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Corporate Real Estate Rule #1: Know Thy Business!

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In today's world, corporate real estate means different things to different companies, but one thing that is consistent for all firms is strategic alignment: the viewpoint of a company's Corporate Real Estate Executives ("CREs") should reflect the strategic goals of the company.

CREs must mine all the data and reports received on their industry and create knowledge that is pertinent to their company's business in order to be of value to their organization. Companies rely on their CREs to "read the tea leaves" of the market and other conditions that affect it in order to guide the business through the costly procurement of corporate real estate.

Rule #1 is to know the business, and not just at a macro level but deeply. Who are the employees, what are their demographics and cultural influences? How does the business operate all the way down to a customer level? How is business transacted? What influences the business cycle? Once you answer these questions and understand where employees are located, you can say "I know how you conduct business and I can help you do it better."

The gift of knowledge is seeing the whole picture, navigating through all data about your company and industry, and being able to crystalize a simple premise: it only matters if it matters to the company/business you are supporting.

Companies are very focused on what drives their business and what risks affect it. As a CRE supporting the company's goals and strategies, it is important to know what those drivers and risks are because that is what keeps the C-suite up at night.

Then advise them on real estate policies that support the drivers and minimize the risks, which can be determined by understanding the following three factors.

People

What are the ages, education levels, and cultural norms of the employees? Who are your customers, and what are their demographics? First and foremost, determine the vital stats of your company.

And don't buy the latest hype. You read that Generation X and Y must have collaborative, open office space because they live off their smartphones and tablets. Therefore, we are told offices need plenty of Internet access portals to keep them happy and productive with latest gizmos.

But there's another side to the story. In 2020, Baby Boomers are predicted to still be 45 percent of the workforce. How will they perform in a workspace designed for the X and Y Generation? Know your employees, and don't be afraid to mix areas to support specific needs. One size doesn't fit all, so design office space accordingly. Compare cultural and industry trends to the actual demographics of your employees and customers.

What do we mean by "mixing areas"? Besides getting to know your business, identify your internal business groups. A group of IT developers are likely interested in collaborative space with many white board walls and places you can plop down with a laptop and work in a Starbucks-like environment. But that might not work for groups of attorneys and analysts who want quiet so they can totally focus on their work. Sometimes those workers need the privacy of offices, but many have the blinds shut on their windows. So maybe they don't really need a window office. This presents an opportunity to please almost everyone: move the attorneys or analysts to the center of the space and give them privacy but not the window; make the area nearest the windows open space and move IT into it. Smart trade, which is easily supported by their business needs.

Place

Understanding labor rates, regulatory issues, crime, weather, and access to the potential location of your offices and facilities seem to be the easiest factors to address in your hunt for appropriate real estate, but a great deal of data must be analyzed. Often, the conclusions are contradictory:

- One data chart shows area job growth is projected primarily in California and Nevada, but other states look great, too.
- Another chart depicts the most business friendly states, with California and Nevada ranked #47 and #46 respectively. Ouch. Well, how about Texas? That's ranked #2 for business friendly. Much better.
- But a third chart shows the number of tornados that hit states each year. Umm, 155 in Texas. That means employees and customers can't reach the office on many days. Is that a major location factor?

Process

Materials, energy costs, and transportation are often huge considerations for a company. That's why it's critical to know what drives your business. If you're a data or call center, the cost of energy probably is a major factor. In other cases, the unique skill sets required for your business can only be found in certain markets. Remember the early 2000s when the entire mortgage industry took corporate space in Southern California? That was among the highest priced in the country, so why would they go there? Talent. That's where the hotbed of talent was for the industry. Need access to major transportation routes to move your goods? That's also a key factor for some companies. So process and place are integral to each other.

Conclusion

Don't wait for the C-suite to articulate their business needs to you. Dig in, get dirty, learn the business, and step out of your comfort zone. The company's business is your business. There is no one piece of data that has all the answers. Getting additional data is easy, but you have to navigate through everything, apply it to your business, determine the priorities of your company, and establish the right criteria for investing in corporate real estate. Your knowledge is the value that you provide to the company.

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