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**CORPORATE REAL ESTATE ASSET MANAGEMENT
IN NEW ZEALAND
(Preliminary Analysis of Performance and Stage of Development)**

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Abstract:

To date the only substantial research into corporate real estate asset management in New Zealand has been that of Wei Kium Teoh, completed in 1992. This examined corporate real estate organisational structure, information systems and CEO attitude towards corporate real estate, amongst those companies listed on the New Zealand stock exchange. A summary of this research was published in the Journal of Real Estate Research, Fall 1993 edition.

Lincoln University is now engaged in a substantial follow up study that both updates and extends the work of Teoh. The extension includes coverage of a far wider range of organisations, consideration of the attitudes to corporate real estate of persons other than the CEO, examination of the level of performance and stage of development of corporate real estate asset management (CREAM) and the influence of major organisational restructuring on CREAM performance and development.

The research involves both a series of unstructured qualitative interviews with a range of corporate real estate executives plus a mail survey of approximately 500 organisations representing a wide cross section of users of real estate assets.

This paper reports on the preliminary findings of the unstructured qualitative interview stage of the research.

In particular it focuses on the level of corporate real estate performance exhibited by the respondents in terms of measures developed by Veale (1989), Pittman and Parker (1989) and Avis, Gibson and Watt (1989) as well as the stage of development in terms of the model developed by the CRE 2000 research team at MIT (Joroff, Louargand, Lambert and Becker (1993)).

Introduction

This paper presents preliminary results of research into the management of real estate assets in a wide range of New Zealand organisations whose primary area of activity is not real estate investment. Rather, these organisations use real estate primarily as part of the infrastructure necessary to deliver their core business. Examples include: manufacturers and service providers, telecommunications companies, central and local government, educational organisations, churches and charities.

It is clear from both academic research and anecdotal evidence that most organisations do not clearly and consistently evaluate the performance of their property, even though it is often their second highest cost (Veale 1989). In the past real estate has tended to be ignored, or at best under managed, rather than a pro-active attitude taken towards its utilisation. (Zeckhauser and Silverman (1983), Veale (1989), Apgar (1993)). The predominant treatment of real estate in non property organisations has been as just another overhead cost, even though property as both an asset and an expense has a large number of unique characteristics.

How this unique resource is managed can dramatically affect both immediate bottom line results as well as longer term organisational strategy options, and therefore it warrants serious management attention.

This paper will first present a summary of relevant prior research, followed by details of a two stage research project being carried out in New Zealand . It concludes with a discussion of the preliminary findings of stage one of this research project which involved interviews with 47 corporate real estate executives in a variety of businesses and non-profit organisations

Prior Research

Real estate asset management in non-investment situations has only become the focus of academic research in relatively recent times. It started with research by Zeckhauser and Silverman(1983) followed by Veale(1989). In both cases the focus was on the business sector. This research was stimulated by the prevalence of corporate takeovers during the 1980's in which the lack of active management of real estate assets led to takeover opportunities being recognised by outsiders.

Concurrent work in the UK by authors such as Avis, Gibson and Watts (1989), focussed on gross mismanagement of real estate assets, sometimes with and sometimes without the takeover threat being an issue. Many examples were from the public sector, and though these organisations may not strictly speaking be "corporate" in structure, the "corporate real estate" (CRE) title has usually been applied.

Corporate Real Estate "Performance"

Businesses have been waking up to the corporate real estate issue during the 1990's and there has been a significant increase in the amount of research carried out in the field. In particular a set of "good practice principles" is urgently required, but without a means of objectively identifying good performance it is very difficult to justify the recommendation of a particular management approach. As a result there is a need to "identify and characterise those organisations that appear to be most effective in managing their real estate assets" (Veale 1989).

This has been problematical as identifying good performance in a corporate real estate situation is more difficult than for traditional investment real estate or for the corporate organisation as a whole, where overall output measures such as the internal rate of return, return on equity, return on assets etc. are in common use.

The outputs of a corporate real estate unit are usually the internal inputs to another part of an overall process. As such these corporate real estate outputs are difficult to measure across a range of differently structured and focussed organisations.

In addition, with the definition of corporate real estate expanded to include non profit organisations it is even more difficult to identify best practices or good performance. For government departments, charities or churches, many outputs are measured in socially derived qualitative measures and tied to a wider variety of goals and objectives than for businesses.

Even in a for profit organisation the provision of appropriate real estate assets may not in itself be a profitable exercise, particularly if the corporate real estate unit is organised as a cost centre rather than a profit centre. However, in combination with other inputs such as personnel, capital, information and technology, the contribution that real estate makes to the overall performance of the organisation may be substantial.

Input/Process measures as a proxy for output performance

As corporate real estate outputs are so difficult to measure across a range of differently structured and focussed organisations, attention has focussed on inputs to, and the process of, corporate real estate decision making. The theory is that if there are better inputs, systems and processes to deal with real estate then better decisions, that are in line with the organisations overall goals, will result.

