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# strategicadvantage

**CEL & Associates, Inc.**
*Real Estate Strategies, Benchmarking & Performance Solutions*
**STRAIGHT TALK FOR REAL ESTATE OWNERS AND EXECUTIVES**
**I N S I D E :**

1. **Don't Hatch Future Dinosaurs.** Discover why yesterday's business model is a prescription for failure, and the 12 common characteristics.
3. **As We See It.** An in-depth assessment of the emerging trends and current conditions impacting or soon to dramatically affect the real estate industry.
5. **The Compensation Crisis.** Retaining key employees is a major challenge. Discover six rules to follow when shaping a response to "pay me or I'm gone."
5. **Management Report.** Examine those operating trends that can/will directly impact your company's bottomline results.
7. **Is Your Organization Boomer Challenged?** Find out why Boomers are inhibiting many organizations' abilities to reach their full potential.
8. **Ten Trends Shaping The Workplace.** Learn how 10 emerging trends will redefine the work environment.
10. **Maximizing The Value Of Organizational Change.** Find out why 75% of change-based initiatives fail and how 6 actions can mean the difference between winning or second place.

*Real Estate  
Strategies,  
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Solutions*

## DON'T HATCH FUTURE DINOSAURS!

The best way to assure extinction tomorrow is to repeat today's mistakes. Like the brontosaurus and T-Rex dinosaurs who once ruled the world, real estate firms who use yesterday's business model are destined to join the endangered species list. Preparing for the future does not begin by repeating the past or assuming that today will continue forever. Looking in the rear view mirror makes it difficult to navigate the road ahead.

Unfortunately, the prognosis for many real estate firms (both large and small, public and private) is not optimistic. There are entirely too many brokerage firms who preach teamwork, shared databases and lasting client relationships and still have their young recruits mentored or trained by those who do not practice these principles. There are too many property management companies

who continue to fill vacant positions with recycled personnel from their competitors. And, there are too many developers who train their successors in the art of the deal versus the value of creating customer-based environments. Today, many in the real estate industry do not realize that they are hatching future dinosaurs.

While the symptoms of future dinosaur firms are many, CEL & Associates, Inc. has highlighted twelve of the more common characteristics. These twelve symptoms have not been presented in order of importance, but are the most prevalent indicators of an organization with a very uncertain future.

■ **Lack Of A Shared Knowledge Base:** The key to rapid growth, lasting customer relationships and a competitive edge is the conversion of information into knowledge. Everyone can collect data, few can transform these facts into knowledge that adds and creates value for the client or end user. Examples of

old business practices include: the printing of glossy market outlook reports; individual-controlled databases, mailing lists and client profiles; research departments that assemble data, collect information supplied by others, or produce historical trending data; and marketing brochures and materials that describe past accomplishments versus the capacity to convert knowledge into solutions.

■ **Recycling Competitors' Rejects:**

Why do so many real estate firms hire individuals from their competitors? If the candidate is so good, why is the other firm willing to let go? Are replacements only confined to the real estate industry? Perhaps the best indicator of a troubled industry is the employee turnover rate. The real estate industry's overall turnover rate of nearly 50 percent is an example of

poor hiring practices and employee recycling.

■ **Preparing Future Dinosaurs:** It is a fairly common practice among brokerage firms to have top producers train or share their secrets of success. Unfortunately, many top producers: are not computer-savvy or technologically proficient; do not believe or support the sharing of information, clients or databases; believe team is a four-letter word; and/or complain continuously about the unfair splits, management decisions and others trying to "get a piece" of their deal. Hardly a prescription for tomorrow's broker profile. How many external training classes are still using the same course materials for the 80s or 90s? If the hundreds of hours and thousands of dollars spent each year on training are so productive, why don't the results and productivity ever change?

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**DON'T HATCH FUTURE DINOSAURS***(continued from page 1)*

- **Keeping Up With The Joneses:** If you hear the phrase, "we want to be the best firm in the real estate industry" or the "best real estate firm in the \_\_\_\_\_ region," red flags should go up. If the second best is mediocre or a dinosaur, why should one aspire to slightly better mediocrity? If your internal staff meetings spend more time talking about "what the competitors are doing" than on how to create value for existing and prospective clients, a dinosaur is beginning to hatch. The future is very bright for those who do different things... not do things differently.
- **Property- Versus Customer-Centric Focus:** Dinosaurs believe that the four walls are more important than what is inside the four walls. How much time does your firm spend on the physical and operational aspects of a building versus learning about, understanding and creating value-added solutions for the customers inside those four walls? If your organization (from the top down) spends less than 75 percent of its time with and/or on customer matters... it is operating with an 80s style business model.
- **Absence Of Seamless Handoffs:** Does your company struggle with communications and relationships between property management and brokerage, accounting and operating units and/or asset management and leasing? Do your clients complain about inconsistent service from one office versus another? These are symptoms of organizational silos that protect fiefdoms while losing the focus on serving the customer with world-class solutions. Like the dinosaurs who closely guarded their territory, some aging real estate practitioners resist handoffs for fear of losing

control. The best way to stop growth... prevent handoffs. The "do-it-all" real estate professional will struggle with the specialist-driven business climate in the new economy.

- **Too Much Paperwork And Bureaucracy:** If it can't be placed on the Internet, stored in a server, or accessed without calling someone... it should be eliminated. Six out of ten real estate professionals, according to a recent CEL & Associates, Inc. survey, complain about too much paperwork, multiple requests for the same information, redoing budgets three, four, five or more times, burdensome purchasing procedures, protracted decision-making and lack of information. There is not one real estate firm today which could not eliminate one existing form or step in a process, and incur no interruption or impact on the business results.

- **Resistance To Change:** Like the dinosaurs who grazed on an abundance of vegetation, every real estate firm has several resistors to change. These change-killers publicly or subtly stop, derail, inhibit and prevent change. When did the last significant change occur within your organization? How long did it take? How long should it have taken? Were some or many components of the change reversed or never adhered to later on? Change killers believe today will continue forever, change is OK as long as it does not involve them, and that "if it ain't broke, don't fix it."

- **Inadequate Technology Platform:** Take this easy test. Are you so proud of your firm's technology platform and use of technology that you would be willing to

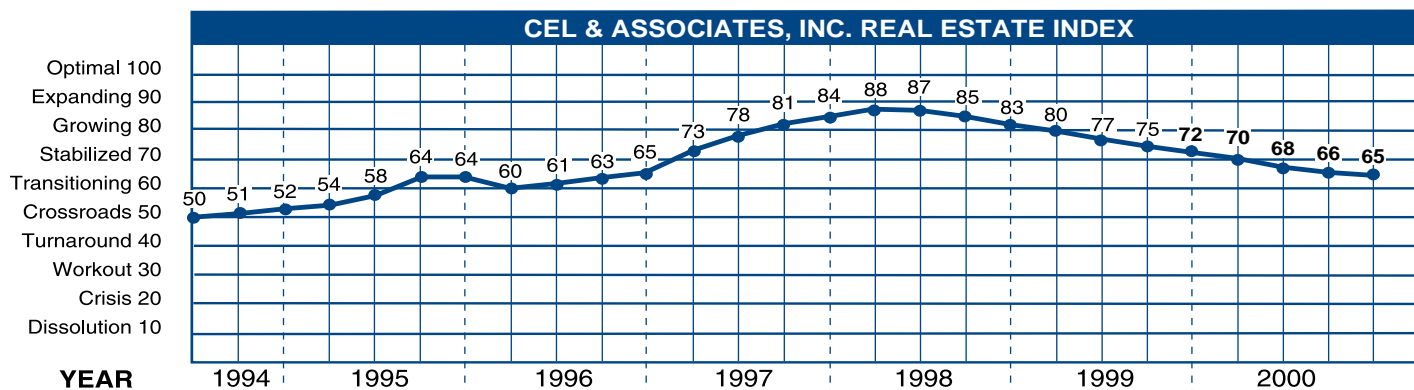
*(continued on page 4)***EMERGING TRENDS & INTERESTING FACTS**

