



UCI  
GRADUATE  
SCHOOL OF  
MANAGEMENT

Marcus & Millichap

Corporate Real Estate Services

**1993  
CORPORATE  
REAL ESTATE  
SURVEY**

*by*

**Louis H. Masotti, Ph.D.**

Director, Program in Real Estate Management  
Graduate School of Management  
University of California, Irvine

*In cooperation with*

**Marcus & Millichap  
Corporate Real Estate Services**

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***Marcus & Millichap Corporate Real Estate Services***

Thomas B. Gibson, Vice President & Regional Manager  
Douglas B. Pichard, Senior Associate  
Darin L. Buchalter, Associate, Corporate Accounts

***Graduate School of Management  
University of California, Irvine***

Richard Rodner, Director of Development

## ◆ **TABLE OF CONTENTS**

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	Page no.
List of Tables .....	3
Preface .....	4
Governmental and Socioeconomic Aspects of the Orange County Business Climate.....	5
Corporate Real Estate Planning .....	8
Corporate Real Estate Decision-Making.....	15
Summary and Conclusions .....	16
Appendices	
A. Survey Questionnaire .....	19
B. Industrial and Firm Size Categories .....	24
C. Profile of Marcus & Millichap Corporate Real Estate Services....	25
D. Profile of the Program in Real Estate Management, Graduate School of Management, UCI.....	26

## ◆ LIST OF TABLES

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		<i>Page no.</i>
<i>Table 1a</i>	Short- and Long-Term Business Outlooks by Size of Firm.....	5
<i>Table 1b</i>	Short- and Long-Term Business Outlooks by Industry .....	6
<i>Table 2</i>	Presence of a Company Strategic Facilities Plan.....	8
<i>Table 3</i>	Presence of Mandatory Lease Requirements.....	9
<i>Table 4</i>	Presence of a Catastrophic Contingency Plan .....	11
<i>Table 5</i>	Percentage of Firms Evaluating Annual Occupancy Costs.....	14

There has been a considerable amount of interest, discussion and analysis over the past few years concerning the dynamic relationship among the vicissitudes of a shifting economy, issues of corporate restructuring, and changes in the nature of work and in the design of the workplace. This dynamic has, in turn, been interpreted by firms and corporations and translated into decisions about the appropriate location, amount and configuration of workspace necessary to remain competitive in the emerging business world of the Nineties.

Recently, 219 Orange County companies completed a survey designed to help us understand how these issues are being addressed in this market. The 1993 Corporate Real Estate Survey<sup>1</sup> endeavors to ascertain how Orange County companies

- perceive their short and mid-term fortunes,
- plan for real estate assets and facilities, and
- decide about real estate issues.

In the analysis of survey findings, respondent firms were categorized by industry and by size.<sup>2</sup> We determined that this might yield more precision in our analysis and give more meaning to our findings. Thus, not only can we draw an overall Orange County corporate real estate picture, but we can also evaluate similarities and differences by industry group and by firm size.

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<sup>1</sup>See Appendix A for the questionnaire used.

<sup>2</sup>See Appendix B.

**◆ GOVERNMENTAL AND SOCIOECONOMIC ASPECTS  
OF THE ORANGE COUNTY BUSINESS CLIMATE**

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Whether the outlook is short-term (18-24 months) or long-term (5 years), Orange County companies are optimistic about the future. However, only 66% feel positive in the short run, while an impressive 91% see light at the end of the tunnel five years from now.

Smaller firms are more optimistic in both the short-run (72%) and over the longer term (94%) than large firms, 64% and 83%, respectively.

Medical, Health Care and Computing/Electronics companies are more positive in the short-term while Law and Accounting firms join Medical companies among the industries with very high long-term positive perspectives. Even Manufacturing, with the lowest positive long-term perspective, scores a 79% with only 9% negative.

**Table 1a  
SHORT- AND LONG-TERM BUSINESS OUTLOOKS BY SIZE OF FIRM**

By Firm Size Focus	Outlook					
	% POSITIVE over		% NO CHANGE over		% NEGATIVE over	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
<b>Small</b>						
Firm	72	94	18	1	10	5
Industry	51	83	31	7	18	10
<b>Medium</b>						
Firm	62	90	28	6	10	4
Industry	46	77	30	10	24	13
<b>Large</b>						
Firm	64	83	24	12	12	5
Industry	54	70	34	15	12	15
<b>TOTALS</b>						
Firm	66	91	24	5	10	4
Industry	49	78	31	10	20	12