Using this approach in a major survey of large corporates in the USA, Veale (1989) attempted to establish some readily identifiable indication of good corporate real estate "performance". He put forward and tested for significance seven "dimensions" namely:

- the presence of a formal, organised real estate unit
- the use of management information systems for real estate operations
- the use of property by property accounting methods
- the frequency of reporting real estate information to senior management
- the exposure of real estate executives to overall corporate strategy and planning

- availability of information and methods for evaluating real estate performance and use
- the performance of real estate assets relative to overall corporate assets

A similar approach was also adopted by Pittman and Parker (1989), who surveyed corporate real estate executives in the USA on what factors and characteristics they believed were important to a top performing corporate real estate asset management (CREAM) department. They came up with a “divergence” based model of CREAM performance that identified the following variables as being significant:

- centralised real estate authority
- a comprehensive computerised CRE inventory
- senior reporting level
- having a profit centre structure
- communication with CRE staff regarding overall corporate goals
- having a formal real estate plan
- real estate staff size relative to real estate assets

The close similarity to the findings of Veale are obvious, indicating a high degree of consensus on the prerequisites for good CREAM performance.

At about the same time in the UK Avis, Gibson and Watts (1989) surveyed 800 organisations and interviewed 51 executives and found while real estate holdings were significant, the management style was reactive, with serious consideration of real estate issues only given when organisations were under severe profit or cost constraints. Most organisations did not have clear property objectives, management structures or information systems. As a result, there were few measures of property or management performance and the real estate dimension was rarely incorporated into overall strategic planning.

Apgar (1993) found a few examples of good CREAM performance but overall similar results to those above. For example in a survey of fifty large publicly listed companies in the USA he found 66 percent of the respondents were unable to respond to the questionnaire as they did not have sufficient data on their corporate real estate assets.

Corporate Real Estate Stage of Development

"Corporate Real Estate 2000" is an ongoing comprehensive research programme sponsored by the Industrial Development Research Council (IDRC) in the USA. The programme has been progressively examining multiple aspects of corporate real estate asset management utilising the skills of both academic researchers and industry leaders.

The "Phase One" report authored by Joroff, Louargand, Lambert and Becker (1993) entitled “Strategic Management of the Fifth Resource: Corporate Real Estate” is wide ranging and examines how the changing business environment influences the corporations need for corporate real estate services.

The results of a comprehensive survey and interview programme reiterate the emerging strategic importance of real estate as the "fifth resource" and highlight important questions to be answered in order for corporate real estate managers and service providers to maximise their contribution to the overall performance of their organisations.

Many of the issues raised are similar to those discussed above and include organisational, financial, informational and workplace strategies. Some of these have subsequently been individually addressed in more detail in "Phase Two" Corporate Real Estate 2000 reports.

A major new contribution in "Phase One" though, was a five stage model of corporate real estate unit evolution that can help place other issues in a more closely defined context and help reduce the amount of unexplained variability hitherto experienced.

The five stages of development are:

1. **Taskmasters** - supply the corporations physical space as required.
2. **Controllers** - satisfy senior managers need to better understand and minimise real estate costs.
3. **Dealmakers** - solve real estate problems in ways that create financial value for business units.
4. **Intrapreneurs** - operate as an internal real estate company, proposing real estate alternatives to the business units that match those of the firm's competitors.
5. **Business strategists** - anticipate business trends, and monitor and measure their impacts. These units contribute to the value of the corporation as a whole by supporting the companies core competencies with real estate strategies that optimise business results.

These stages reflect an evolution from a focus on the administrative and technical to the financial and strategic.

Each stage's skills are built on competency at the previous stage, and each stage requires an increasing level of involvement in strategic planning for the organisation.

Moving through the stages individual decisions become less frequent but more important, they involve a wider group of stakeholders, more complex interactions and have longer term consequences.

This model can be used as an indication of an organisations level of CREAM performance, as well as development, as it is difficult for them to operate at the higher levels without first establishing the informational and process requirements for a good level of performance at the lower levels

The Corporate Real Estate 2000 phase one report goes on to examine how consideration of a number of different aspects of an organisations operations can give an indication of the "Stage" of the model it is operating at.

For example using management of finances as an indicator of stage of development - Traditional cost accounting will indicate stage 1 or 2, whereas current market value, cost of capital, portfolio and option pricing approaches indicate higher levels of development.

Using scope of decisionmaking as a parameter, the first three stages (Taskmaster, Controller, and Dealmaker) predominantly involve internal project-level work. Stage 4 (Intrapreneur) addresses organisational portfolio-wide needs, focusing outward to trends affecting business units, whereas Stage 5 (Business Strategist) tackles company-wide competitiveness and therefore factors traditionally outside the bounds of the corporate property manager.

The same type of approach is also applied to organisational structure, information technology and workplace strategies - progressively building a picture of the CRE unit stage of development as a whole.

It is important to stress that no one stage is inherently "better" in all circumstances than another. What is more important is the degree to which the real estate unit currently matches the needs of the larger corporation and its stakeholders.