- In 1999, 23 million business trips included a child, compared with only 7.4 million trips in 1987.
- Today's average couple worked 717 more hours than a couple working in 1969.
- In 1999, 19 percent of the U.S. population had Internet access, compared with just 7% in 1996.
- Fifty percent of all Americans own a cell phone and 37 percent of all adults claim that they are less able to take a vacation in 2000 because of demands on their time.
- Over the past 50 years, the number of women in the workforce has tripled.
- Between 1970 and 1998, the median income for women increased by 63 percent, but decreased 6 percent for men.
- Forty-five percent of adults say that their ideal neighborhood is a tight-knit place where people look out for each other — a sense of community.
- Eighty-five percent of consumers expect to own a computer by 2010.
- Fifty-five percent of consumers expect mail to become electronic.
- By 2010, 49 percent of consumers expect that they will do most of their shopping on the Internet.
- Downtown resident populations will grow by at least 38% in 23 cities between 1998 and 2010.
- Women control nearly 85 percent of the nation's household income.
- Every minute from now until 2014, seven Baby Boomers will turn 50.

## 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 economic expansion, now in its 10th year, is showing signs of slowdown.
- According to the Federal Reserve, growth in overall demand "is modulating toward a pace closer to the rate of growth of the economy's potential to produce."
- The U.S. trade gap totaled \$36 billion in 1992. Today it is up to \$30 billion per
- U.S. factory orders fell 7.5 percent in July. This followed a 12.4 percent drop in durable goods.
- The poor back-to-school sales by retailers is a warning sign of a potential sub-par holiday season yet to come. According to retail analysts, the "frumpy and overly sexy fashions" were vetoed by parents and



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 decreased slightly from 68 to 65 as the real estate industry and economy continues to slow down. While there is cautious optimism for 2001, CEL & Associates, Inc. believes that the real estate industry is transitioning from one cycle to the next; overbuilding is creeping into some markets; acquisition activity is slowing down; absorption is declining; values and rents are not increasing as rapidly as they did 18 and 24 months ago; and operating margins are getting squeezed. Technology is reshaping the industry and redefining various business practices. The underlying reasons for the slight decrease are principally due to the following factors:

month. While exports have increased and are expected to do so through 2001, do not expect high tech exports (up 31.7%) to shrink the trade gap. Because imports are approximately one third greater than exports, exports must grow at 33 percent to just stop the gap from widening. Nearly \$3 out of every \$10 spent on goods in the U.S. goes to buy an import.

- The average interest rate on a 30-year fixed-rate mortgage is now around 8 percent.
- U.S. wholesaler's inventories rose 0.3 percent in July for the 18th consecutive month increase, however wholesale sales fell 0.3 percent for the same period – the biggest drop since a 0.6 percent decline in January, 1988. It appears that the buildup in inventories has been unintentional but a slowdown in consumer spending could mean a slower than expected 4th quarter for retailers.

schools. Can they recover for the holidays?

- The Dow Jones continues to hover around the 11,000 mark, while the NASDAQ appears to have stabilized around 4,000 after a rapid decline in a number of high yield stocks. Both markets are up only 4 percent year-to-date.
- According to various economic indicators, American consumers are becoming more conservative. Faced with higher mortgage and credit card payments and a lackluster stock market, consumers are slowing down their spending. CEL & Associates, Inc. expects the net result to be a moderate (versus robust) economic growth over the next 2-3 quarters.
- The average total return for all REITs is up nearly 15 percent, while industrial REITs are up 22 percent year-to-date. It appears that the amount of industrial space is tightening (the vacancy level is now down to 6.5

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## THE HOME OF THE FUTURE

The following is a list of the likely characteristics of the home of the future.

- The home office will move into a permanent place, (out of the bedroom, basement, garage, etc.).
- Ceilings will rise higher (up to nine feet).
- Floor plans will be opened up to create flexible, multi-use space.
- The living room will get smaller.
- The family room will get larger.
- The kitchen will get bigger and more entertainment-oriented.
- Smart appliances will control the home.
- The computer will be easily accessible.

## DON'T HATCH FUTURE DINOSAURS

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stand up in a room with 100 of your peers and tell them about your Best In Class platform? If the answer is no... your company may be a dinosaur in waiting. Technology is changing so rapidly that what may have appeared current today is likely outdated by tomorrow. Unfortunately, many real estate firms believe that they "can't keep up" so they "do what is necessary" not "what is needed."

- **Failure To Hardwire The Voice Of The Customer Into The Organization:** Soliciting and obtaining feedback from customers (both internal and external) is an essential survival tool for meeting tomorrow's challenges. Customer satisfaction surveys, client advisory boards, focus groups, 360-degree customer profiles, and customer interaction are just some of the tools used by world class firms. One of the main contributors to a successful future is knowledge of one's customers.
- **Inability To Create A Learning Environment:** What is your productivity ratio? Do you know what your firm's efficiency index is? Do your employees improve their performance every year? Answers to these questions and others will reveal the growing or declining nature of your workforce. Those real estate companies who share knowledge, embrace virtual teaming, create forums for the exchange of information, encourage resource connectivity and reward personal and professional development will attract and retain the best talent. In the new economy, continuous learning will be the foundation upon which growth can occur.
- **Failure To Benchmark Performance:** "If we don't keep score, how will I know how well we are doing?" remarked the President of a large real estate organization. Leading real estate firms are discovering the value gained from benchmarking their performance against their peers and Best In Class, non real estate organizations. Dinosaur real estate firms are often afraid of comparing their performance to others for fear of what they might find.
- **Conclusion:** Are you hatching future dinosaurs in your organization? If one or more of these twelve symptoms are prevalent, there is a very high probability that you are at best falling behind. There are many proven remedies for this condition. The only question to be asked is not "should we correct the problem," but "how quickly can we start the improvement process?" ■

**For more information on how CEL & Associates, Inc. can assist your firm in planning and preparing for the future, please call us at (310) 571-3113. Don't become a dinosaur.**

## MANAGING GENERATION XERS

Labeled the lost, invisible and cynical slackers, the 40 million or so Generation Xers (born between 1960-1980) are often accused of having little to no attention span, and being difficult to manage. Generation Xers respond to the statement "get a life" as they seek a balance between work and home. They want to be left alone, seek a fun and flexible work environment, and tend to mistrust missives from their Supervisor (typically a Baby Boomer). Xers respond to change, want a welcoming (feel-good) work setting, and embrace technology as a means of escape. When recruiting a Generation Xer, employers need to recognize that this generation dislikes corporate politics.