**Table 1b**  
**SHORT- AND LONG-TERM BUSINESS OUTLOOKS BY INDUSTRY**

By Industry Focus	Outlook					
	% POSITIVE over		% NO CHANGE over		% NEGATIVE over	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
<b>Accounting</b>						
Firm	54	92	23	0	23	8
Industry	33	69	42	23	25	8
<b>Computing/ Electronics</b>						
Firm	79	86	21	11	0	3
Industry	56	78	37	15	7	7
<b>Engineering</b>						
Firm	67	92	17	0	17	8
Industry	58	88	29	8	13	4
<b>Financial Services</b>						
Firm	69	96	15	0	15	4
Industry	50	85	27	8	23	8
<b>Health Care</b>						
Firm	72	88	16	4	12	8
Industry	71	87	13	0	17	13
<b>Insurance</b>						
Firm	51	89	43	11	6	0
Industry	33	70	33	15	33	15
<b>Law Firms</b>						
Firm	65	100	35	0	0	0
Industry	28	78	67	5	5	17
<b>Manufacturing</b>						
Firm	56	79	26	12	18	9
Industry	47	68	26	9	26	23
<b>Medical</b>						
Firm	94	100	6	0	0	0
Industry	61	89	28	5	11	5
<b>FIRM TOTAL</b>	<b>66</b>	<b>90</b>	<b>24</b>	<b>5</b>	<b>10</b>	<b>5</b>
<b>INDUSTRY TOTAL</b>	<b>49</b>	<b>78</b>	<b>32</b>	<b>10</b>	<b>20</b>	<b>12</b>

Overall, these Orange County companies are more optimistic in the long versus the short run, perhaps anticipating an extensive adjustment to current economic conditions. They are also significantly more positive about their firms' futures than they are about the outlook of their industries.

When questioned about the relationship of labor quality and cost to facility location decisions, less than half (43%) consider it important, and only Manufacturing firms (at 65%) score over 50%. At the bottom of the list are Law Firms; only 10% of them consider labor quality and cost important to their location decisions.

Although Manufacturing firms believe labor is important, less than 60% of them contribute to education and training programs designed to assist in recruiting and retaining quality employees. This is the lowest score among all industries. Bigger firms are more likely to contribute (90%) than and smaller firms (65%). The overall score is 76%.

We also asked firms to rate seven governmental, economic and social factors in terms of their relative positive or negative impact:

- Availability of qualified labor
- Availability of markets and supplies
- Availability of quality and affordable business facilities
- Cost of workers' compensation or other insurance
- AQMD and other regulations
- Traffic and congestion
- Cost of living

Overall, Orange County firms are most positive about an available, qualified labor pool (58%) and about the availability of markets and supplies (67%).

At the other end of the scale, firms respond negatively to the cost of workers' compensation (57%), traffic/congestion (56%) and the cost of living (61%). Attitudes toward regulations, such as those promulgated by the Air Quality Management District (AQMD), were moderately negative (44%).

Respondents have no strong positive or negative feelings about the availability of quality and affordable business facilities; over 41% were neutral on this item.



## ◆ CORPORATE REAL ESTATE PLANNING

Given the significant cost of real estate in the budgets of most firms, we were surprised to find that a majority of Orange County companies in the survey did not have a strategic plan for their real estate facilities. When we ask whether the firm has a **strategic facilities plan** in place that works in conjunction with their overall business plan, only 39% respond affirmatively. Even when analyzed by firm size, only 57% of the larger firms -- those we would expect to be more likely to have a plan in place -- actually have one.

**Table 2**  
**PRESENCE OF A COMPANY STRATEGIC FACILITIES PLAN**

	<i>% of Firms WITH a Plan</i>	<i>% of Firms WITHOUT a Plan</i>
<b>By Firm Size</b>		
Small	32	68
Medium	36	64
Large	57	43
<b>By Industry</b>		
Accounting	17	83
Computing/Electronics	46	54
Engineering	22	78
Financial Services	38	62
Health Care	39	61
Insurance	54	46
Law Firms	11	89
Manufacturing	53	47
Medical	35	65
<b>TOTAL</b>	----- 39	----- 61

Surprisingly, service-related industries such as Law Firms, Accounting and Financial Services -- traditionally seen as advisors to corporate America -- report a remarkably low degree of facilities planning. Is this a case of "the cobbler's children having no shoes"?

Comparatively, the goods production section of the Orange County economy (Manufacturing and Computing/Electronics) takes a much more proactive and progressive approach toward occupancy cost control and facilities management.

Perhaps we shouldn't be surprised by the low percentage of Law Firms with strategic facilities plans; less than half (47%) have mandatory lease requirements for their facilities. Financial Services (54%), Medical firms (56%) and Health Care Providers (57%) do not score much higher. Engineering companies (74%) and Computing/Electronics firms (78%) are most likely to have mandatory lease requirements, as are larger firms (79%).