The five stages described above are not mutually exclusive. Most corporations exhibit characteristics of more than one stage at the same time. However, by looking a range of issues an overview of an organisations stage of development can be arrived at.

Current Corporate Real Estate Asset Management Research Project

The research project, initial results of which are described in this paper, is based on the application to corporate real estate organisations in New Zealand of both the “dimensions of performance “ identified by Veale, Pittman and Parker, Avis, Gibson and Watts and other researchers as well as the “stages of development” model identified by Joroff, Louargand, Lambert and Becker.

To date there has only been one detailed study into corporate real estate asset management in New Zealand - that of Wei Kium Teoh (1993). Teoh’s research focussed on the CEO’s of sharemarket listed companies and examined their attitude to corporate real estate using similar methodology to Veale’s 1989 study. The results were also similar.

The current Lincoln research project significantly extends Teoh’s work, as in addition to updating the issues previously examined, a wider range of performance indicators are considered, the concept of stages of development is introduced, and a much broader range of organisations is surveyed.

The research project is divided into two main parts of which only the preliminary results of the stage one stage are reported upon in this paper.

Stage one was a series of interviews with 47 corporate real estate executives in a variety of organisations. An unstructured qualitative format was utilised in which the interviewees were invited to put forward their own perspective on the management of real estate assets within their organisations with as little input from the interviewer as possible. Occasional non judgmental prompts were used, as required, to ensure key topic areas were addressed. The interviews were approximately one hour in length and were tape recorded and subsequently transcribed for analysis utilising orthodox qualitative techniques.

Analysis has only recently commenced but preliminary results are discussed in the next section.

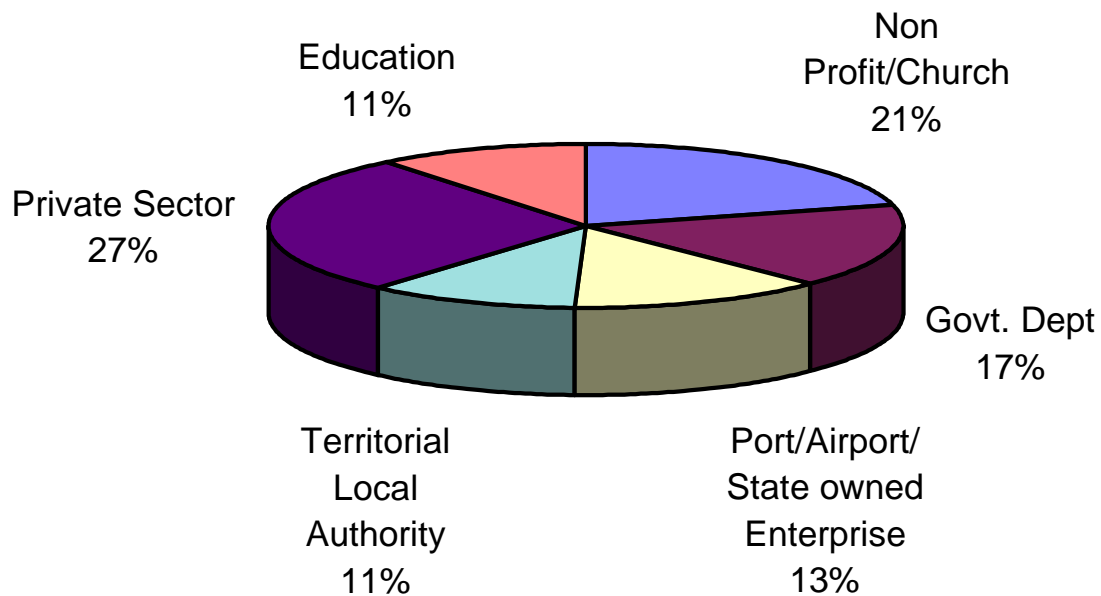
Stage two is currently underway and comprises a mail survey of approximately 500 organisations in New Zealand owning or occupying substantial real estate resources. Included are all government departments and territorial local authorities, the top 200 NZ companies, the health sector, energy companies and non profit organisations such as churches and charities. In contrast to stage one, the majority of questions in the mail survey require closed end responses with a view to facilitating quantitative analysis.

Analysis of this data has not yet started and therefore no results of stage two are included in this paper.

Stage One Results

A breakdown by sector of the 47 organisations subjected to interview is as follows:

Figure 1 - Sectors Interviewed



Due to the nature of the unstructured qualitative approach a vast amount of information was obtained during the interview process but analysis is extremely time consuming.

To date issues examined relate to the key variables identified by the researchers referred to above, as being significant in determining the organisations corporate real estate performance.

In particular these include :

- portfolio size
- existence of a separate corporate real estate unit
- corporate real estate staff numbers
- corporate real estate reporting level
- relationship to chief executive officer or equivalent
- computerised corporate real estate inventory
- market related internal rents or capital charge
- evaluation methodology for corporate real estate decisionmaking
- cost/profit centre structure
- existence of corporate real estate strategic plan
- overall attitude to corporate real estate of senior management
- outsourcing of corporate real estate functions

In addition an overall assessment of each organisations “stage of development” in terms of the Joroff, Louargand, Lambert and Becker (1993) model was made.