Individuals attempting to manage and/or motivate this population segment must give this group "space" and "freedom." Xers embrace training, but are focused on a "what's in it for me" attitude. This group resists teaming, prefers instant relationships, and wants personal attention. Generally not a patient group, Xers are generally self-reliant, prefer scanable reading materials, and are very adept at multi-tasking. You can give an Xer a great deal of work and he/she will somehow get it done. Xers want feedback, attention, and the freedom to pursue other interests.

Within the real estate industry, the Generation X broker wants it "here and now" but is unwilling to make a long-term commitment. Managing Generation Xers requires patience, flexibility, good listening skills and a "reason to stay." The "here and now" is very important.

It is important to note that during the 1989 - 1994 recession, Generation Xers were in their late 20s and early 30s. Today, that same group is now 40 years of age. Managing Generation Xers is and will continue to be a challenge. How is your firm responding? ■

## THE COMPENSATION CRISIS

Performance evaluations and discussions of compensation have shifted from “how have I performed” to “here is what I want.” Employees and Brokers are increasingly demanding a “greater share of the pie” as employers find themselves in a talent shortage quandary. Annual raises are being replaced by quarterly or semi-annual adjustments. Performance bonuses are being replaced by retention bonuses. Concerns on how to respond to unhappy employees, or employees who feel that they have not been treated fairly, is on the weekly to-do list for many CEOs. Compensation has shifted from an annual topic to a daily issue within most real estate organizations.

To address this growing problem (accentuated by a shortage of talent), real estate organizations nationwide are adopting one or more of the following strategies.

**Pay Them What They Are Worth, Not What They Want:** Accommodating every employee’s demands for what they think they deserve to be paid is a prescription for future problems. Fueled by the “you are not getting paid enough” search firms and recruiters, successful real estate firms are increasingly declaring “enough is enough.” Paying an individual far above the market because he/she was the “best available” will trickle down and throughout the organization. Other employees or Brokers will demand to get what Sam or Jane were given in order to get them to join the firm. This snowballing effect will raise operating costs, reduce profit margins, and will not assure a

stable workforce. Utilizing market-based compensation survey data, performance benchmarks, peer group comparisons and indexing techniques, CEOs and Human Resources Directors are becoming more resistant to “meeting the demands” of every employee. As one CEO of a large regional real estate organization commented, “our employees either buy into our vision, our values, our culture and our future, or they don’t... paying top salaries does not guarantee loyalty, performance or longevity... so we pay what’s fair, not what is demanded.”

**Everyone Is Not Equal:** Contrary to the operating philosophy of some real estate organizations which seek to “treat everyone the same,” and compensate everyone in similar positions “within a range,” the leading companies are rewarding those who perform

with significant and meaningful bonuses and raises. A good rule of thumb is to reward your top performers twice the value given to the good performers and four times the value given to the average performers. Non-performers should receive nothing. Retaining star performers begins with an internal recognition of their achievements. Annual bonus programs are increasingly removing the caps on year-end incentive rewards. In addition, real estate organizations are discovering and rewarding appropriately those who create value higher than those who add value, which make more than those who protect value. Taking care of the top 10 - 20 percent of the star performers (who likely constitute 70 - 80 percent of the value) has become a winning strategy.

**Performance Counts:** A recent survey of real estate CEOs revealed that over 90 percent of these leaders would “pay an employee above market compensation if they exceeded the

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## MANAGEMENT REPORT

The following items highlight several emerging trends that have had an impact, or will be affecting the human resources and operating systems within real estate organizations. Further information can be obtained by contacting CEL & Associates, Inc. at (310) 571-3113 or via e-mail at [cel@celassociates.com](mailto:cel@celassociates.com).

- Casual days may be changing. For the first time since companies began to allow casual dress days, the number of companies offering this perk declined from 95 percent to 87 percent according to a recent survey. It seems the term “casual” had a very

different meaning to a diverse workforce.

- The Living Wage movement continues to flourish – particularly within communities with an active union base. In San Francisco, the minimum wage is now \$9 per hour, rising to \$10 for all employers with city contracts valued at more than \$25,000.
- While wages vary by region and by experience, the average hourly rate for Security Guards is between \$10.40 and \$10.90 per hour.
- The average hourly rate for Secretaries, according to a recent survey, ranged from

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**MANAGEMENT REPORT***(continued from page 5)*

\$11 to \$18 per hour. San Francisco and New York topped the list with means of \$17.06 and \$16, respectively.

- The typical number of paid holidays is six, according to a recent survey. Larger employers tend to give 7-9 paid days off.
- Merit increases are projected to range from 4-6 percent in 2001, according to a recent study by CEL & Associates, Inc. Many real estate firms are using 5 percent for budgetary purposes. The highest merit increases are likely to be within the Southeast, South Central and West Coast. The San Francisco Bay Area will likely experience the largest merit increase (around 5-7 percent).
- According to a recent study, employees are more likely to stay at companies that offer: (1) financial rewards; (2) valued benefits; (3) satisfying job and work environment; (4) long-term career opportunities; and (5)

an affiliation with a respected company.

- The average starting salary for Computer Science and Computer Engineer graduates is now slightly over \$48,000. The average salary for an MBA is over \$63,000.
- According to a recent CEL & Associates, Inc. study, 38 percent of real estate employees feel that they are underpaid. This is 18 percentage points higher than a recent study of overall worker satisfaction within the entire U.S. workplace. CEL & Associates, Inc.'s study discovered (not surprisingly) that those employees earning less than \$25,000 per year were the most dissatisfied. Interestingly, the CEL & Associates, Inc. study found that employees making over \$100,000 per year were not the most satisfied. The most satisfied group of employees — those making \$60,000 to \$80,000 per year.
- There will be 2.75 million Americans who turn 55 in 2001, increasing to 3.75 million

in 2002. The aging workforce and lack of an adequate pool of replacement talent (there is a projected 15 percent decline in 35-44 year olds over the next 15 years) will force many real estate firms to rethink their business practices in order to do more with less.

- Toss out your conventional thinking and read this. The best way to keep employees is to prepare them to leave. In other words, if you are properly training, advancing, coaching, mentoring, and empowering employees so they can stand alone or go on to the next level, you will likely retain that employee because you showed you cared about their future welfare.
- An interview tip. Do not ask when a prospective candidate graduated from school. This question could be used later in an age discrimination suit.
- Want to know how to calculate absenteeism? Divide the number of absences by the total work hours of all employees for the period.
- The title Talent Officer is being bantered about as a replacement for Human Resources Director. This name change would bring it into alignment with the Knowledge Officer, Chief Customer Officer, etc.
- Nine out of ten working women earn less than \$40,000 per year, and women retirees receive only half the pension benefits that men receive.
- Hire people who fit the organization, embrace the company's values, are aligned with the key beliefs, believe in the vision and are willing to learn. Follow those five criteria and watch morale rise and turnover decline sharply.
- Restricted stock grants are emerging as a

**WORTH READING**

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

- *The Customer Marketing Method* by Jay Curry, The Free Press, 2000.
- "Conjectures on the Impact of Technology on Real Estate," *Prudential Real Estate Advisors*, August 2000.
- "B2B E-Commerce, A Whole New E-Approach to Housing," *Bank Of America Securities*, March 2000.
- "Customer Relationship Management: Watch Your Step," by Stephen Gatien, *Customer Interface*, August 2000.
- "Sage Advice: Peter Drucker Interview," *Business 2.0*, August 22, 2000.
- *Driving Customer Equity* by Roland T. Rust et al, The Free Press, 2000.
- *Monitoring, Measuring and Managing Customer Service*, by Gary Goodman, Jossey-Bass, 2000.
- *Who Moved My Cheese?* by Spencer Johnson, Putnam Publishing Group, 1998
- *Work and Family: Allies or Enemies?* by Steward Friedman et al, Oxford University Press, 2000.
- "Choosing A Digital Workplace" by Heather Hevel, *PC Magazine*, September 19, 2000.
- "The 21st Century Corporation" *Business Week*, August 21-28, 2000.