**Table 3  
PRESENCE OF MANDATORY LEASE REQUIREMENTS**

	<i>% of Firms WITH Requirements</i>	<i>% of Firms WITHOUT Requirements</i>
<b>By Firm Size</b>		
Small	65	35
Medium	55	45
Large	79	21
<b>By Industry</b>		
Accounting	69	31
Computing/Electronics	78	22
Engineering	74	26
Financial Services	54	46
Health Care	57	43
Insurance	71	29
Law Firms	47	53
Manufacturing	64	36
Medical	56	44
<b>TOTAL</b>	64	36

The growing significance of flexible office environments as a factor in facilities management led us to inquire about our respondents' utilization of three practices: Flexible Time<sup>3</sup>; Just-in-Time-Offices<sup>4</sup>; and Virtual Offices/Telecommuting<sup>5</sup>. While just over half (52%) of the firms surveyed employ some version of Flexible Time and about

<sup>3</sup>Non-traditional work hours or work week.

<sup>4</sup>A limited number of rotating private offices made available "just-in-time" for those employees using the main office on a limited or sporadic basis; personal effects and relevant work documents are installed prior to arrival and removed after departure; a variation of this practice is called "hoteling" wherein the occasional main office employee e.g. a salesperson or auditor reserves an appropriate space - not necessarily the same space each time - through the corporation's "concierge".

<sup>5</sup>Employees are permitted or even required to work in remote locations or at home using modern electronics, such as laptop computers, modems, fax machines, cellular phones, beepers etc., reducing the amount of office space required and often satisfying mandated travel demand requirements.

a quarter (27%) use Virtual Offices or Telecommuting, a scant 13% have embraced the concept of Just-in-Time Officing. These patterns seem to hold across company size while there are wide variances across industries.

Engineering (70%) and Health Care firms (73%) are most likely to utilize Flexible Times. Insurance and Health Care Provider companies (both at 38%) lead in Virtual Officing/Telecommuting. Medical (25%) and Health Care Provider (22%) firms are clear leaders in the use of the Just-in-Time Officing technique. In Orange County, at least, Health Care Provider companies seem to be leading the way in the adoption of flexible office management practices.

From a list of thirteen possibilities, the firms in our sample were asked to indicate which **lease agreement requirements**<sup>6</sup> they utilize. The responses reveal no clear pattern. Only three of the thirteen receive positive responses of 50% or higher -- Option to Renew (65%); Free Parking (62%) and Option to Expand (57%). After-Hours HVAC comes in at just below 50%, with Accounting (69%), Engineering (67%) and Law (60%) emerging as the industries with workaholic employees.

Law Firms, in particular, exhibit some interesting lease requirement behavior; only 5% have Cancellation Clauses in their leases, but they have by far the highest percentage (45%) among firms with Non-Disturbance Agreements. Along with Financial Services and Manufacturing firms, Law Firms have a low score on ADA Compliance (25%), and, along with Computing/Electronics, they have the highest score (80%) on the Option to Renew.

Given the recent focus of attention on space cost containment, especially among service firms, and the trend toward higher worker productivity and utilization of more office technology, we are mildly surprised to note that only 7% of our respondents include an Option to Downsize among their lease agreement requirements. Compare this with the 57% who choose the Option to Expand. This contrast might reflect an Orange County optimism about the future, or it may be that today's leases fail to reflect real estate realities.

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<sup>6</sup>See Question #12 in the Questionnaire, Appendix A

Three factors emerge as most significant from our survey of eleven considerations weighed in a firm's **facility analysis**.<sup>7</sup> Space Occupancy Cost/Rental Rate is far and away the most important concern (88%), followed by Geographic Location (78%) and Building Security (72%). Other factors which attracted 50% or higher "important" scores include Negotiated Concessions (71%), Building Image (60%), Full Service Hours (58%), Public Transportation/Freeway Access (59%) and Building Management (58%). Of the other three factors, Building Amenities was rated as least important (42%).

Despite an increase in earthquake and flooding activity in Southern California, and the recent dramatic bombing of the World Trade Center in New York, only two-thirds (68%) of all firms participating in the survey have **catastrophic contingency plans**. Larger firms are more likely (86%) to have such a plan than either small or medium companies. Law Firms (90%), Financial Services (92%) and Manufacturing companies (82%) rank highest, while Accounting (42%) and Health Care Providers (44%) rank lowest among industries with contingency plans.

