

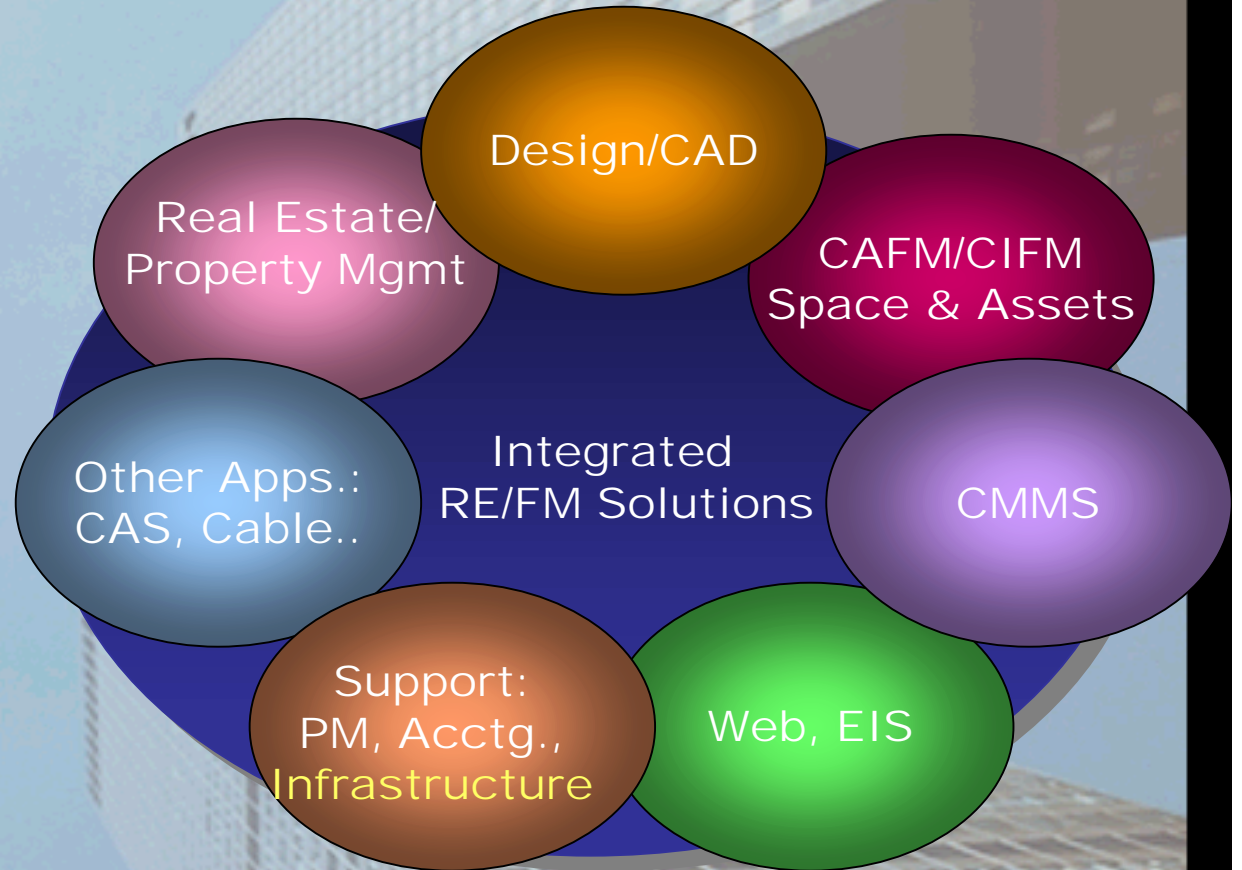


Industry Trends & Quick Hits: Reducing Corporate Real Estate & Facilities Costs

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E-Real Estate - A Vendor Taxonomy

- Brokerage Firms
- CAFM Vendors
- ERP Vendors
- Web only vendors
- Procurement Portals
- Consultants



Points of Financial Impact



Six Key Impact Points stand out upon examination of the high level real estate process. Predictably, the greatest financial impact can be achieved within the **Planning** Area, where there is relatively less definition and thus greater flexibility in impacting outcomes. As you move through the process to **Execution of Growth Projects** and **Operations** within the portfolio, the task becomes more defined and the resulting opportunities for savings less dramatic.

Six Key Financial Impact Points

Planning

1. Portfolio - Level Planning
 - a. Core Portfolio - Asset Utilization
 - b. Sourcing Headcount Growth
2. Scenario Analysis on Proposed Projects