Source: CEL & Associates, Inc.

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## IS YOUR ORGANIZATION BOOMER CHALLENGED?

**B**orn between 1943 and 1960, the Baby Boomers are now approaching and entering their 50s. The best known of all American generations, the Boomers have transformed from Beaver Cleaver to hippies to health food/exercise fanatics to today's head of the household. The Boomer fixation on "self" forged a behavior to make plans or judgements according to wholly internal standards. The American Dream is alive and well within this generation – and herein lies the problem.

As the Boomers enter their 50s, many are now looking at their next ten years as the ending of their traditional 50-60 hour per work week life. With a little more than 3000 days left (or less) before retiring, the behavior of this group is changing – and directly impacting real estate organizations nationwide. This fuse-lit generation expects to end their lives in Boom not Bust times and is increasingly discovering that their focus on now must shift to an emphasis on the future.

The following is a description of the impact this generation is having on real estate organizations and why today's current leadership challenges will not go away.

**Focus On Retirement:** With only 5-15 years or less left to work (at the same 24/7 pace), Boomers are discovering they are not prepared to retire. Despite a rise in their 401(k) accounts over the past five years, Boomers are increasingly demanding higher salaries, larger bonuses, long-term incentives and improved health care benefits. Building net worth through real or phantom equity programs has become a priority for many. Catching up for the years of spending on oneself is now a goal. A generation that tolerates a great deal until it has enough and then adopts a scorched-earth strategy is now increasingly demanding more rewards "or I'll leave." This "pay-me-what-I'm-worth" generation is contributing to the compensation crisis within many real estate firms. How do we hold on to these individuals who want to go from "pay-me-what-I'm-worth" to "you owe me more than just a salary and bonus"?

**Resistance To Change:** For many with less than 10 years to go before they retire, changing their work patterns and behavior is viewed as not necessary. "Look... I'm going to get out in 10 years or less so why learn something new when by the time I learn it, I'll be gone?" asks one Boomer. Introduced to the computer in the early 1980s, this generation has viewed the computer as an accessory. The first to rush to the Palm Pilot, pagers, cell phones and laptops, the Boomers use their "toys" for entertainment, communications and information — not knowledge creation. The "been-there-done-that" Boomer generation processes data and believes "nothing can overcome 20 years in the

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## WILL THE CHANGING WORKFORCE ALTER CONVENTIONAL WORKSPACE NEEDS?

**C**onsumer-like attitudes are now becoming the methodology an increasing number of workers are looking for when choosing a job. Weighing the pros and cons of compensation, incentive plans, benefits packages, work environment, training, vacation and sick leave policies; trust and confidence, advancement opportunities, title, personal time off and dress code policy are just a few of the evaluative criteria the workforce in the new economy are using to decide where to work. The American worker is approaching work in much the same manner as he/she decides where to go on vacation, or which car to buy, or where to send their child to school. The tightening job market has put the worker in the driver's seat and employers are responding.

There are not enough skilled workers to fill all the jobs created by today's economic expansion. To meet the need, two generational shifts will likely occur. First, the Baby Boomers and Generation Xers will work longer (well into their 60s and early 70s) to pay for their extended life span and the rising medical costs associated with a healthy life. By 2025 the workforce participation in the 55-64 year-old segment of the workforce will increase to 30 million people (up from 22.3 million in 1998). Second, the Generation Y workers (numbering 71 million) will be rapidly entering the workforce.

Twenty percent of all workers will be working at home by 2005. The daily commute will disappear for many workers. Home delivery and document messengering services will likely increase as lifestyle, flexible hours, video conferencing and the Internet transform business practices. Conventional workspace will dramatically change as workers become the source of knowledge. The standard office space (8x10 or 10x10 room) will no longer be needed as employees work wherever it is most advantageous for them and for their customers. Office suites, hoteling, group-share rooms, and meeting space will become the prevailing work environment.

While the number of workers in the market is expected to rise to 188.7 million by 2025 (up from

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## CHANGING WORKSPACE NEEDS

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140 million in 1998), the demand for office space is expected to slow down from the absorption pace experienced in the 80s and 90s. However, the reduced demand for office space does not mean a slowdown in office building developments. The aging inventory of office space; the lack of technology-based services (high-speed Internet access, energy-efficient systems, etc.); and an increasing demand for more "close-to-home" buildings, present many new and redevelopment opportunities. Office space near resort, vacation and second home areas will increase as the aging workforce shifts its place of residency. Getting one's work done will become more important than where the work gets done over the next 20 years.

The best indicator of the likelihood of this shift to the knowledge worker is the current war going on between the telephone companies, Internet service providers, and cable companies for the control of the consumer's home. The flow of information in and out of the home or portable computer is increasing rapidly. Today, 64 million U.S. households have computers. By 2004, that number is expected to rise to 77 million (73 million of which will have online capabilities).

The changing workforce is and will continue to alter the need for conventional workspace. The aging, technologically-connected, knowledge-based worker over the next decade will need services, not walls; connectivity, not fixed workspace; and flexibility to respond to a 24/7 customer-based work environment. The traditional office building will play a key role in business activities, however there will be nothing conventional about it. ■

## TEN TRENDS SHAPING THE WORKPLACE

The two main drivers shaping the workplace environment over the next decade are technology and talent. Technology has converted work into a 24/7 lifestyle. Pagers, voice mail, faxes, e-mail, cell phones and the Internet have made employees, at all levels, accessible and connected every day of the year. Talent is restricting work process as the lack of qualified personnel is causing companies to rethink work flow and locational issues.

CEL & Associates, Inc.'s ongoing study of the current and evolving workplace environment has uncovered many interesting and breakthrough trends. The following is a partial list of the emerging trends likely to dramatically impact and redefine the workplace.

**1 Knowledge Workers Will Replace Processors Of Data:** Computer networks, automation and robotics will shift millions of U.S. workers from handlers of information and processors of data to interpreters of information and knowledge workers. What you know will be more important than what you do.

**2 Diversity And A Flexible Workplace Will Become Commonplace:** The talent shortage caused by the exiting Boomers will reshape the work environment. Immigration laws will be relaxed to increase the importing of skilled professionals. Part-time workers (the retired Boomers) will return. Artificial intelligence will become an integral part of a company's technology platform. Standardized forms, contracts, agreements, repetitive work documents, etc. will reduce the need to recreate the wheel. Personal digital assistants, working from home and use of common workspace will flourish.

**3 Generation Y Will Skip Over Generation X:** The young, eager and computer-savvy Generation Y employees will flood the marketplace. Generation X-ers, who are starting/raising a family, will stand aside as the work-harder, want-to-get-ahead New Millennials become the dominant work force. Flexibility will be the name of the game with this generation.

