Group is appointed to support the reviewee and monitor his/her progress.

A follow-up **360 Review** is conducted 12-18 months after the initial feedback to measure the self-improvement results of the reviewee. Many companies that have implemented a **360 Review** have also included the self-improvement goals in each reviewee’s performance evaluation.

Organizations are true examples of the popular children’s game, “Follow the Leader.” Leaders — those executives and managers within your organization who are vested with the responsibility of obtaining extraordinary results — need to know how they are perceived by others to be effective at what they do. Continuous improvement, open communication, receptivity to feedback and personal development will turn managers and executives into strong leaders. ■

## FOR MORE INFORMATION

If you would like more information on the CEL & Associates, Inc. **360 Review** program and process, please call us at (310) 571-3113. Our trained **360 Review** Facilitators can help your organization turn executives and managers into leaders.



**As We See It**

*(continued from page 3)*

- Most major office markets are recovering, and the large glut of space in the early 90s has become more manageable. However, with a few exceptions, spec office building has not occurred, downsizing continues within Corporate America and technology is enabling office tenants to grow without expanding space requirements. Rents will continue to move up. The suburbs are still the preferred office location, although the 24-hour CBDs with a strong residential base will remain strong. Rising suburban office rents will spell some relief for CBDs in the near-term.
- The retail industry, unfortunately, will continue its steady decline in 1997. Consolidations, bankruptcies and mergers will accelerate over the next 12-24 months. There is just too much retail space and too many multiple points of sale for the same item within a small market area. The rapid growth of catalogue sales, television shopping networks, Internet commerce and shopping clubs is capturing an increasing percentage of the consumer retail dollar.
- The CBDs continue to lose their luster as a location for the fastest growing job

segment of the U.S. economy. The further one goes from the CBD, the more dynamic the growth. In an Internet world, locating the CBD is no longer a requirement for success.

- Multifamily owners and operators will prosper in 1997 if they do three things: first, rapidly integrate information technologies throughout their properties and portfolio; second, introduce the "custom" apartment whereby the unit is outfitted to suit the needs of the resident; and third, improve the delivery of service, integrate performance benchmarks with daily operations, and provide and deploy empowerment training and processes. The San Jose/San Francisco Bay Area will remain the hottest multifamily market in 1997.
- The industrial sector will continue its steady growth in 1997. New construction starts will predominately be warehouse distribution space. The industrial growth markets will likely be those with major airport hubs (i.e., Dallas, Chicago, Atlanta, and the greater Los Angeles area).
- The housing industry, or should we say the "interest rate industry," will remain in a period of weakening sales and steady but moderate economic growth. Housing starts hover around the one

million mark while multifamily starts remain at or near the 300,000 level. Interest rates remain low and thus any housing growth is generally attributed to the economic vitality of the market, supply and price.

- The refinancing of pre-recession debt and creating of saleable whole loans is bringing capital back into the market. The lenders now have the exit strategy they lacked in the late 80s. With capital in the marketplace, the availability of assets which can be purchased below their replacement costs, and aggressive lenders, the outlook for the real estate industry remains favorable for the next 24-36 months.
- Stability has returned to several markets and the recent consolidations within the real estate industry have brought discipline and order to a dynamic marketplace.
- Many real estate organizations still lack a vision, a strategic road map on where they are going and where they desire to end up. Consequently, the outlook is a mixture of the "I can do it myself," "I've been in the business for years; no one can tell me something I don't already know" mindset of some real estate executives. Good luck to those who forge ahead with blinders on. ■

**Predictions**

*(continued from page 12)*

Some real estate organizations have set up Web sites with interactive site/property tours, others have set up sites to communicate, while the large majority are current-

ly sitting on the sidelines.

Is the World Wide Web real or a hype by on-line service providers? Will a Web site attract qualified customers? Only time will tell. CEL & Associates, Inc., however, believes that nothing will replace the expe-

rience of touching, feeling, and touring a property. A World Wide Web site looks like another advertising/promotional venue — unfortunately this venue will become more mandatory as Americans "go on line" in increasing numbers. ■

**Emerging Employment Trends**

**In Demand**

- Webmasters
- IS Directors
- Marketing Specialists
- Construction Managers
- Multi-Dimensional Property Managers
- Brokers With Contacts
- Capital Markets Experts
- Asset Managers
- REIT Savvy CFOs
- Performance Improvement Specialists

**Declining Value**

- Employment Managers
- Number Crunchers
- Those Technologically Deficient
- Performers of Tasks
- Accounting-Based CFOs
- In-House Counsel
- Market Researchers
- Treasurers
- Bookkeepers
- Single Project Developers

Source: CEL & Associates, Inc.

**FOR MORE INFORMATION**

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<input type="checkbox"/>	<b>1997 National Real Estate Compensation Survey</b>	Nearly 300 firms nationwide employing approximately 150,000 professionals participated in this study — the largest of its kind in the U.S. Copies are available for \$795.



**FAX OR MAIL REQUEST TO:**  
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# TRENDS TO WATCH

## Trends to Monitor Closely

- CalPERS' new "hire-a-specialist" management strategy for the administration of its \$4.2 billion commercial real estate portfolio is expected to enhance long-term asset performance and improve the acquisitions process.
- Despite declining occupancies, the rise in average daily room rates and 97,000 room starts in 1997 will be reflected in higher profits for the lodging industry.
- The mortgage broker community is likely to face increased competition from retailers.
- The approximate 24% return registered by REITs in 1996 (vs. 12% in 1995) will likely carry over in 1997.
- Will there be a housing bill coming out of the 105th Congress? Follow the actions of Rep. Rick Lazio, Chairman of the House Banking subcommittee on housing.
- The Koll Company's recent acquisition of a human resources service firm (now called Strategic HR Services) is likely to create a one-stop shop for the smaller and mid-size firm seeking HR expertise for a reduced cost.
- Office rents are rising at their fastest rate since 1981. Many markets have seen their rents climb over 14%.
- The recent run-up in the prices of REITs has raised the questions, have they gone up too far, too fast? Since July, institutional-grade real estate securities have consistently been among the NYSE top performers.

## Likely Impact

- Watch for other pension funds to follow the CalPERS lead. This will create more opportunities for those advisory firms who have created an "expertise" in a particular market or with a specific product.
- The lodging industry appears to be peaking and a shakeout and performance decline is likely by 1999.
- The "controlling" of the customer will dominate operating strategies as mortgage bankers will likely struggle to maintain marketshare.
- REITs have become a better investment vehicle than utility stocks. The combination of an increase in secondary offerings, increased pace of institutionally invested capital into REITs and further consolidation will enhance the investment attractiveness of REITs for the foreseeable future.
- Watch for a more risk-based bill to be submitted to Congress in 97. The 8,600 FHA-insured Section 8 rental subsidy contracts are likely to be reduced.
- The use of PEOs is increasing dramatically. It is likely that Koll will use this as a first step in "getting to know" potential alliance partners and major candidates. Now that is "thinking-out-of-the-box."
- The trend will continue through 1998. The key unknown will be the amount of new or spec space added as vacancy levels drop.
- 1996 was a banner year for many REITs. With payout ratios now below 70, the opportunity for growth (because of the cash retention) remains high.

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