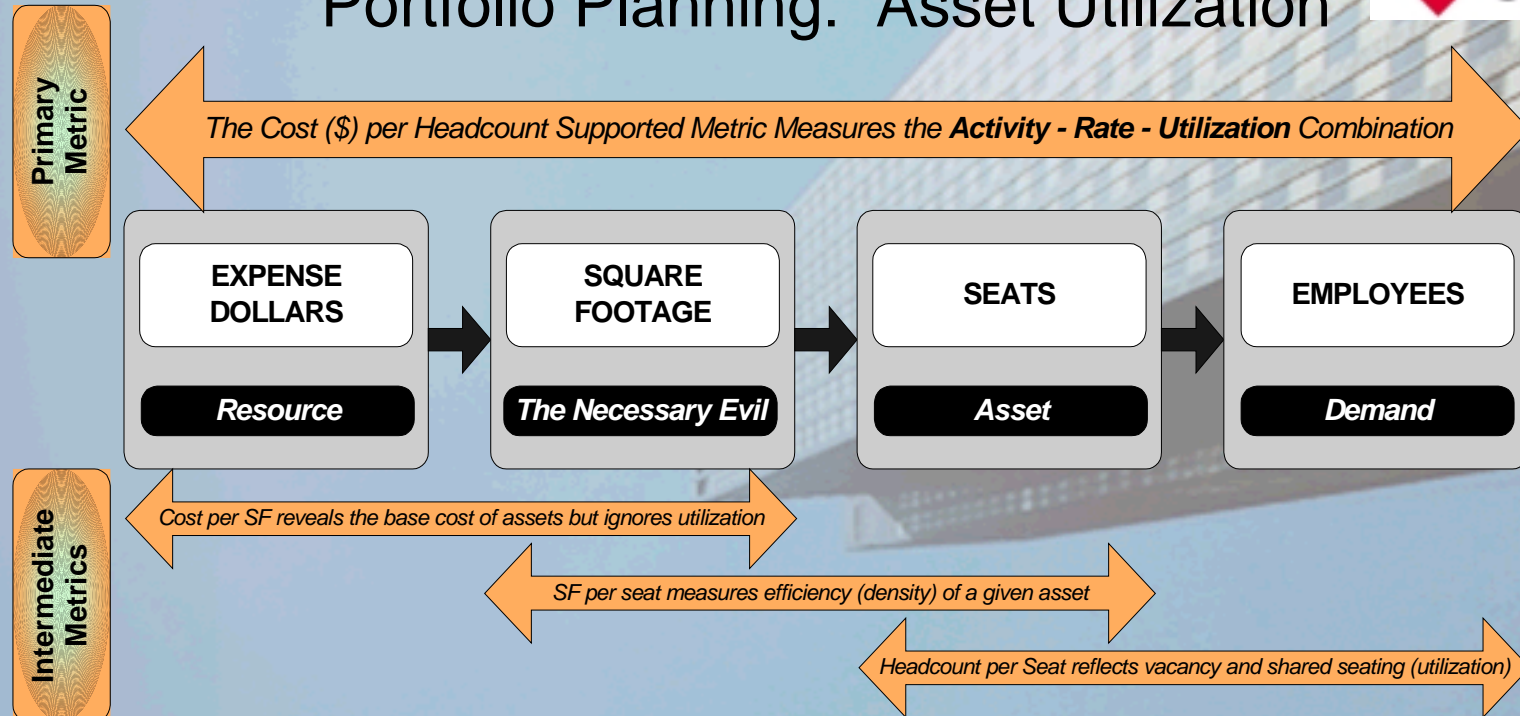
Execution

3. Transaction Expertise
4. Project Delivery

Operations

5. Facilities and Admin. Services
6. Management Productivity

Portfolio Planning: Asset Utilization



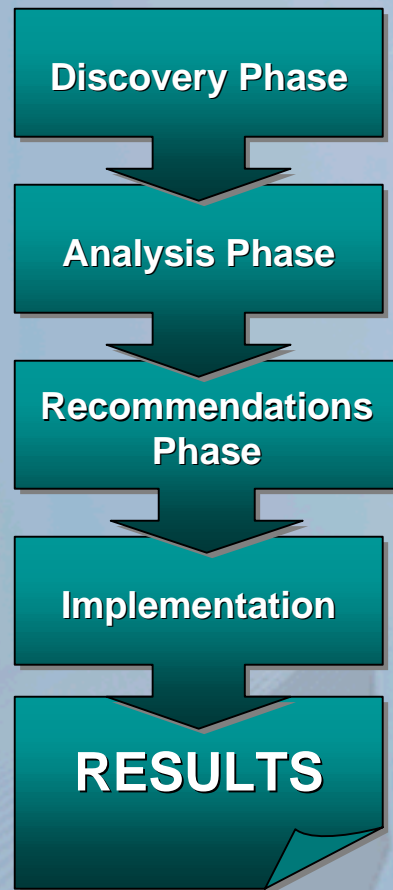
The final success measure is cost per headcount supported, with seat and square footage analysis serving as intermediate metrics. Useful thumbrules for understanding the impact of specific decisions are as follows:

Vacancy Management: Each 1% reduction in the vacancy rate across the portfolio leads to significant savings for the enterprise.

Renewal Rate: Minimizing relocations avoids capital commitments resulting from the spread between new space construction costs versus renewal/refresh costs.

Portfolio Efficiencies: Reducing total locations supported through co-locations leads to reduced administrative costs and improved vacancy management.

Project Approach



- The project is broken down into a series of phases, discovery, analysis, recommendations and implementations
- The Discovery Phase consists of three components, a review of existing data, research and interviews.
- The Analysis Phase is based on the results of the interviews and the research used to develop an approach to implementing specific metrics as part of an action plan.

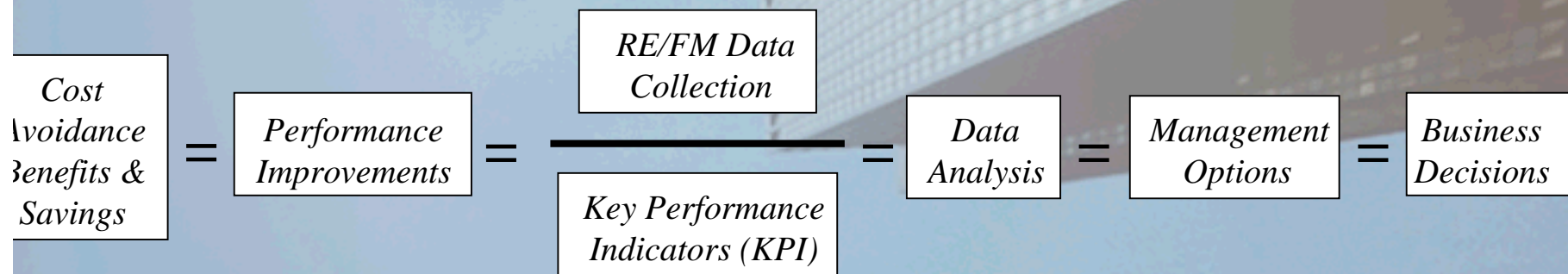


What are Performance Metrics?