**4 Corporate Hotels Will Emerge:** The fixed office will rapidly become a relic of the past where one's future and authority were defined by the location and size of the office, not the knowledge possessed. Watch for the docking station office (or building) where professionals will pay by the hour, day or week to connect, exchange knowledge, pick up messages/deliveries, and meet. Do not be surprised to see corporate shuttle busses carrying their "day customers" to other portals around town.

**5 The U.S. Workforce Will Shift To The Sunbelt:** Snow, rain, cost of living, gridlock and lifestyle will continue to shift the U.S. workforce to warmer climates. States like Florida, California, Arizona, Texas and Georgia will grow faster than their northern counterparts.

**6 Corporate America Will Become America's Higher Education Alternative:** To develop the best workforce and to overcome the educational deficiencies encountered in many U.S. school districts, Corporate America will step up and create learning centers to train and educate their workforce. Which degree would be valued higher... a degree from Arthur Andersen University or Arkansas State College?

**7 Retail Stores Will Become Virtual Catalogs:** Many workers will covet their "available" time and use the Internet to do their shopping. Retail stores will become the place you touch and

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## TEN TRENDS SHAPING THE WORKPLACE

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feel product — the best-price-available purchase will occur over the Internet. Longer work hours will equal an increased use of the Internet for shopping.

**8 The Home And Work Environments Will Merge:** The 24/7 workplace will force workers to conduct work from their homes and perform home tasks from their work. Workspace near one's home will be highly

valued. Flexible work schedules will be commonplace.

**9 Goodbye Holidays... Hello Personal Days:** The increasingly diverse workforce will not understand Thanksgiving, President's Day, Christmas, Memorial Day or Labor Day. "In their country" or "according to their religion," these holidays hold no meaning. Watch for employers to give everyone 6, 8 or 10 personal days off — you decide when you want to take them.

**10 Climate Controlled Cubicles Will Emerge:** Imagine a cubicle that can control heat, air conditioning, lighting, air circulation and noise... that will become a reality over the next decade. "My space" versus "common space" will guide space planning. ■

*For more information on the futurist predictions from CEL & Associates, Inc., and how to capitalize on these emerging opportunities, please call us at (310) 571-3113.*

## IS YOUR ORGANIZATION BOOMER CHALLENGED?

(continued from page 7)

business." As visionary leaders seek to assure a future for successive generations, many aging Boomers resist change.

**A Glass Ceiling For Promotions:** Holding onto their positions, titles and functions "until I retire," many in the Boomer generation block the advancement of others. With only a finite number of senior or leadership positions available, Boomers tend to promote from within their generation. "He/she has been here X number of years..." "I've known him/her for a long time." ... "He/she has the experience." or "They've been through a cycle so they know what I'm talking about," are some of the phrases used when elevating others to the leadership ranks. Success is becoming a major problem in many Boomer-led real estate organizations.

**Concern Over Quality:** Inspired by what is valued, what is important, what is quality, the Boomer generation has embraced service, excellence and customer satisfaction initiatives. Always the perfectionists, the new focus on the customer and customer care is a result of the Boomers' desire to show others "how it should be done." Boomers are also well-known for creating a crisis mentality. "We're better at causes and correcting wrongs" is a common

belief held by Boomers. The shift of real estate organizations from collecting rent to collecting customers reflects the networking desires of a generation focused on "what's best."

**Desire To Leave A Legacy:** With a decade or less to go before retirement, many Baby Boomers are becoming increasingly concerned with how future generations and others will view their contribution to society. Many CEOs and senior leaders within real estate firms are adopting local charities, increasing their charitable giving, volunteering time to such causes as Habitat For Humanity (among others) and encouraging others to give. Concerned over how others will view them, many real estate leaders are willing to take on redevelopment, inner city, affordable housing projects to "improve community life."

**Reluctance To Take Risk:** As they get closer to retirement, most Boomer generation leaders within the real estate industry have become more conservative in their investment decisions. "A fear of losing it all when I'm 60" has caused and is causing many real estate leaders to shy away from the tough or risky projects. "Rolling the dice" is increasingly a memory, not a reality. The net result is likely to be stable growth, and fewer market-maker projects.

**Quality of Life:** Taking time off, extended weekends, and an increase in time with family and friends are becoming a more frequent pattern with Boomers. The work-till-you-drop behavior of the 1980s and early 1990s is giving way to a more relaxed, balanced work pattern. Real estate organizations are now coping with issues such as dress codes, personal time off, 401(k) programs, flex schedules and wellness programs.

Turning 50 years of age used to be a milestone for an individual. Today it is that and a turning point for many real estate organizations. It is fairly easy to ascertain the probability of future organizational success by examining its generational make-up. How many Millennium and Generation X-ers are in leadership positions within your firm? How is your company responding to the challenges created by the Boomer generation? The future is built on generational shifts and transition. How well is your organization addressing its generational hand-off? ■

*For more information on how CEL & Associates, Inc. can assist and guide your organization through leadership change, generational shifts and transition, please call us at (310) 571-3113.*

**CEL & Associates, Inc.**

Real Estate Strategies, Benchmarking &amp; Performance Solutions

## IF YOU DOUBT E-COMMERCE WILL SIGNIFICANTLY IMPACT THE RETAIL SECTOR, READ ON...

- B2B e-commerce sales could reach \$3 trillion by 2004.
- 93 percent of all firms in a recent survey indicated that they expect some of their business to flow over the Internet by 2002.
- Online retail sales in North America are expected to exceed \$60 billion in 2000. Forty percent of online retailers are making a profit.
- Online car sales (1.2 million in 1999) will grow to 3.8 million by 2004 — accounting for 22 percent of all car sales.
- The number of continuous Internet connections (DSL lines and cable modems) in the U.S. will grow to 25 million by 2003.
- The average U.S. household receives 59 e-mails per week.
- Online recruitment will grow to \$3.2 billion by 2004.
- Online education will grow to \$12 billion by 2003.
- Nearly 60 percent of Internet users spend five hours a week online.
- The wireless handheld device industry will grow to \$17.8 billion by 2004.

## MAXIMIZING THE FULL VALUE OF ORGANIZATIONAL CHANGE

Change has been an integral part of organizational dynamics since the 1900s. Over 100 years later, the new economy, information age, technology revolution, and the e-consumer have ushered in an endless stream of business opportunities within the real estate industry. The accelerated pace of change, however, has relegated to the sidelines those companies who have traditionally waited to “see what others are doing” before making a change. Cast aside are those organizations who believe in the “if it ain’t broke, don’t fix it” category. Some firms have become distant observers or detached participants in the new real estate game. Surviving and prospering in the new economy requires more than a lifeline — it mandates immediate change in the way an organization thinks and performs.

According to a recent CEL & Associates, Inc. study, nearly 75 percent of change-based initiatives fail within the real estate industry. The industry, and more specifically many real estate companies, do not lack an “intent to change,” only a “commitment to change.” While it is easy and fairly harmless to talk about change, it is very difficult to actualize true change — and therein is the problem. While the reasons for failing to change vary (e.g., lack of follow-through, timing, conflicting priorities, lack of shareholder or CEO support, internal resistance, etc.) one fact remains quite clear — successful change requires six elements: focus; embraced goals; a clear plan of action; leadership; rewards; and passion or sense of urgency. Let’s examine these six ingredients, and how each can and will maximize the full value of organizational change.