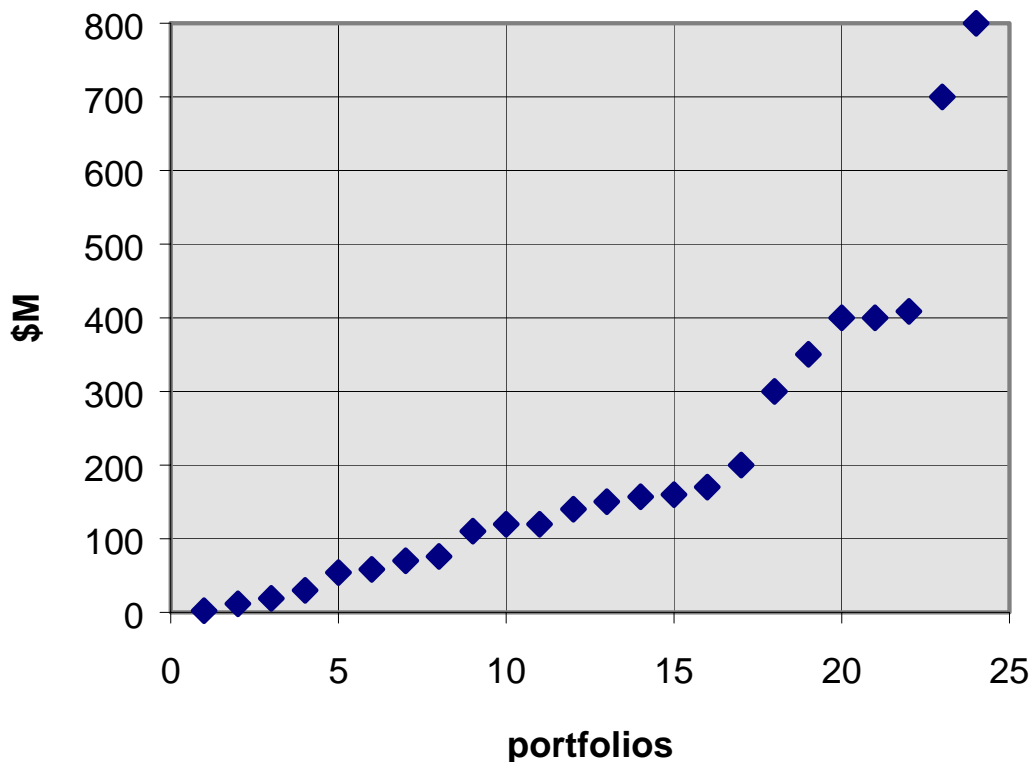
The preliminary results under each of these headings are as follows.

Portfolio Value

Only 51% of the interviewees were able to give some idea of the value of the corporate real estate portfolio under their management and for many of these, the figures were only approximate. This may be due to confidentiality concerns, but more likely the situation reflects that found by Apgar(1993) where 66% of organisations were found to have insufficient accurate information to respond to his survey. An interesting comparison will be with the percentage able to respond to the same question in stage two of this research which is an anonymous mail survey, so confidentiality should not be such an issue.

Of the 24 responding, the mean value of the corporate real estate portfolio was \$208.6M but the standard deviation of \$209M and the very different median of \$145M shows the results were heavily skewed by a small number of very large portfolios.

Figure 2 - Value of Portfolio



The large portfolios were held by a small number of government departments, large local authorities and public infrastructure providers which if excluded from the

sample bring the mean and median much closer together at 134 and 120 respectively. The standard deviation still remains relatively large though at 110.

Existence of a Separate Corporate Real Estate Unit

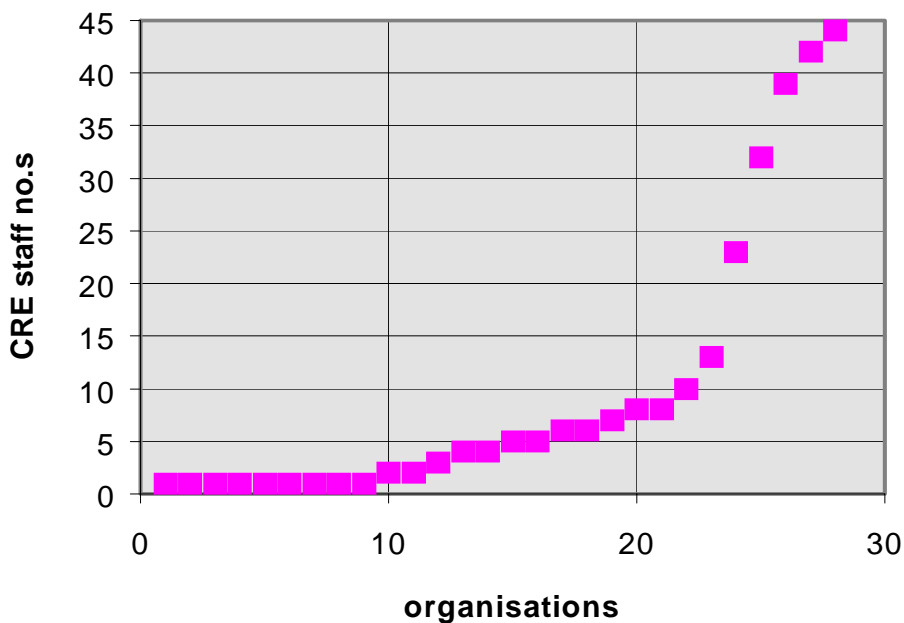
Forty six interviewees commented on this issue with 22% stating no separate CRE unit existed within their organisation. Eight of these ten organisations were in the non profit/church/education sector, with relatively small portfolios generally under the direct supervision of the CEO or chief financial officer. This represents a substantial improvement on earlier research in New Zealand by Teoh (1993) where 38% of respondents had no separate CRE unit, but it still lags behind the 14% found by Veale (1989) and 15% found by Avis, Gibson and Watts (1989). However, in both these latter cases only the business sector was considered. It will be important to see if a trend to separate CRE units is reflected in the much larger sample in stage two of this research.