**Table 4**  
**PRESENCE OF A CATASTROPHIC CONTINGENCY PLAN**

	<i>% of Firms WITH a Plan</i>	<i>% of Firms WITHOUT a Plan</i>
<b>By Firm Size</b>		
Small	55	45
Medium	71	29
Large	86	14
<b>By Industry</b>		
Accounting	42	58
Computing/Electronics	61	39
Engineering	50	50
Financial Services	92	8
Health Care	44	56
Insurance	69	31
Law Firms	90	10
Manufacturing	82	18
Medical	61	39
<b>TOTAL</b>	----- 68	----- 32

<sup>7</sup>See question #13 in the Survey, Appendix A.

Less than a third (28%) of the firms experienced any **toxic, asbestos or groundwater problems**, with larger firms significantly more likely (62%) than smaller firms (13%) to be afflicted with sick or troubled facilities.

Only 39% of the firms in our survey have a **risk management** group in-house or have had any experience with environmental audits of buildings. Larger firms (69%) are three and one-half times more likely to engage in risk management than are smaller firms (18%). There is a much higher likelihood that companies in Engineering (54%) and Manufacturing (65%) will conduct in-house risk management.

The majority (59%) of all firms surveyed have **personnel office space standards** in place, with larger firms considerably more likely (75%) than smaller ones (52%) to do so. Insurance (77%), Engineering (87%), Law Firms (69%) and Health Care (69%) were the strongest industries in this category. There is, however, a significant variation in space allocation per employee across industries. In examining those industries with the highest office use, Law Firms report the highest square footage per employee (423), and Health Care (190) and Accounting firms (200), the lowest. Engineering (210), Insurance (250), and Financial Services (256) come in closer to the reputed current national average of 235 square feet. Accounting's low space standard most likely reflects the adoption of space-saving management practices by firms in this industry.<sup>8</sup>

Three-quarters of all firms interviewed have evaluated the **physical lay-out** of their facilities.<sup>9</sup> Nine in ten of the large firms, but only 69% of the small ones, have conducted such an evaluation. Only half of the Law Firms have done so, while 94% of Medical firms and 88% of both Engineering and Insurance companies have completed lay-out evaluations.

We asked the survey respondents to estimate the probability that their firms would re-examine their facility requirements in the near future, and if so, what the expected outcome would be.

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<sup>8</sup>See "A Place in the Office by Reservation Only," *Los Angeles Times*, June 16, 1993.

<sup>9</sup>E.g., the comparative merits of traditional fixed wall offices versus an open landscape plan with flexible modular furniture.

Sixty-nine percent reported it likely that a **facility analysis** would take place within 24 months, and almost 75% expect one within five years. The larger the firm, the more likely a facility requirements analysis. Computing/Electronics ranked highest among industries likely to re-examine requirements in the short term, and Manufacturing firms topped those with a five-year horizon.

Sixty-one percent of all companies surveyed expect the outcome of their analyses will result in a need for more space. Only 17% think they will need less space, and the same percentage (17%) indicate no change in space needs is anticipated. This finding seems consistent with the optimism of Orange County firms noted earlier, as well as with the relatively low interest evidenced in flexible office environments. It does, however, seem to contradict national trends.<sup>10</sup>

Arguably, the most startling finding of the entire survey concerns the low percentage of companies that **evaluate their annual occupancy costs** in relation to either total annual expenses or annual gross revenues. For the vast majority of firms, the cost of facilities ranks second only to payroll as a corporate expense. We therefore would have expected very careful, continuous scrutiny of this expense.

On the contrary, we found that only half the firms surveyed reported monitoring occupancy costs as a percentage of annual gross revenues. Only slightly more (53%) monitored annual occupancy costs as a percent of total annual expenses. This finding is reasonably constant regardless of firm size or industry. Only Law Firms, Insurance and Financial Services companies reach as high as 67% on one measure -- cost as a percentage of annual expenses. Accounting and Engineering reach about the same level when examining cost as percentage of annual gross revenue. Apparently, corporate real estate still doesn't receive the managerial attention warranted by its budgetary impact.

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<sup>10</sup>See "Vacant Offices", *Wall Street Journal*, June 4, 1993, p.1.

**Table 5**  
**PERCENTAGES OF FIRMS THAT EVALUATE ANNUAL OCCUPANCY COSTS**

	As a % of Total Annual Expenses		As a % of Annual Gross Revenue	
	% of Firms that <i>EVALUATE</i>	% of Firms that <i>DO NOT EVALUATE</i>	% of Firms that <i>EVALUATE</i>	% of Firms that <i>DO NOT EVALUATE</i>
<b>By Firm Size</b>				
Small	49	51	53	47
Medium	58	42	51	49
Large	45	55	41	59
<b>By Industry</b>				
Accounting	54	46	69	31
Computing/Electronics	42	58	48	52
Engineering	40	60	67	33
Financial Services	67	33	40	60
Health Care	50	50	21	79
Insurance	59	41	53	47
Law Firms	67	33	53	47
Manufacturing	48	52	50	50
Medical	47	53	56	44
<b>TOTAL</b>	----- 53	----- 47	----- 50	----- 50

## ◆ CORPORATE REAL ESTATE DECISION-MAKING

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The ways in which corporate real estate is structured within the firm and the **decision-making procedures** practiced by Orange County firms are diverse, with no clear patterns in evidence.