**Focus:** As a noted philosopher once said, “if you don’t know where you are going, all roads will lead you there.” This is so true within the real estate industry. Motivating personnel to change, to follow and/or to improve their productivity requires a clear vision. Understanding where the organization is going, what it seeks to achieve, how it intends to get there, and what contribution each individual must make to reach that vision are essential components for success. Focus requires a clearly understood and fully embraced vision that is measurable, memorable and motivating. Resistance to change begins with the question, “Why change?” Articulating a vision provides a clear direction of where the organization is headed and highlights the key values and contributions all employees have in achieving that vision. To find out how far your organization is from a focused vision, try this easy exercise. One day when you arrive at work, or are in a staff meeting, ask the first 10 people you see to state your Company’s vision. If three or more people cannot quickly and clearly state the vision... you’ve identified the first problem or barrier to maximizing the full value of organizational change. How can you expect your employees to follow when they don’t know where they are going?

**Embraced Goals:** No vision will be complete unless there are clearly stated measurable goals from which progress toward the vision can be assessed. However, many real estate firms are not able to communicate their goals and frequently make the mistake of believing a budget is the goal.

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*“...nearly 75 percent  
of change-based  
initiatives fail...”*

## MAXIMIZING THE FULL VALUE OF ORGANIZATIONAL CHANGE

(continued from page 10)

A budget and its corresponding numbers are merely tools for financial planning and performance monitoring. A goal is something that the organization seeks to achieve... a target to shoot for. Successful goals are those that stretch the performance of each individual. Goals must transcend the basic financial milestones and include measures of customer satisfaction, performance indexing, talent and client productivity. Successful real estate companies typically restrict the number of goals to the top 5-8 organizational priorities. Change will occur when the organization understands and embraces those measures, standards and benchmarks used to assess progress and performance improvement.

**A Clear Plan Of Action:** The strategies and tactical action steps needed to exceed the goals and achieve the vision are the cornerstones for change. Every successful real estate organization must have a carefully thought out strategy and action plan for these ten areas: Technology; Talent; Capital; Market(s); Products/Services; Knowledge; Growth; Business Development; Leadership Development; and Customers – plus strategies for specific functions (e.g., development, brokerage, investment sales, corporate services, property management; construction; etc., as appropriate). Organizational change will not occur unless and until there is a clear plan of action on what specific activities must be accomplished, who is accountable for that action item's implementation, and when that action will be accomplished. The dimensions of change must embrace the paradox between economic value and organizational capacity.

**Leadership:** No one individual can push, pull, cajole, direct, inspire, coach or mandate change within an organization. While a company can have a single visionary leader who sets the direction and organization's vision, the ability to affect change requires multiple leaders. Unfortunately, many real estate companies equate title with leadership skills... The higher the title, the better the leader. How wrong and disruptive that theory can be. Leadership is not an appointed trait, it is an innate or acquired skill that transcends titles, tenure and function. In order to maximize the full value of change, leaders must: lead, not manage; create, not protect value; inspire, not direct, excellent performance; and exemplify the desired change, not just talk about it. Not everyone is a leader and the sooner the company acknowledges that fact, the quicker the organization will be able to change and to take advantage of opportunities. Think back on the last 2-3 changes the company wanted to make that it was unable to achieve – every failure will have a 90 percent or greater probability that the failure was attributed to one or more leader's inability to lead. Often the right strategy never gets off the ground because there is a leadership void. Change must occur from the top down and from the bottom up.

**Rewards:** Aligning rewards to purely financial objectives, or to the subjective judgement of others is a prescription for failure. Employees must know how they will be measured, what happens when they exceed or fail to exceed the target goal(s), and which goals have a higher priority. Behavioral change occurs when the employee's financial, career and personal goals can be achieved and are in

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## PREDICTIONS

**Share Knowledge And Fatten The Bottom Line.** One of the major barriers to improved productivity and profitability is the reluctance of real estate professionals within the same firm to share knowledge. This inhibitor to performance is particularly acute within transactional groups and between property management and transactional professionals. It has been estimated that the mere act of creating a shared database, mailing list and client/customer profile information can increase business development by 10-20 percent. When teaming, coordinated new business initiatives and a CRM program are added, this percentage can increase to 20-30 percent – without adding payroll or new resources. Those real estate firms who are able to combine internal resources, remove barriers, tear down silos and place customer needs ahead of individual gain, will dominate the real estate industry for years to come.

### Creating A Meaningful Workplace Improves Productivity.

The real estate industry is just entering a period of immense restructuring, redefinition and reengineering old and out-of-date business practices. The accelerated pace of technological change, the 24/7 work environment and a shortage of talent, is having an impact on the real estate professional – at all levels. Absenteeism is up, turnover remains high, morale is wavering, stress levels are rising, while burn-out remains a strong possibility for some. CEL & Associates, Inc. expect the typical real estate professional to withdraw, seek simplicity and retreat into smaller

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*"If you don't know where you are going, all roads lead there."*

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**AS WE SEE IT***(continued from page 3)*

- percent versus 7.1 percent a year ago), and as an asset class, industrial properties should see a rise in values and rents over the next 12 months.
- The economy, which grew at a 5.3 percent rate in the second quarter, appears to be slowing down to a more reasonable 3.5 percent rate for the 3rd quarter.
  - The personal savings rate declined to a negative 0.2 percent in July, the lowest ever.
  - The half-filled and half-empty economic picture in the U.S., while confusing, appears to reflect the slowdown predicted by CEL & Associates, Inc. nearly 18 months ago. The unemployment rate is up to 4.1 percent, while the tightening in the labor markets continues to drive wages higher. Nonfarm payrolls declined in August, while private-sector employment rose. Nearly 65 percent of the U.S. population is employed.
  - According to CEL & Associates, Inc., the stock market investors will be lucky to achieve a 10 percent return (including dividends) in 2000. This is far below the 26 percent average return over the previous five years.
  - The 4 percent average GDP growth over the past 54 months is still higher than the 3 percent average growth rate experienced in the 1970s and 1980s.
  - Productivity growth (around 1.5 percent a year for most of the 1970s and 1980s) has risen to 3.5 percent.
  - The overall residential mortgage delinquency rate rose to 3.82 percent in the second quarter, yet the number of loans going into foreclosure declined.
  - The nearly 15 percent jump in new home sales in July (the largest increase since April 1993) was an anomaly. CEL & Associates, Inc. expects new home sales to end the year around the 900,000 mark.
  - Sales of existing condominiums is slowing, although the sales pace is still above 1999 figures. The average condo sales price was \$113,800 (up 6.1% over the same period in 1999).
  - The much-anticipated consolidation within the REIT industry has yet to materialize. Today there are 200 REITs, down slightly from 210 in 1999.
  - It appears that some banks are tightening credit standards. According to the Federal Reserve Board's Beige Book, developers (both commercial and residential) are voicing more complaints on the increasing difficulty of getting loans.
  - Overall occupancy levels, average daily room rates and RevPar numbers are up year-to-date within the hotel industry. ■