Corporate Real Estate Staff Numbers

The mean number of full time equivalent staff positions within the above CRE unit was 9.71, derived from the 24 organisations responding. As for the portfolio size question, the standard deviation was extremely large at 13.3 and the median at 4.5 significantly different from the mean.

In addition to the expected relationship of this factor to the size of the portfolio under management, there was also significant variation in the number of CRE staff due to differing degrees of outsourcing and differing definitions of CRE responsibilities. Most organisations had less than 5 CRE staff, with nine organisations only having one CRE employee. However, at the other end of the scale there were two TLAs with 44 and 42 staff respectively. If these two organisations plus two others where the definition of CRE staff may be in doubt are excluded, the mean drops down to 4.79 the median 3.5 and the standard deviation 5.12.

Figure 3 - CRE Staff Numbers



Corporate Real Estate Reporting Level

This issue has been identified in earlier research as being critical to good CRE performance and it is pleasing to see 35% of those responding having the CRE asset manager reporting direct to the CEO or equivalent. Another 35% reported one level below the CEO. Teoh (1993) had a combined total for these two reporting levels of 61% so again an improvement is evident. A further 11% reported one step lower, but of most concern was that 19% have an unclear or confusing reporting arrangement

Computerised Corporate Real Estate Inventory

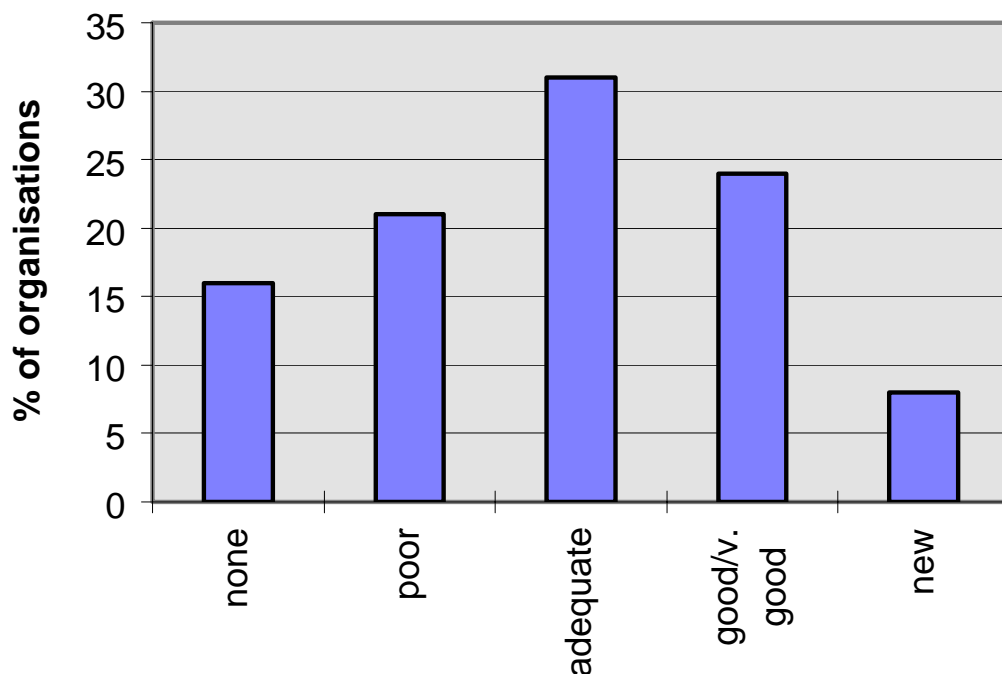
Of the 38 interviewees who commented on this issue 16% had no computerised inventory at all. While this is still of concern, it is a massive improvement on the findings of Teoh (1993) where the equivalent figure was 61%. In addition those without an inventory system were in all but one case holders of a relatively small portfolio.