In 44% of the firms studied, real estate decisions are handled locally. Another 29% of the decisions are made by corporate headquarters (assuming it was not located in Orange County) with input from the local facility, and the remaining 27% made decisions locally with approval by corporate headquarters. Smaller firms located in Orange County -- and perhaps only in Orange County -- were the most likely (59%) to make decisions locally, while larger companies tended to prefer local input into corporate decisions.

Accounting (62%), Law (74%) and Medical (61%) firms are the only industries with a moderately strong preference for a particular decision-making structure -- corporate decisions based on local input. About half of the Engineering companies indicate a preference for local decisions with corporate approval.

Another facet of corporate decision-making deals with the presence of a **centralized real estate department**. Less than a third 29% of the firms in our study have such a department. Two-thirds (64%) of these companies are large organizations. Twenty-seven percent "cross charge" divisions and/or subsidiaries for using the service of the company's real estate department.

Among larger firms, the managerial oversight of real estate tends to be the responsibility of the administrative director, the CFO/Finance department or the operations people. In small and mid-sized firms, this functions falls to the President/CEO/COO, in addition to the Director of Administration and the CFO/Finance Department.

When queried about the **responsible party for decisions** regarding facilities in a company, middle size firms clearly prefer that the President/CEO/COO perform that function (58%), while in larger firms, the President shares this role with two or three other top level administrators, including the head of the real estate department. In smaller firms, no single person or group appears to take responsibility for facilities decisions.



## ◆ SUMMARY AND CONCLUSIONS

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This survey of 219 Orange County firms and businesses is an effort to enhance our understanding of how economic environments, company restructuring, and the dynamics of the workplace influence attitudes and practices regarding corporate real estate.

Among our findings, the following are considered to be the most interesting, impressive, or important:

- Orange County companies are, in general, optimistic about the future, although it is not clear why, given the serious structural economic problems facing the nation in general and California in particular. Is this optimism an unrealistic reflection of the phenomenal growth of the past, or is it a pragmatic assessment of the potential of the future?
- Optimism is stronger for the long run, versus short term, and tends to favor the firm over the industry.
- In general, attitudes toward the business environment are in the expected direction, i.e., negative, but they are not held with the degree of intensity that conventional wisdom would have us believe.
- Despite the significant cost of facility occupancy in company budgets, it seems remarkable that just over a third have a strategic facilities plan in place that works in conjunction with the firm's overall business plan. Particularly striking is the lack of attention to facilities planning exhibited by the major service industries.
- Not only do most Orange County corporations pay little attention to real estate planning, less than half of them have developed any specific requirements for the contents of their facilities' leases. Only renewal, expansion, and free parking, of course, attracted much attention, while cancellation clauses, non-disturbance agreements, ADA compliance, and, especially, downsizing options<sup>11</sup> are largely ignored.

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<sup>11</sup>See "Work Space is Shrinking to Fit Business, Worker Needs in '90s", *Orange County Register*, June 17, 1993.

- Despite growing attention to flexible office environments, few of the firms surveyed for this study have adopted practices such as telecommuting or just-in-time offices, although half of them do employ some version of flex time.
- Despite awareness of both natural and human threat potential to real estate facilities, only two-thirds of the firms surveyed have catastrophic contingency plans in the event of a disaster.
- Cost ranked first among considerations in facility analysis, followed by building location and security. However, this concern with cost does not get translated into attention to the relevance of vigilant analysis of facilities and leases.
- While three-quarters of the companies anticipate completing a facilities analysis within the next five years, the more important finding may be that 25% indicate that they will not be reviewing their real estate requirements in this period of rapid, often dramatic, change. Just over 60% of those who do plan to execute a facilities analysis expect to require more space, while just under 20% each anticipate either a stable or a declining space requirement.
- Given the high cost of corporate space, perhaps the most significant finding of the entire study is how few firms (approximately half) monitor this cost as either a percentage of annual gross revenues or of total annual expenses.