- Performance metrics provide a key role in linking business strategy with actual results. P-Metrics provide the feedback to confirm whether the business is meeting its strategic goals. Hence the metrics have to be aligned with the strategic plan.



Key Performance Indicators

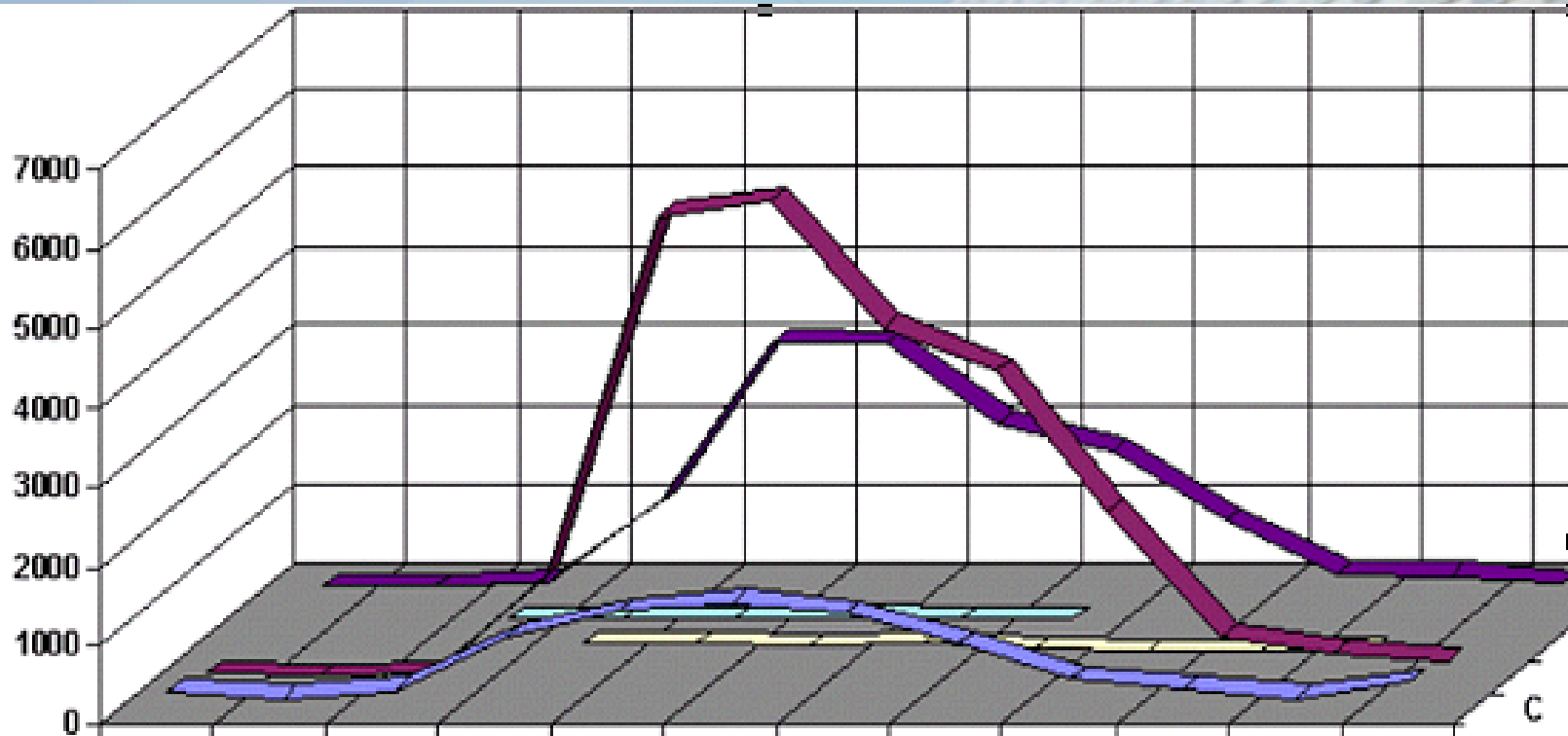


Process Flow

Performance improvement means three things,

- ◆ *Doing the same amount for less, that is Cost Savings,*
- ◆ *Doing more with the same amount that is cost avoidance,*
- ◆ *Providing a higher quality of service to the customer by improving the quality of service provided.*

KPIs



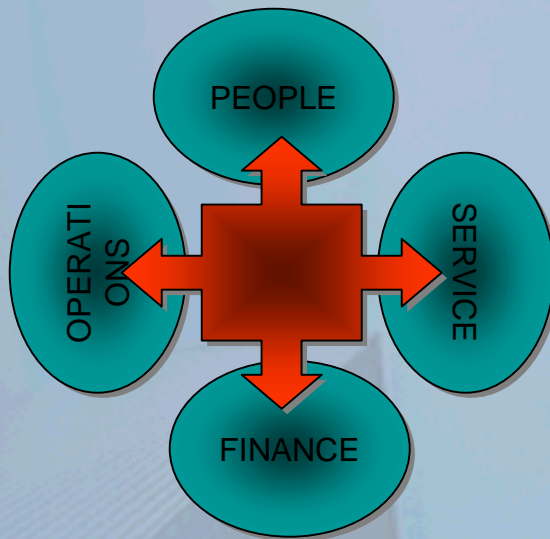
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■ C	307	210	331	974	1318	1417	1280	907	460	349	214	432
■ H	124	89	138	1353	5891	6078	4491	3946	2162	573	374	275
■ J				98	107	57	101	20	2	2	3	
■ L			1	2	1	21	6	2				
■ S	7	14	68	1078	3090	3066	2058	1702	831	175	146	62

Solution Approach – designed for growth

- The Balanced Score Card (BSC) and its variations focus on tracking four main metrics. Variations look to take the BSC to a higher level, the Balanced Strategy Score card looks to remedy the fact that 90% of strategic plans fail to get implemented by Fortune 500 companies. The focus is to make strategy central to the organization's thinking through translating it to operational terms, aligning the organization to the strategy, motivating staff so that strategy is everyone's job, creating an adaptive and learning organization and finally mobilizing the organization by creating a process of ongoing change.