**THE 2001 NATIONAL REAL ESTATE COMPENSATION SURVEY IS UNDERWAY!**

CEL & Associates, Inc. is pleased to announce that the 12th Annual 2001 National Real Estate Compensation Survey forms are in the mail. Covering 82 different positions, every major and most secondary market areas, this survey continues to be the largest (based on the number of positions covered), most popular (data from over 400 firms is included) and the most widely-used compensation survey within the real estate industry. As an added feature, the 2001 survey also includes a section on benefits. The printed results of the survey are free to all participants. In addition, all participants receive a preferred user status on Compensation Online - an Internet-based site that you can point and click the sort(s) you want. If your organization has not received a survey (you may need to check with the Human Resources Director), please call us immediately at (310) 571-3113 or e-mail us at cel@celassociates.com. Don't miss this benchmark report. ■

**MANAGEMENT REPORT***(continued from page 6)*

- popular and preferred long-term incentive option for those organizations seeking to retain talent while growing the business. Often tied to a period of time or a specific financial goal, restricted stock gives the employee the benefits of ownership without actual ownership of the stock. When the restrictions are removed, the employee receives the shares outright.
- Broker splits have remained unchanged over the past year. However, an increasing number of firms are adding a profit sharing component. Here is how it works. After the company has reached a pre-established profits benchmark, the participating Brokers (who generally had to reach a qualifying gross production level to be eligible for this bonus) share any remaining profits on a sliding scale basis.
  - According to the U.S. government, the average work week is now 34.3 hours. We assume they have never worked in the real estate industry, where the average work week is in excess of 40 hours.
  - The average employee contribution to health insurance costs are now 16.9 percent (for one employee) and 29.1 percent (for the employee's family). A recent study indicated that 20 percent of U.S. employers intend to pass rising medical costs on to their employees.
  - The combined direct costs for an employee (turnover, group health, unscheduled absence, workers comp, etc.) are now \$9,992. When indirect costs (low productivity, absent workers, etc.) are added, the total rises to \$13,277 per employee.
  - Women represent 46% of the U.S. workforce, but, only 12% of corporate officers.
  - Most 401(k) plans match between 3-4 percent of pay. ■

## THE COMPENSATION CRISIS

(continued from page 5)

desired performance goal." Increasingly, Performance Scorecards, MBOs, and other goal-setting measurement tools are being deployed to quantify, differentiate and acknowledge performance. It is now fairly commonplace within the real estate industry to see "minimum performance standards" or "qualifying criteria" as a component of bonus or profit-sharing eligibility. The discretionary bonus has become a relic as CEOs recognize that star performers, rising stars and desire-to-advance professionals want clearly set goals and rewards that "will be given" when those goals are met or exceeded.

**Beware Of The Executive Placement Firms:** Relying on head hunters and executive recruiters for market data on prevailing salaries and wages can lead to "over paying" and "higher than market" compensation benchmarks. When head hunters call a prospective candidate they often "throw out" inflated numbers to generate interest — which dangle compensation totals that far exceed what the employer is willing to pay. When search firms (which get paid a percentage of total compensation for a placed candidate) discuss wages with a client they are incentivized to inflate the number (because it is easier to recruit candidates and they get paid more). While all executive recruiters do not fall into this group, beware of benchmarking compensation on what you hear from those who have a vested interest in higher numbers.

**Recruit The Heart, Pay For The Mind:** Real estate employers are now recognizing the added value from employees who share the same values, passion and sense of urgency as the organization's founder or current leader(s). If an employee — current or prospective — does not buy the story, embrace the core beliefs, and share the same level of

commitment as the firm's leaders, no amount of money will change that. Real estate organizations are utilizing such practices as core competency hiring, psychological testing, and behavioral profiling to identify those who come closest to the ideal employee. Compensation for those individuals is then based on that individual's skills, experience, performance and potential. First decide, do we want this individual in the firm... then pay for their contribution to value added.

**Get Help:** When making a decision on what to pay someone, objective advice and guidance from an independent, experienced compensation expert can save thousands, hundreds of thousands, even millions of dollars later on. Spending \$250 - \$500 to profile the cash compensation levels of comparable/peer groups so that an informed decision can be made is a cost savings investment. Failure to do so, or attempting to conduct the same profiling internally, costs more money and takes more time than getting good advice. Picking up the phone is a better alternative than picking up the ball after a key employee has left over a compensation dispute.

**Conclusion:** Compensation within the real estate industry is nearing (many would say is already in) a crisis stage. The shortage of talent, a robust economy and a competitive marketplace mandates careful compensation planning. Following these six strategies will save your company time, money, valuable resources and frustration caused by the current compensation crisis. Compensation programs have become more complex, flexible and performance-based. The first step every organization should take is to answer the following three questions: (1) are we fairly compensating our employees and independent contractors; (2) are we aware of the new compensation and reward structures being

deployed within other real estate companies that may make sense to incorporate into our firm; and (3) what will it take to continue to recruit, retain and motivate our team of professionals? How would your firm answer these questions? ■

## PROMOTE PEOPLE WHO MAKE YOUR COMPANY UNCOMFORTABLE

In order to move a company out of its comfort zone: create a sense of urgency and renewed energy; hire and promote individuals who think out-of-the-box; and disturb the status quo. If everyone in an organization agrees, or agrees to avoid conflict/confrontation, the organization suffers. Individuals who ask "why" and "what would happen if" will brighten the path and create value for an organization. So many real estate companies are confined by adherence to old rules, historical precedents, traditions and "that's-the-way-we've-always-done-it" operating philosophies, that the ability to change is prevented.

Whenever an organization has a problem, the first reaction is to "smooth it out." Unfortunately, what is often needed is someone who can rethink the problem, engineer new solutions, and/or reinvent process to prevent future occurrences.

World-class companies encourage change. The key to change is talent... and if your organization doesn't have individuals who think out-of-the-box, complacency will set in. Promoting people who make your company uncomfortable does not mean you don't get rid of those whose actions inhibit performance — you do. However, unless you "create some heat," and examine status quo, it will be very difficult to keep pace with your competitors. ■

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**PREDICTIONS***(continued from page 11)*

communities. Working from home will become an escape from the "rat race" experience when at work. To avoid the troubling signs of employee burn-out, and increased turnover, real estate organizations will need to create meaningful work environments. The role of values, personal ethics, and key beliefs will likely take an increasing role in nourishing each employee's outlook. Career development, flexible work schedules, improved communications and an enhanced employer-employee relationship will need to become a part of the everyday work environment.

**Vacation Home Buyers Are Getting Younger.**

Traditionally, the median age of all second-home buyers was 52 years of age. However, a recent study of the nearly 400,000 families who bought single-family vacation homes in 1999 discovered the median age to be 43. This group did not include the thousands of others who purchase time-share or part-time ownership structures – which tend to be younger. The median price for a second single-family home sold in 1999 was \$127,800. Approximately 1 in 6 homes sold annually is a second home – only 50 percent are purchased for recreational use only. However, the 377,000 second-homes sold in 1999 was a 9.3 percent increase over 1997, and a 27.4 percent increase over 1995. A recent study discovered that one in four families believes their chances of purchasing a vacation property are 50-50 or better – up from one in six, ten years ago. According to a recent study, the popularity of second homes is rising more rapidly than other forms of psychic pleasure. CEL & Associates, Inc. estimates that the demand for vacation or second homes will continue to rise and the opportunities for developers will be significant over the next twenty years.