◆ **APPENDICES**

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**Appendix A Survey Questionnaire**

**U.C.I. GRADUATE SCHOOL OF MANAGEMENT  
PROGRAM IN REAL ESTATE MANAGEMENT  
CORPORATE REAL ESTATE MANAGEMENT SURVEY**

Company: \_\_\_\_\_ Name: \_\_\_\_\_  
 Address: \_\_\_\_\_ Title: \_\_\_\_\_  
 \_\_\_\_\_ Phone: \_\_\_\_\_  
 \_\_\_\_\_ Fax: \_\_\_\_\_

Is Your Organization Headquartered in Orange County?     Yes     No

Type of Business:

Law Firm     Accounting     Insurance     Financial Institutions & Services  
 Engineering (including consulting)     Healthcare Provider (i.e. Hospital; Services; Insurance, HMO-PPO)  
 Computing/Electronics (Software, Equip.)     Medical (Devices, Pharmaceuticals, Research, etc.)  
 Other Manufacturing     Other (Please identify) \_\_\_\_\_

Description of Operations Please select which of the following best describes the primary use of facilities in Orange County:

Standard Office     Back Office/Processing     Research & Development  
 Industrial (i.e. Manufacturing, Distribution)     Other (Please identify) \_\_\_\_\_

Regarding Employees:    Approximate number of employees at this location: \_\_\_\_\_

Approximate total number of employees in:    \_\_\_\_\_ Orange Cty.    \_\_\_\_\_ So. Cal.    \_\_\_\_\_ Cal.    \_\_\_\_\_ U.S.A.  
 In Orange County, approximate percentage of:    \_\_\_\_\_ executive/managerial    \_\_\_\_\_ professional    \_\_\_\_\_ clerical    \_\_\_\_\_ other

**GOVERNMENTAL AND SOCIOECONOMIC ASPECTS  
OF THE ORANGE COUNTY BUSINESS CLIMATE**

- What do you see as the short-term (next 18-24 months) outlook for:  
 Your business or company?     Positive     No Change     Negative  
 Your industry?     Positive     No Change     Negative
- What do you see as the long term (5 years) outlook for:  
 Your business or company?     Positive     No Change     Negative  
 Your industry?     Positive     No Change     Negative
- Is the availability of quality labor and its cost analyzed in conjunction with facility location decisions and if so, how?     Yes     No  
 How? \_\_\_\_\_  
 \_\_\_\_\_
- Does your organization contribute funds or resources to education and/or training programs that will assist in recruiting and retaining qualified employees?     Yes     No

5. Indicate how positive or negative an impact each of the following has been to your organization and/or your customers/clients (on a scale of 1 to 5, 1 being very negative, 5 being very positive). Please respond as each applies to your Orange County operations.
- |    |                                                            |   |   |   |   |   |
|----|------------------------------------------------------------|---|---|---|---|---|
| a. | Availability of qualified labor                            | 1 | 2 | 3 | 4 | 5 |
| b. | Availability of markets and supplies                       | 1 | 2 | 3 | 4 | 5 |
| c. | Availability of quality and affordable business facilities | 1 | 2 | 3 | 4 | 5 |
| d. | Cost of Workers Compensation or other insurance            | 1 | 2 | 3 | 4 | 5 |
| e. | AQMD and other regulations                                 | 1 | 2 | 3 | 4 | 5 |
| f. | Traffic and congestion                                     | 1 | 2 | 3 | 4 | 5 |
| g. | Cost of living                                             | 1 | 2 | 3 | 4 | 5 |

### CORPORATE REAL ESTATE PLANNING PROCEDURES

6. Regarding your organization's real estate, is there a specific "Strategic Facilities Plan" that works in conjunction with the overall Business Plan? \_\_\_\_\_ Yes \_\_\_\_\_ No
7. Have you developed space standards for your facilities (i.e., size of offices for different positions)? \_\_\_\_\_ Yes \_\_\_\_\_ No
8. Approximately how much space is allocated per employee? \_\_\_\_\_ Do not know \_\_\_\_\_  
*Total square footage ÷ by employees will provide an approximate "square footage per employee".*
9. There is increasing discussion today of flexible office environments. Please check one box indicating your organization's position regarding each of the three following operational concepts and practices: (As an example, if your organization has evaluated but is not utilizing "Just-In-Time Offices", 9a. would be answered by checking box #2; if you have evaluated and are utilizing "Flex-time", 9b. would be answered by checking box #1)

9a.				9b.				9c.			
Just-in-Time Offices *				Flexible Time **				Virtual Offices or Telecommuting ***			
		Utilizing				Utilizing				Utilizing	
		Yes	No			Yes	No			Yes	No
Eval-uated	Y	1	2	Eval-uated	Y	1	2	Eval-uated	Y	1	2
	N		3		N		3		N		3

\*A limited number of rotating private offices made available "just in time" for the employee returning to the main office would have personal effects installed, then removed with his/her departure -- suited for salespeople, auditing teams, etc. that spend a large amount of time out of the office.