BSC Design – four metrics

- BSC refers to the Balanced Score Card performance methodology that ensures a focus on all areas of the business rather than improving one area at the expense of others.
- Therefore BSC groups metrics into four areas



- **CUSTOMER SERVICE**

- How well are you serving the interests of the customer – given that IFMA (International Facilities Management Association) ranks this as the most important category for a Facilities Department – it should receive significant attention.

- **OPERATIONS**

- What processes accomplish the functions of the business

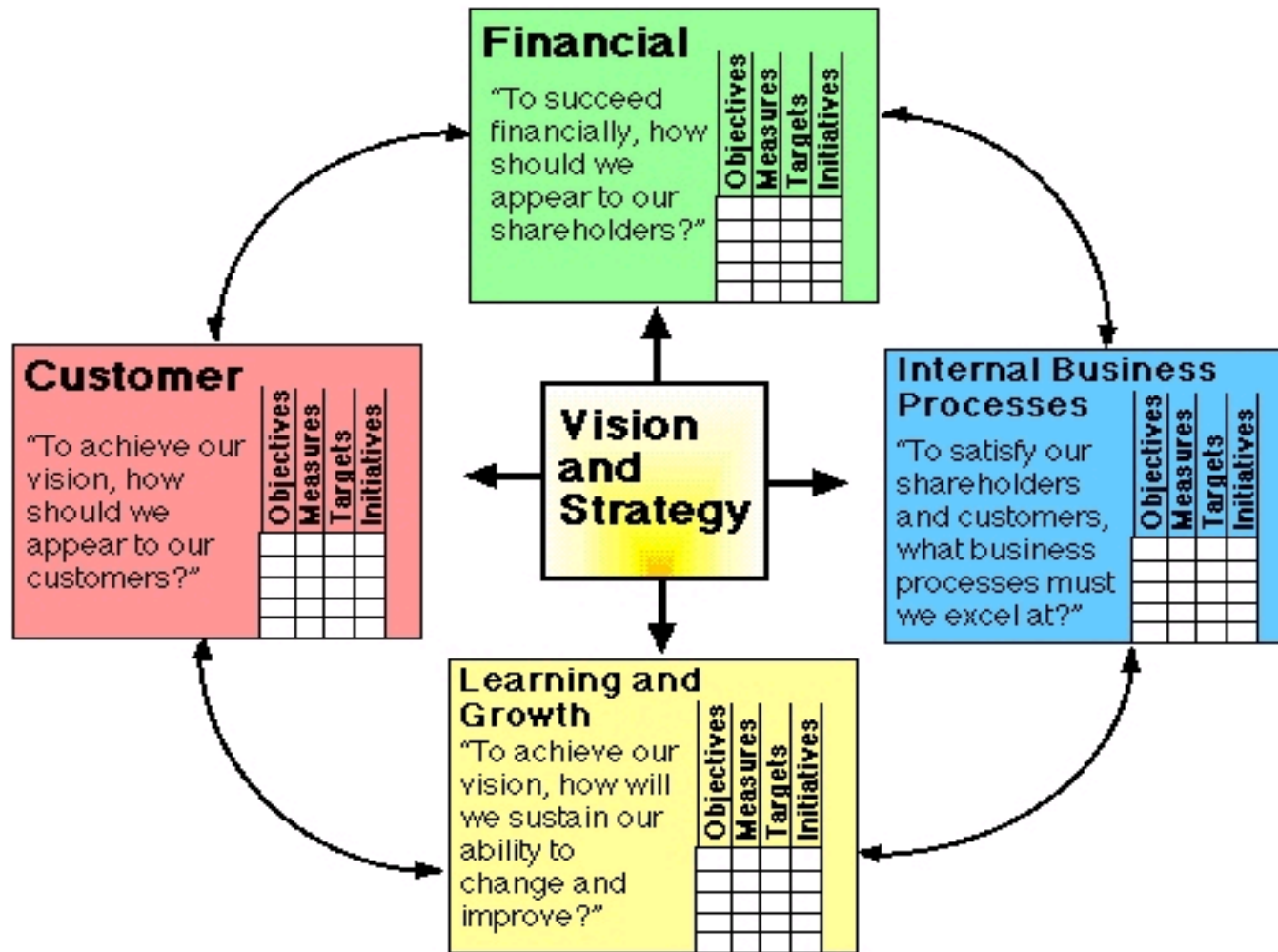
- **FINANCIAL**

- Are we providing the best possible service for the lowest possible cost?

- **PERSONNEL**

- Do we have the right people, enough people, are they positive or frustrated, do they perform to the best of their abilities

The Balanced Scorecard



Corenet's Strategic RE Imperatives

Financial	Process	Customer	Learning
<p>Asset utilization Portfolio management Manage costs to facilitate earnings performance Actual vs. Budgeted Industry Benchmarks Building Systems Cost Reduction Initiatives ROI and ROE Market Value Added Lease vs. Buy</p>	<p>Balance Objectives – Cost, Quality, Service, Employees Achieve “frictionless” environment by adopting new technologies and processes Apply Space Standards Convert Functional Report Data into Business Relevant Information Project approval process Procurement Planned v BU driven Risk Management Sourcing Flexibility</p>	<p>Develop Objectives w/ Teams that Align w/ Business Enable customers to focus on their core business -anticipate their requirements -exceed their expectations Improve Company image Deliver customer focused environments</p>	<p>Attract and retain people with high energy and productivity Develop and maintain a high performance culture Develop Leaders Improve functional expertise Foster an environment where judicious risk taking is encouraged Build knowledge of the Core Business, Industry, Issues and Trends Speak in terms of financial concepts Use Proper Study Methodologies with Realistic Costs & Benefits, Risks and Sensitivity Analysis</p>