**The Value Of Real Estate E-Commerce Companies Could Exceed \$250 Billion By 2005.** According to a recently released Bank of America Securities report, the value of real estate-related e-commerce companies could exceed \$250 billion within the next five years. With over 150 (and rising) e-commerce companies solely focused on the real estate industry, the various business practices traditionally handled by real estate firms or their vendors is now rapidly changing into an Internet-based web of connectivity. Most real estate companies could (and will) likely eliminate 90 percent or more of their vendors as they move to purchasing networks. CEL & Associates, Inc. expects most firms will be "connected" to a preferred provider network of vendors within 60 months (e.g., Site Stuff). A good rule of thumb is... if you purchase it offline today... it will be purchased online tomorrow. An added benefit to real estate firms is the reduction of processing costs from \$50-70 to \$20-25 per transaction.

**Housing Affordability To Remain A Problem.**

In a recent report to Congress, HUD stated that 5.4 million people had "worst-case" housing needs – 600,000 more households than in 1991. This decline in affordable housing occurred during the record economic growth experienced over the past decade. According to a National Housing Conference Study, 14 percent of American families (13.7 million) have critical housing needs. More than half of their income is spent on housing. More than 220,000 teachers, police and public safety officers in the U.S. spend more than half of their income for housing. Reducing public barriers to housing production would help. CEL & Associates, Inc. expects local versus federal actions to be the first solutions. ■

**MAXIMIZING THE VALUE OF ORGANIZATIONAL CHANGE***(continued from page 11)*

alignment with the company's vision. How can organizational change occur when an individual's reward system is solely based on individual performance? "What's in it for us" must replace "what's in it for me." Fulfilling company goals and reaching the stated vision require a compensation system that is flexible, a performance evaluation system that is measurable, and an incentive system that recognizes excellence. Cause and effect rewards will accelerate the pace of change and enable the organization to achieve its desired results. Incentives must reinforce not drive change. **Conclusion:** Real estate organizations and their leaders have an increasing number of difficult choices and decisions to make in the new economy. However, none of these choices or decisions will result in long-term beneficial rewards to the organization without change. The path to success has many barriers to overcome. However, when change and the process of change is embraced and hardwired inside the organization, incredible performances become the end result. If the objective of your company is to grow, prosper and survive over the next decade, then mastering the process of change is mandatory. One's competitive advantage is contingent on behavioral modification that aligns the workplace and work activities with the company's vision and goals and the customer's needs and expectations. Why wait any longer to change? ■

*For more information on how CEL & Associates, Inc. can assist and guide your organization through change, please call us at (310) 571-3113.*

### FOR MORE INFORMATION

Would you like more information on the various performance improvement or profit enhancement programs described in this publication? Copy this page and fax or mail it to us to receive more information on the following programs. Check below for more information.

Check Here	Program	Description
<input type="checkbox"/>	<b>REACT</b>	<b>REACT</b> is a performance measurement and benchmarking process that surveys the opinions, perceptions and attitudes of clients (existing and potential), tenants, residents, building owners, property managers and customers. <b>REACT</b> is the nation's most popular and widely-used survey tool.
<input type="checkbox"/>	<b>Strategic Planning</b>	Setting a vision, (re)establishing an organization's core values, determining the various performance/financial goals, shaping the proper strategies to achieve the vision and goals, and developing the action plans that successfully enable the strategies to be implemented are the main components of <b>Strategic Planning</b> .
<input type="checkbox"/>	<b>COMPensation</b>	A must for anyone structuring a pay-for-performance compensation program, comparing company compensation data to industry standards, and those desirous of establishing a meaningful evaluation system.
<input type="checkbox"/>	<b>Feedback</b>	Knowing the opinions, attitudes and perceptions of your organization's employees is critical for improving morale, communications and performance.
<input type="checkbox"/>	<b>Compensation Online</b>	For human resources directors, administrators, CEOs and owners, <b>Compensation Online</b> takes salary and bonus information and compares it to the national industry standards and to a composite profile of comparable organizations. Over 80 positions are available for comparative purposes from <b>Compensation Online</b> .
<input type="checkbox"/>	<b>Move-In/Move-Out</b>	<b>Move-In/Move-Out</b> is a performance measurement tool that lets a company know the decision-making, experience, opinions and perceptions of tenants or residents as they move into or out of a property.
<input type="checkbox"/>	<b>Succession Planning</b>	If you and/or your organization are unclear on what will or should happen upon the retirement, death or sudden disability of the CEO, CFO or key leaders, then <b>Succession Planning</b> is the tool for you.
<input type="checkbox"/>	<b>2000 National Real Estate Compensation Survey</b>	400 firms nationwide participated in this study — the largest of its kind in the U.S. Copies are available for \$795.


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**TRENDS TO WATCH****Trends to Monitor Closely****Likely Impact**

<ul style="list-style-type: none"> <li>■ 55 percent of Americans say that they shop weekly at mass merchandisers. Of that group, 39 percent shopped at Wal-Mart.</li> </ul>	<p>Watch for a continuing shift away from the small retailer. Today, the average American takes 3.5 shopping trips per week, but only 57 percent of consumers shopped at a mall, down from 76 percent in 1998. Trouble ahead for the malls and specialty big box retailers.</p>
<ul style="list-style-type: none"> <li>■ Home building stocks now trading at 5 to 6 times their earnings may have bottomed out.</li> </ul>	<p>Watch for a rise in the trading multiple to 9 (still below the 10 - 11 multiple that industry has traditionally traded) over the next 18 months. Backlogs are up and the outlook is bright for this sector. Time to buy the undervalued stock of some homebuilders.</p>
<ul style="list-style-type: none"> <li>■ Julien J. Studley's TenantNet.com site, scheduled to be launched in October, caters mainly to tenants seeking 5,000 square feet or less. Free to Tenants, the site appears to retain the role of the traditional Broker in completing the transaction.</li> </ul>	<p>Competitors and competitive Web sites such as TenantWise.com and Goldman Sachs Zethus will likely relegate Studley's site to a convenience or referral identity over the next year.</p>
<ul style="list-style-type: none"> <li>■ FleetBoston Financial recently launched Celeris, a new e-commerce venture that can provide mortgage origination and closing services via the Internet.</li> </ul>	<p>CEL &amp; Associates, Inc. expects this site to grow slowly as consumers continue to want to "talk to someone" about one of the biggest decisions in their lives. Refinancings are perhaps a better opportunity.</p>
<ul style="list-style-type: none"> <li>■ Pan Pacific Retail Properties purchase of Western Properties (valued at \$440 million) is perhaps a sign of future volatility in the retail sector.</li> </ul>	<p>Watch for the continued break up, sale or merger of retail portfolios as aging properties, needed operational efficiencies, and exiting leadership motivate a sell-off (e.g., Burnham Pacific Properties).</p>
<ul style="list-style-type: none"> <li>■ Former Department of Housing and Urban Development Secretary Henry Cisneros' new venture with Kaufman &amp; Broad, called American City Vista, is an emerging trend worth noting.</li> </ul>	<p>Watch for other homebuilders and apartment developers to refocus their portfolios, or infill sites, recreating neighborhoods and formerly tough-to-build sites—many of which require political connections/savvy to acquire and/or control. The metropolitan lifestyle will become more popular.</p>


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