Of those with an inventory, 25% described it as poor, 38% as adequate and 28% as good or very good. Three organisations had only recently installed a new system and did not feel in a position to pass valid judgement as yet. Others envisaged replacement in the near future.

The organisations with good or very good systems had almost always had earlier systems and found them unsatisfactory. There was an expressed opinion that until you had experience with several systems you remained unaware of the limitations of earlier inventories. Other comments related to the very high and often unbudgeted cost of collecting accurate data for input into new more comprehensive systems.

Rapidly changing technology meant systems were now expected to have a short lifetime and partially in response to this, three organisations had outsourced their corporate real estate inventory with generally satisfactory results. Others felt this would never be possible due to the specialised nature of their operations and the consequent need for customised inventory software.

Figure 4 - Computerised CRE Inventory



Market Related Internal Rents or Capital Charge

Interviewees from 53% of the 38 organisations responding had some form of market rent pass through or market related internal rent or capital charge paid by operational units.

There is academic debate about the efficiency of such a process and practical and political difficulties with its implementation, particularly in some organisations. In spite of this, most organisations perceived it worth the effort, with several not using this system at present investigating doing so.

Evaluation Methodology for CRE Decisionmaking

Comments in respect of this issue were particularly interesting. Although 50% of those responding said they had some established methodology for evaluating various CRE options it was apparent that the focus, adequacy and rigour of these techniques varied considerably. Even so, this is an improvement on the 20% reported by Teoh (1993) as measuring the returns on corporate real estate.

Some organisations quoted simple hurdle rates of return, often related to the cost of capital, whereas others extended the analysis to include discounted cash flow techniques. There were frequent comments though, that straight financial analysis did not take adequate account of the qualitative strategic, political and social dimensions that are often the most important elements of CRE decisions. Such statements closely resemble the findings by Avis Gibson and Watts (1989) in the UK.

There was concern that methodologies to deal with these qualitative issues were not readily identifiable and this may explain the 38% of respondents who said they had no established CRE decision making methodology and the 12% who indicated they were seeking to develop such techniques.

Cost or Profit Centre

Rutherford and Stone (1988) and Veale (1989) found no clear performance advantage if CRE units were structured as a profit centre rather than a cost centre. However, Beherens (1982), Pittman and Parker (1989) and Plattner and Ferguson (1987) report a preference for the profit centre alternative.

In this research 62% were structured as cost centres with 38% profit centres, but a preference for the profit centre structure was expressed by some respondents and a trend in this direction is expected with a number of organisations working towards changing to a profit centre structure in the future. (Note that in Teoh's 1993 research only approximately 9% operated as profit centres.) Two organisations had changed from a profit centre to a cost centre but in both cases this was associated with a major reduction in the CRE portfolio as a result of restructuring.

Another clear trend was for the profit centre structure to be associated with the larger value portfolios and in particular those from the private sector.

Corporate Real Estate Strategic Plan

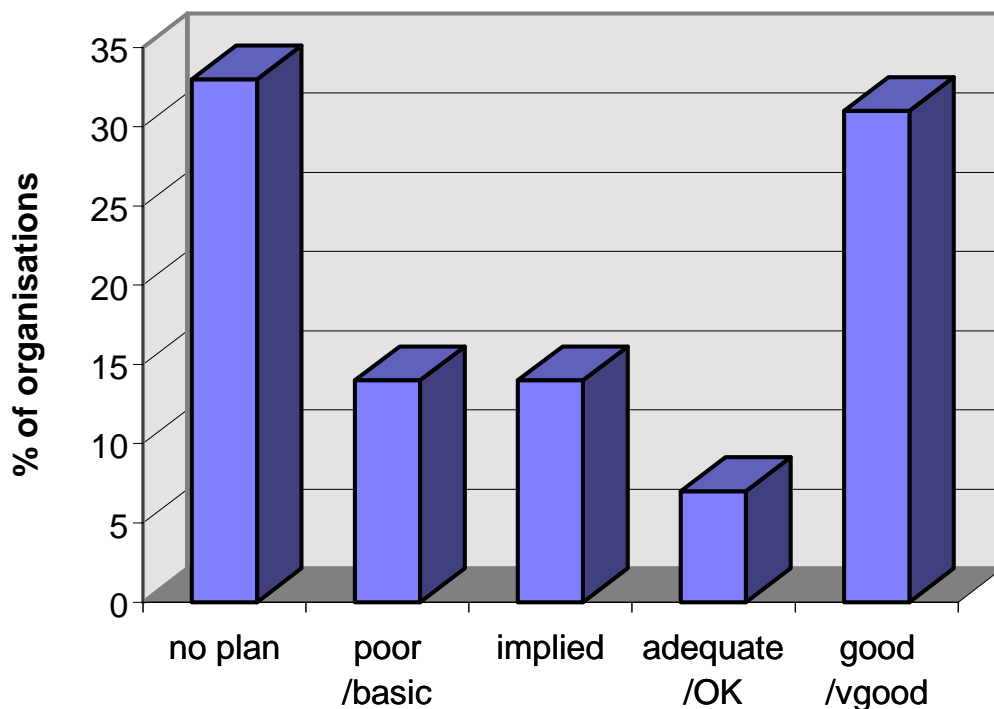
A good or very good CRE strategic plan was in place for 31% of respondents whereas 14% had no specific written plan but felt an implied plan for real estate needs could be derived from the overall corporate strategic plan. Adequate or OK characterised 7% of organisations and 14% described their plans as poor, basic or in the process of development.