\*\*Flexible time encompasses non-traditional work hours or work weeks (i.e. four day).

\*\*\*An organization allowing certain employees/positions to work remotely via portable PC, complete with phone and fax modems. This can eliminate any requirement for fixed office space.

10. In the interest of reducing costs and/or increasing productivity, have you evaluated the physical layout of your office (i.e. an open landscape plan with flexible modular furniture vs. traditional fixed-wall offices)? \_\_\_\_\_ Yes \_\_\_\_\_ No
11. Do you have mandatory lease requirements for your facilities?  
\_\_\_\_\_ Yes \_\_\_\_\_ No
12. Which of the following is most often required in a lease agreement with the Landlord?
- |                             |                                 |
|-----------------------------|---------------------------------|
| _____ No Security Deposits  | _____ Flexible Sublease Clause  |
| _____ Free Parking          | _____ Cancellation Clause       |
| _____ Reserved Parking      | _____ Modified Expense Clause   |
| _____ Turnkey Buildout      | _____ Non-Disturbance Agreement |
| _____ After Hours HVAC      | _____ ADA Compliance            |
| _____ Option(s) to Expand   | _____ None of the Above         |
| _____ Option(s) to Renew    | _____ Other _____               |
| _____ Option(s) to Downsize | _____                           |
13. On a scale of 1 to 5 (1 being very unimportant, 5 being very important) how would you rate the following considerations when analyzing a facility?
- |                                                 |   |   |   |   |   |
|-------------------------------------------------|---|---|---|---|---|
| Rental Rate/Space Occupancy Costs               | 1 | 2 | 3 | 4 | 5 |
| Negotiated Concessions                          | 1 | 2 | 3 | 4 | 5 |
| Public Transportation and Freeway/Street Access | 1 | 2 | 3 | 4 | 5 |
| Geographic Location                             | 1 | 2 | 3 | 4 | 5 |
| General Management of the Building              | 1 | 2 | 3 | 4 | 5 |
| Stability of Building Ownership                 | 1 | 2 | 3 | 4 | 5 |
| Amenities In or Near the Building               | 1 | 2 | 3 | 4 | 5 |
| Building Image                                  | 1 | 2 | 3 | 4 | 5 |
| Building Security                               | 1 | 2 | 3 | 4 | 5 |
| Level of Building Services                      | 1 | 2 | 3 | 4 | 5 |
| Full Service Hours of Operation of the Building | 1 | 2 | 3 | 4 | 5 |
14. Does a contingency plan(s) exist in the event of earthquake or other catastrophe?  
\_\_\_\_\_ Yes \_\_\_\_\_ No
15. Has your organization had any experience with toxic, asbestos or groundwater problems?  
\_\_\_\_\_ Yes \_\_\_\_\_ No
16. Is there a risk management group in-house or any experience with environmental audits of buildings (i.e. "sick buildings")? \_\_\_\_\_ Yes \_\_\_\_\_ No

17a. Within the next 24 months, is it probable that your firm will analyze facility requirements?  
\_\_\_\_\_ Yes \_\_\_\_\_ No

If you answer Yes, go to #17c.  
If you answer No, go to #17b

17b. Within the next two to five years, is it probable that your firm will analyze facility requirements? \_\_\_\_\_ Yes \_\_\_\_\_ No

17c. Will the analysis likely result in more or less space?  
\_\_\_\_\_ More \_\_\_\_\_ Less \_\_\_\_\_ Same \_\_\_\_\_ Will not analyze in the next five years

18. Does your company monitor its annual occupancy costs,  
a) as a percentage of Total Annual Expenses?  
\_\_\_\_\_ Yes \_\_\_\_\_ No If yes, what are they? \_\_\_\_\_ %  
b) as a percentage of Annual Gross revenues?  
\_\_\_\_\_ Yes \_\_\_\_\_ No If yes, what are they? \_\_\_\_\_ %

### CORPORATE REAL ESTATE DECISION MAKING PROCEDURES

19. Are the real estate decisions generally handled:  
\_\_\_\_\_ Locally \_\_\_\_\_ Locally with approval of corporate  
\_\_\_\_\_ By corporate based on local input

20. Who oversees the management of your facilities?  
\_\_\_\_\_ Director of Administration \_\_\_\_\_ CFO, Finance Department  
\_\_\_\_\_ Real Estate Department \_\_\_\_\_ Other (please specify) \_\_\_\_\_

21. Who (or what group) is typically responsible for decisions regarding your facilities?  
\_\_\_\_\_ President, CEO, COO \_\_\_\_\_ Head of Real Estate Dept.  
\_\_\_\_\_ CFO, Treasurer, Controller \_\_\_\_\_ Board  
\_\_\_\_\_ General Manager \_\_\_\_\_ Committee Consensus  
\_\_\_\_\_ Administration \_\_\_\_\_ Other (please specify) \_\_\_\_\_

22a. Does your organization have a centralized real estate department?  
\_\_\_\_\_ Yes \_\_\_\_\_ No  
If you answer Yes, go to #22b. If you answer No, you are finished; please read the closing.