Corenet Balanced RE Scorecard

Level	Financial	Process	Customer	Learning
Executive	<p>Budget vs. Actual Expenses, Capital exp. Risk rating RE as a % Fixed Assets Book vs. Market Value Outsourcing costs and savings Current rent to market ROI %</p>	<p>RE Cost as a % of Unit Production Cost</p>	<p>Reliability Community Image Proactive Value Added</p>	<p>Compliance Management Performance Reporting</p>
Manager	<p>Occupancy Cost per SF and per FTE by business unit and type SF per FTE Vacancy% Sales efficiency</p>	<p>Cost to Quality ratio FTE to HC ratio</p>	<p>Customer Satisfaction Surveys Response Times Cycle Times</p>	<p>Employee Performance Positions Required vs. Filled Turnover Adaptability, mission, consistency, involvement (AMCI)</p>
Field	<p>Vacancy Rate by asset type SF/FTE by business unit, location and asset type</p>	<p>Work Order Volume Churn Factor/Volume Density per seat</p>		

Corenet Executive Dashboard Contents

Level	Property Data	Competitor Benchmarks	Market Data	Financial Data	Business Data
Data	<p>Owned vs. leased</p> <p>Age, SF and location of all properties</p> <p>Critical lease dates</p> <p>Business units who occupy the space (SF and HC)</p> <p>Occupancy expense by property</p>	<p>Number of properties and SF by peer company</p> <p>Annual operating expenses and CAPEX</p> <p>Number of CRE staff</p>	<p>Rents, prices and vacancy by market</p> <p>Lease terms and tenant improvement allowances</p> <p>Financing terms</p> <p>Tax rates and incentives offered by states and cities</p>	<p>Annual budgets and YTD actual results</p> <p>Cost of debt and equity capital</p> <p>CRE HC and costs including outsourced providers</p>	<p>Sales by business unit</p> <p>Headcount by unit</p> <p>Personnel costs by state by category</p>
Metrics	<p>Line item details on each property</p>	<p>Cost per SF</p> <p>Cost per FTE</p> <p>SF per FTE</p> <p>CRE costs per sf</p> <p>CRE FTE per SF</p> <p>Cost per store</p>	<p>Trend data on market rents, prices, and vacancies</p>	<p>Cost per SF</p> <p>Cost per FTE</p> <p>SF per FTE</p> <p>Other detailed metrics by function</p> <p>Trends in rents and historical costs</p>	<p>Turnover ratio</p> <p>Activity status data</p> <ul style="list-style-type: none"> -leases expiring -deals done -projects authorized -projects done

CISCO REAL ESTATE

Global Portfolio Status and Activity

Status of Disposals (R=Reserve O=Other)

[K sq.ft.] (US\$ K)	Disposal Activity								Remaining SF							
	Total SF		Disposed				Costs Avoided		Remaining SF		Committed to Dispose SF		Under Negotiation SF		% Remaining No Serious Interest Yet Secured	
	R	O	R SF	R %	O SF	O %	R	O	R	O	R	O	R	O	R	O
Q1FY01																
Q2FY01																
Q3FY01																
Q4FY01																
Q1FY02																
Q2FY02																
Q3FY02																
Q4FY02																
Q1FY03																
Q2FY03																
Q3FY03																
Q4FY03																
TOTAL																

Q3 Disposals

Reserve Site	(K sq.ft.)	Loss (US\$K)	Reserve Taken (US\$K)	Variance (US\$)	% Variance

Other Site	(K sq.ft.)	Loss	Estimated Loss	Variance (US\$)	% Variance

Deal Cycle Time*

Activity	Weeks
Acquisitions	
Lease Renewals	
Rent Reviews	

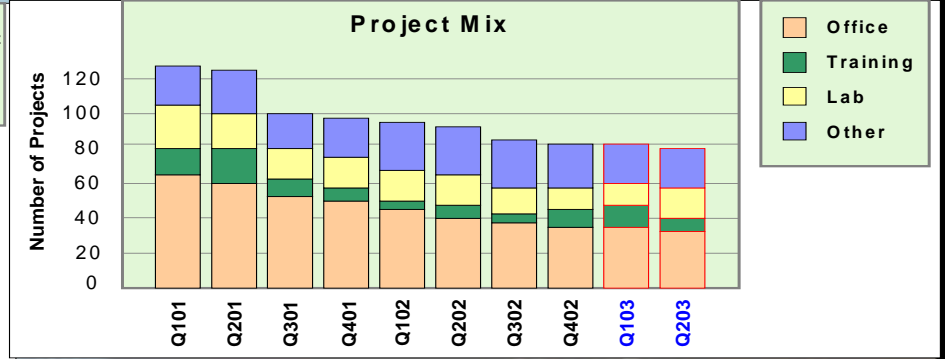
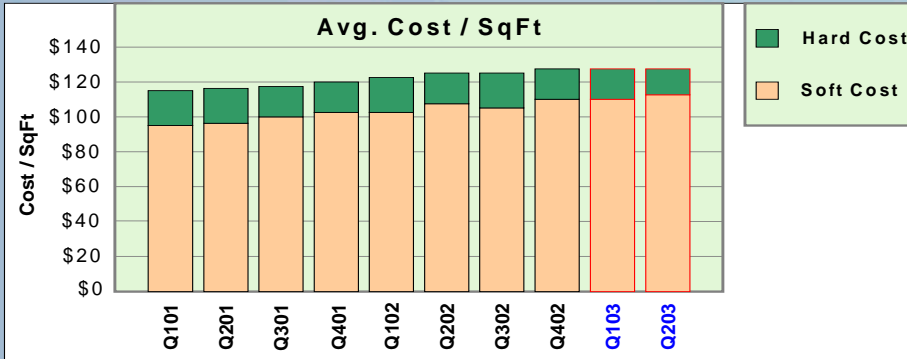
* from date instructions confirmed to docs. signed