A high 33% indicated they had no plan for corporate real estate at all indicating a reactive and most likely sub optimal approach to meeting the organisations real estate needs. This figure was similar to the 39% reported by Avis, Gibson and Watts (1989)

In common with research in the USA by Duckworth (1993) and Stephens (1994) and in the UK by Avis, Gibson and Watts (1989), respondents often commented that they were unsure of how to develop a strategic plan. In particular, how to bring core business strategies back to the implications for property assets. This may indicate a lack of integration of CRE staff into core business strategic planning and also the reverse - a lack of understanding of real estate markets by core business managers.

Also reported, and similar to findings by Gibson (1994, 1995), were situations where a strategic plan for corporate real estate assets was “required” by senior management or an external agency, but there was insufficient base information or expertise to develop a meaningful and well grounded plan. The result was plan that the CRE managers had little faith in but it “kept management happy” while they continued to struggle with developing a better plan or else continued to deal with day to day issues in a reactive manner.

Figure 5 - CRE Strategic Plan



This issue was identified by Hurtt (1988), Gale and Case (1989), Veale (1989), Teoh (1991) and others as being a crucial prerequisite to developing a high level of performance in respect of corporate real estate asset management.

This research shows a continuation of a trend of improving attitudes with 43% of CRE managers reporting their CEO's or equivalent as having a good or very good attitude to corporate real estate. Unfortunately, 36% still have a poor attitude characterised by statements such as "we are not in the real estate business" or similar. The balance were described as having "OK", "improving" or "confused" attitudes to CRE.

Of those with a poor CEO attitude only two organisations operated corporate real estate as a profit centre and similarly only two had a strategic plan for property and these were described as poor. A majority of organisations in this category also exhibited poor performance under the headings of: separate CRE unit; reporting level; inventory; internal rents and CRE evaluation methodology. These findings therefore support earlier research on the importance of CEO attitude to CRE performance.

Outsourcing of Corporate Real Estate Functions

There was a wide variety of comments on this issue reflecting the fact that outsourcing is a topical subject in New Zealand at present. Only one organisation said no outsourcing was undertaken, whereas 24 % described outsourcing as extensive. Professional services such as property valuation and architectural design were the most commonly outsourced functions at 31%, with maintenance, tradespeople and cleaning mentioned by 14% of respondents.

Several organisations had outsourced CRE management itself and others were contemplating such a move, but others had taken CRE management back "in house" after problems with outsourcing at this level.

Specific comments included: the importance of task specification development prior to outsourcing and also a clear understanding by the contractor of the organisation's core business. Also, the fact that it took time to develop a relationship with the service provider and that problems could be expected in the initial phases.

Some organisations were adamant that particular functions could never be outsourced because of specialist knowledge requirements and/or the political environment in which they had to operate. Others commented that cost savings usually expected from outsourcing were often only short term in nature and that cost should not be the sole determinant in employing an outsourcing strategy.

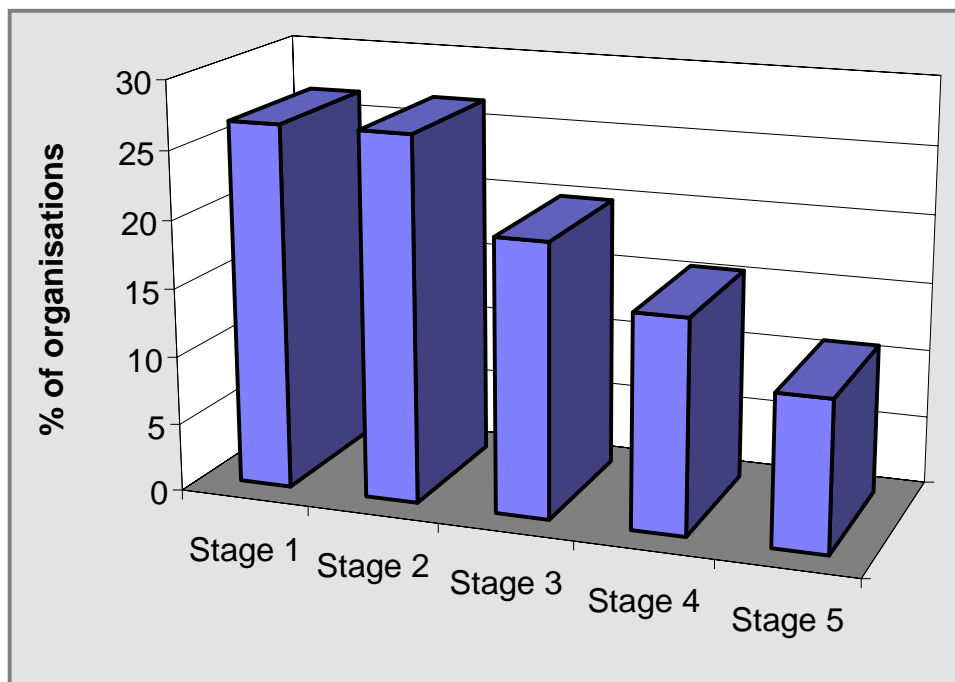
Stage Of Development According to the CRE 2000 Model

The final step in this preliminary analysis was the categorisation of responding organisations into one of the five stages of development put forward in the above model.