22b. Does your organization charge divisions/subsidiaries for the use of the real estate department? (This is often referred to as "cross charging" or "transfer pricing")  
\_\_\_\_\_ Yes \_\_\_\_\_ No

**THANK YOU FOR YOUR COOPERATION IN COMPLETING THIS SURVEY. PLEASE BE ASSURED THAT YOUR RESPONSE IS STRICTLY CONFIDENTIAL, AND WILL BE USED ONLY FOR STATISTICAL PURPOSES.**

**PLEASE CHECK IF YOU WOULD LIKE A COPY OF THE FINAL SURVEY RESULTS**



## **Appendix B Industry and Firm Size Categories**

The 219 firms surveyed for this study were categorized by both industry and firm size (number of employees):

### **Industry**

Accounting	13
Computing/Electronics	28
Engineering	24
Financial Services	26
Health Care	25
Insurance	34
Law Firms	20
Manufacturing	31
Medical	18

### **Firm Size**

Small (< 50 employees)	87
Medium (50 to 249 employees)	90
Large (250 or more employees)	42

## ***Appendix C Profile of Marcus & Millichap Corporate Real Estate Services***

Marcus & Millichap Corporate Real Estate Services is a professional service firm with an exclusive focus on advising companies regarding their real estate requirements. The firm represents tenants and owner-users only, never landlords, developers or lenders, and is committed to assisting clients in achieving optimal, cost-effective solutions to their real estate needs.

Corporate Real Estate Services is part of Marcus & Millichap, Inc., a diversified real estate investment company located in 15 offices nationwide. With annual transaction volume of over \$1.4 billion and revenues of over \$60 million, Marcus & Millichap is the largest American owned commercial real estate consulting and brokerage firm in the United States.

In 1984, Marcus & Millichap formed Corporate Real Estate Services as one of the nation's first tenant advisory firms. It has evolved into an organization of professionals with a rich diversity of expertise in strategic real estate planning, facility programming, market and financial analysis and negotiation.

Experience has shown that these services have enabled clients to save substantial amounts of money without sacrificing the quality of the work environment or compromising on flexibility. As well, they have helped clients to become as informed about their real estate decisions as they are about their core business.

In Southern California, the firm's consulting practice is oriented toward serving the needs of companies in many industry sectors including manufacturing, professional services, high technology, health care, financial services, biotechnology and retail trade.

## ***Appendix D Profile of UCI's Graduate School of Management***

UCI's Graduate School of Management (GSM) is a young, rapidly growing professional program in one of the fastest growing areas of business in the country. Soon to celebrate its 25th anniversary, GSM has already established itself as a leader in research, education and community involvement. As the only nationally accredited business school at a major university in Orange County, GSM maintains high academic standards that have earned the University of California system as a whole a worldwide reputation for excellence.

The long term goals at GSM can be stated simply: build an excellent academic infrastructure by establishing centers and endowed chairs in primary areas of emphasis, continue to develop high level business and industry partnerships, and be identified as one of the premier resources in providing management education, research and business community service in Southern California.

### **▼ PROGRAM IN REAL ESTATE MANAGEMENT**

Currently in formation, the program envisioned at UCI will be concerned with emergent issues of market, management and finance within the context of current dynamics and anticipated futures. It will reflect the dramatic changes in both the market for, and the management of, real estate.

#### **• Curriculum and Teaching**

The curriculum and teaching will reflect the focus on the program with courses such as, Real Estate Project Feasibility Analysis; Real Estate Finance; Management of the Real Estate Enterprise; and Real Estate Asset Management.

- **Research**

The research agenda within the program will be set by the evolving and persistent concerns in the industry, the interests and skills of the faculty. The recently established Taco Bell Chair in Real Estate Management will serve as a key role in the development of both the curriculum and research.

- **Activities**

To establish strong partnerships with the real estate industry, the Program will sponsor a variety of events and projects including:

- The UCI Real Estate Conference & Sumigarden Award;
- Identification of internships and job opportunities;
- Real Estate Professional in Residence

- **Organization**

The program is administered by a Director appointed by the Dean. An advisory Board composed of distinguished real estate professionals will advise on new course development, the research agenda, professional education, and funding sources.