Issues, Challenges, Accomplishments

Prototype

CISCO GLOBAL CONSTRUCTION

Cost and Project



Project Overview (M\$)

	Budget	Current Estimate	Variance	Total To Complete	Budget	Current Estimate	Variance	Reamining Bal. of Year
Tenant Improvements								
New Construction								
WW Total								

Project	Budget	Schedule	Scope	Current Estimate	Total To Complete	Comment
NEDC	●	●	●			
Meudon	●	●	●			
RTP	●	●	●			
Akron	●	●	●			
Richardson	●	●	●			

Proj W/Std Form Contracts				
Awarded W/Competitive Pricing				

Issues, Challenges & Accomplishments





WPR DASHBOARD
▼ Metric Reports
Key Metrics
Persons Housed
Square Feet
WPR Expense
Cisco Revenue
Issues, Challenges & Accomplishments
Planning
WPR Finance
VOD Training
Portfolio Browser



WPR
Welcome

Those Key Metrics are,

- Persons Housed
- Square Feet
- WPR Expense
- Cisco Revenue
- Planning Issues
- Planning Challenges
- Planning Accomplishment

**"Your one stop Dashboard
for
decision support and WPR
Metrics Reports."**

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Key Metrics

Cisco: Key Metrics

- Expense / Persons Housed (\$/PH)*
- Expense / SF (\$/SF)
- SF/ Persons Housed (SF/PH)
- Expense / Percent of Cisco Revenue

Planning Metrics:

- Utilization (PH / Seat Capacity)
- Efficiency (SF / PH)

* Includes contractors and FTEs

Sun: Key Metrics

- Expense / area (\$/SF)
- Expense / seat (\$/seat)
- Expense / Employee Served (\$/ES)
- RE Costs as a % of:
 - Sun OpEx
 - Gross Margin

Secondary Metrics: High Level

- SF / Seat
- SF / Employee Served

WPR Dashboard - Glossary

System	Definition	System of Record	Owner	URL	Co
Address Line 1 (Published Address)	The first line of the Physical Address of a Cisco Building.				
Address Line 2 (Published Address Con't)	The second line of the Physical Address of the Cisco Building.				
Americas	North, Central and South Americas Theater of Operations for WPR		WPR - Americas	www.win.cisco.com/wpr/org/americas	
APJ	Asia-Pacific-Japan Theatre of Operations for WPR		WPR - APJ Team	www.win.cisco.com/wpr/org/asiapac/index.cgi	
Area	An administrative area, or subdivision within a Country.	WINS/FIS			Re Pl: an
Area sqft	The area in SQFT of a particular building within HQ.				
Ariba	On-line purchase requisition system		The Ariba Project Team	http://www.win.cisco.com/FinAdm/Finance/CorpSupply/Ariba/projectpeople.html	
Baseline Capacity	The maximum capacity of the space as originally designed, counting all occupiable spaces as 1.	WINS/FIS/e FM			Ar alt sp Be
BMS	Building Management System		WPR Energy Mgt Team	http://www.win.cisco.com/wpr/energygmt/	
Building	n/a				
Building Area Unit of Measure	n/a				
Building Category	The type of Operation within the Building				Ex Cc
Building Gross Area	A measured area in specific units that identifies the total Gross area of a Cisco building. It is also the combination of the Floor Gross Areas for that specific building.				
Building ID	A unique ID given to a building	WINS/FIS			Ex AL
Building Name	A name given to a Cisco building	WINS/FIS			Ex AT

Total Asset Management

		Business Units									
		Auditor-Controller	Parks & Recreation	Risk Management	Facility Operations	Real Estate	Probation	Social Services Agency	Health Care Agency	Sheriff	Airport
Requirements	Asset Accounting & Control	O		U	S	U	S	S	S	S	S
	Asset Maint, Repair & Repl.	U			O		O	O	O	O	O
	Equipment Inventory (capital, important non-cap)	O		U	O	U	O	O	O	O	O
	Space Management (moves, adds & changes)	U		U	U	U	O	O	O	O	O
	Building Inventory (bldg, floor, room)	U	U	U	S	O	S	S	S	O	O
	Land Inventory (parcel & property)	U	U	U	U	O	S	S	S	S	S