Two organisations could not be readily categorised, the breakdown of the remaining 45 organisations is as follows.

	no.	%
Stage 1	12	26.7
Stage 2	12	26.7
Stage 3	9	20
Stage 4	7	15.6
Stage 5	5	11

Figure 6 - Stage Of Development



A strong correlation between some of the performance factors examined earlier and the stage of development was expected. This was particularly reflected in “CEO attitude” where all stage one organisations reported a poor attitude. Similarly, all stage one organisations operated as a cost centre and all but two had no strategic plan in place.

A less clear but still evident relationship existed between value of the portfolio, standard of inventory and existence of a separate corporate real estate unit.

It is notable that all but one of the stage one organisations were non-profit, education or government related organisations.

In contrast, of the stage five organisations none were in the above sector categories, but interestingly 60% were former government sector organisations now privatised. One of the issues investigated in later analysis will be the relationship between such restructuring and whether it is a catalyst for development of an enhanced CRE function.

Other preliminary observations include:

- Territorial Local Authorities were represented at all stages of development with no scale or other pattern apparent
- All the stage four and five organisations utilised internal market related rents
- All the stage four and five organisations had CRE as profit centres
- There appeared to be no relationship between outsourcing and stage of development
- There appeared to be no relationship between reporting level and stage of development
- Stage 4 and 5 organisations still had some poor CRE inventory systems

Conclusion

As stated earlier, the results above are only preliminary and will be enhanced by both additional in depth qualitative analysis of the 47 interviews, plus the quantitative results from the stage 2 mail survey now underway. Even so, some clear evidence of change in the state of corporate real estate asset management in New Zealand since the earlier survey of Teoh (1993) is apparent.

Firstly, far more organisations have recognised the importance of real estate assets to their core activities and are seeking to improve their performance in this area. This is reflected in the marked improvement in “CEO attitude” towards corporate real estate since Teoh’s survey. Even amongst those at “stage one” on the stage of development model fewer say “they are not in the real estate business”. Rather, those operating at this level are often constrained due to lack of knowledge of how to progress, or due to political, legal or other factors inhibiting development.

The typical unconstrained stage of development is currently level two where the focus is on keeping real estate related costs transparent and as low as possible while still meeting the needs of the organisations core business. There are a small, but increasing number of larger organisations operating at the higher stages of development and while these can be used as exemplars, some of those at the lower levels have unique problems in making progress up through the levels.

Most portfolios considered were under \$200M in value but there were a small number of very large portfolios, mainly in the infrastructure/public sectors. All but the smallest portfolios tended to have a separate corporate real estate unit reporting direct to the CEO or one level below the CEO. Both these factors represent significant

improvements on earlier research. CRE units varied considerably in staff numbers due to both the scale/complexity of property managed and the degree of outsourcing - while most had a staff of less than five some Territorial Local Authorities had over forty.

Managers increasingly recognise that information is the foundation necessary to build better performance and a massive improvement in the use of computerised corporate real estate inventories is evident, particularly in large organisations. Problems in this area still remain, with many systems not meeting organisational needs and in addition the substantial costs involved in gathering and updating property data often unrecognised or under budgeted. A surprising 16% still have no inventory at all.

Approximately half of the interviewees organisations currently use some form of internal rent and 38% were structured as profit centres. Both these options were favoured by respondents and further implementation is expected where possible. However, other methodologies for evaluating corporate real estate decisions were vague or non-existent. Common comments included the inadequacy of quantitative techniques for assisting strategic/social/political decisionmaking

Also approximately half of the organisations had either no strategic plan for property at all or a poor one. Problems included lack of: raw property data, knowledge of strategic planning processes and/or insufficient integration with the core business to adequately determine real estate related implications.

In respect of outsourcing, no clear pattern of response was discernible except that outsourcing was extensive and increasing but had problems, and cost savings were not necessarily the result.

In conclusion, those organisations that have the support of senior management, have collected the base data necessary, and have taken the time to step back and develop a strategic plan for property that is well integrated with the organisations core area of activities, have been able to progress to the higher stages of development.

Future Research

The results and conclusions above will be further extended and bolstered once stage 2 of this research programme, the mail survey of 500 organisations in New Zealand, is complete and the quantitative results consolidated and integrated with the preliminary findings presented in this paper.

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