Enterprise vs Business Unit Approach
and Data Responsibility

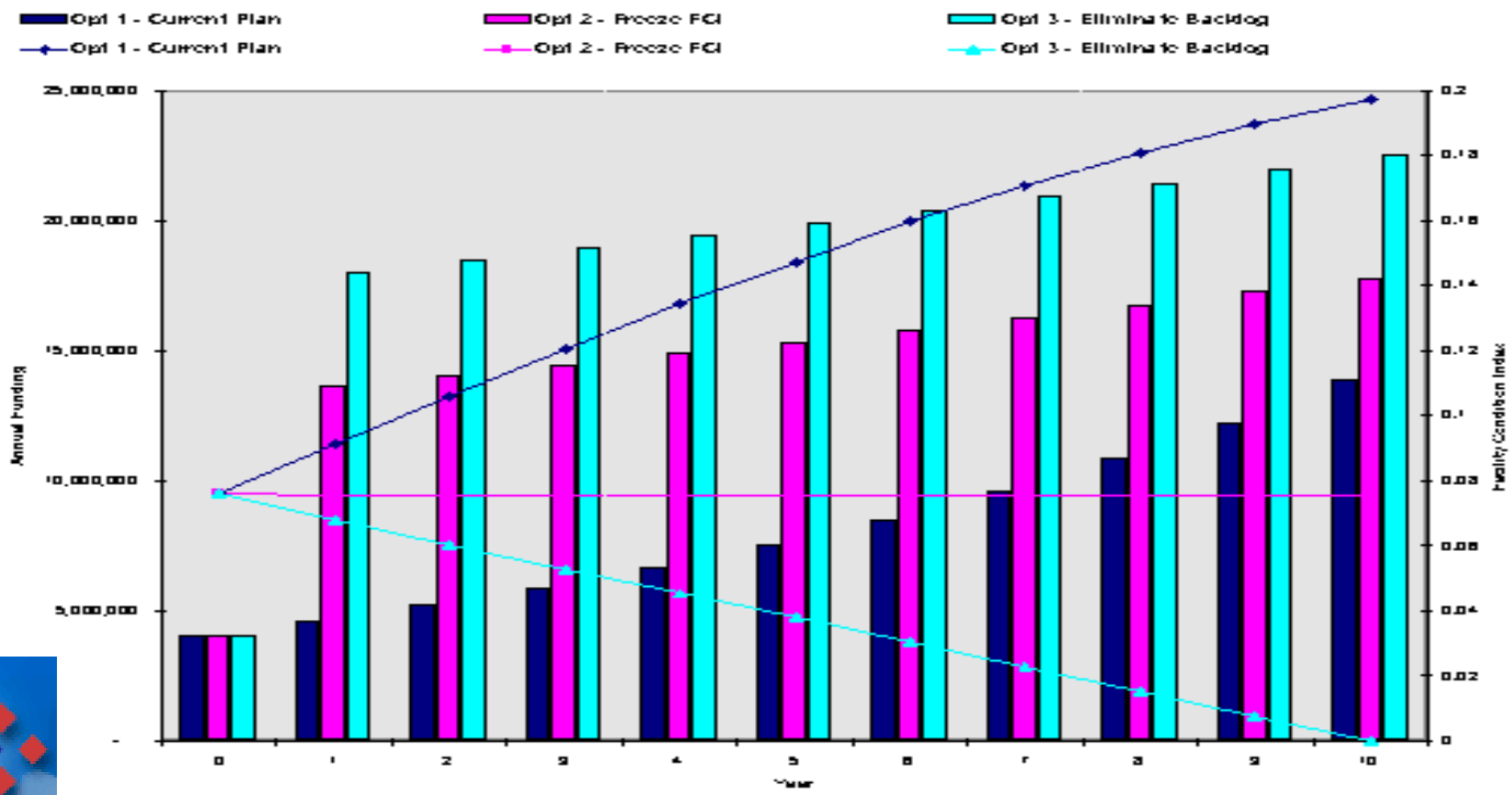
Systems/Standards

- Pre-Development Solutions
- Real Property Management
- A/E Design Systems
- CAFM
- Facility Condition Assessment
- CMMS

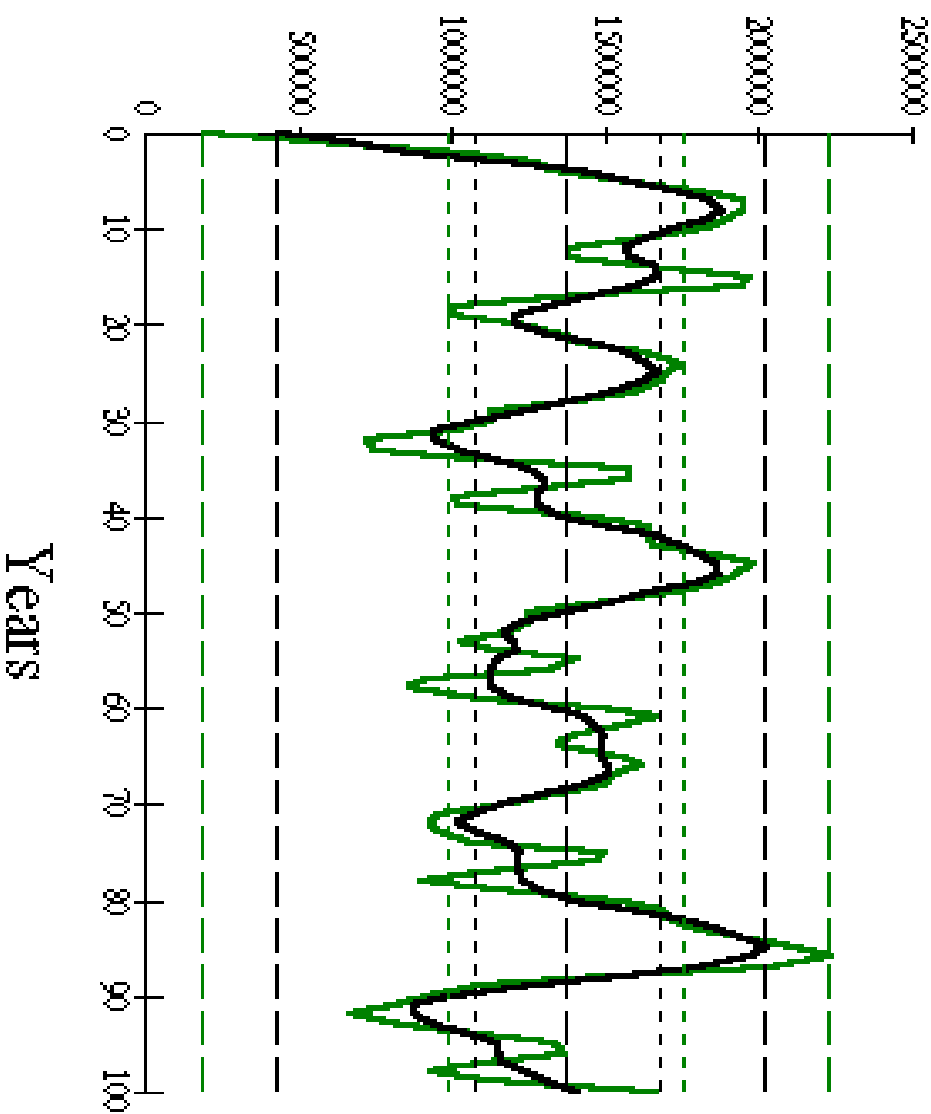
Facility Condition Assessment

- Deficiencies
- Correction
- Life Cycle
- Facility Condition Index
- Capital Planning

Facility Funding Scenarios



Physical Plant Renewal Expense Forecast



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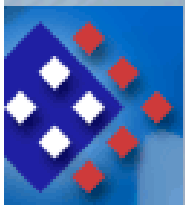
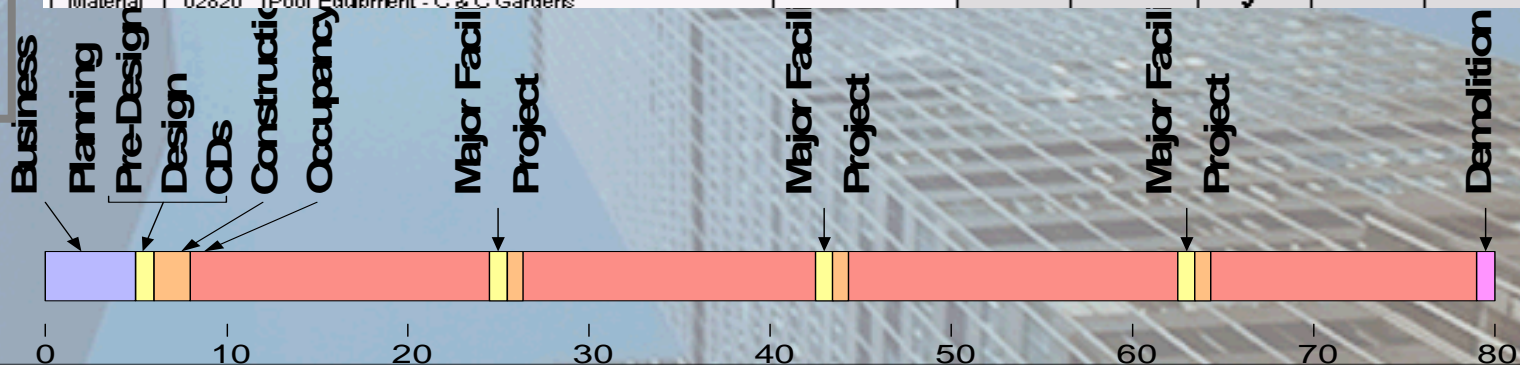
Five Yr Moving Average

Data Commissioning

October 30
NAS-FFC

Interoperability
As-built vs. as-designed
Collaboration
Legal and financial
Elec. Data commissioning

Facility Information				CAFM Mapping				
Source Type	CSI Division	Data Element Description	Notes	Drawing Inventory	Equipment Inventory	Maintain Asset	Maintain Location	O&M Material
Drawing	01300	1st Floor South Addition, Elec, HVAC, Plumb & Ducts		✓				
Drawing	01300	1st Floor Trenches		✓				
Drawing	01300	As Built Architectural Shell Plans w/ Space IDs		✓				
Drawing	01300	As Built Electrical		✓				
Drawing	01300	As Built Plumbing and Mechanical		✓				
Drawing	01300	As Built Sheet Metal		✓				
Drawing	01300	As Built Underground Air Duct (Kalos)		✓				
Drawing	01300	As Built Wet Pipe Sprinkler System		✓				
Drawing	01300	Coordinated drawings - Fire Protection, Mechanical Mezzanine		✓				
Drawing	01300	Coordinated Drawings - Mechanical Mezzanine		✓				
Drawing	01300	E & W Utility Tunnel Conduit & Pipe Coordination		✓				
Drawing	01300	Fire Protection - 1st Floor South Addition		✓				
Drawing	01300	MEP Coordination Drawings South Addition Basement		✓				
Drawing	01300	Underground air duct - Garden Court		✓				
Drawing	01300	Underground Coordination Drawings - East		✓				
Drawing	01300	Underground Coordination Drawings - West		✓				
Drawing	15330	Sprinklers		✓				
Drawing	16724	Security System - Product Data/Drawings		✓				
Material	02515	Bronze inlay for garden court					✓	
Material	02665	Identification Materials & Devices - Signage		✓	✓			
Material	02665	Water Meter				✓		
Material	02820	Filter for PRP-1 & PRP-2				✓		
Material	02820	Fountain & Pool Fittings	maintenance contract			✓		
Material	02820	Pool Equipment - C & C Gardens				✓		



Bio: Eric Teicholz

Eric Teicholz is president and founder of Graphic Systems, Inc., a Cambridge-MA firm specializing in facility management and real estate automation consulting, system integration, market research, education and publishing. He is a past member of the Board on Infrastructure and the Constructed Environment at the National Academy of Sciences and has recently been appointed to the Secretary of the Navy's Facility Management Panel.

Mr. Teicholz has helped organizations define and implement technology for over 25 years. He lectures internationally, is a contributing editor for several magazines, and is the author of hundreds of articles on computer graphics, facility management, e-Real Estate, Computer-Aided Design and Architecture, Computer-Aided Facilities Management and Geographic Information System technology. He is also the author of ten books on these subjects.

Teicholz was educated as an Architect at Harvard University and the University of Paris. Before Graphic Systems, he spent 12 years at Harvard's Graduate School of Design as an Associate Professor of Architecture and co-director of Harvard's largest R+D facility, the Laboratory for Computer Graphics and Spatial Analysis. Teicholz can be reached at 617 492-1148x106, teicholz@graphicsystems.biz or on the company's website: www.graphicsystems.biz