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R.E. master plan should advance strategic goals

by Marc Margulies, AIA

Nearly all businesses and institutions operate out of one kind of building or another. Other than retail or manufacturing operations, real estate generally constitutes the second highest line-item cost, next to personnel, on any organization's ledger. The costs and opportunities afforded by careful real estate decisions can make a meaningful impact on the way a company manages its assets and plans for its future. Appropriately managed real estate should help make a company more successful. Any successful strategic-planning process should include a synchronized real estate master plan.

The essence of a real estate master plan starts with a deep understanding of the mission, goals and objectives of the organization the building houses. To be successful, a master plan must be composed of three parts: understanding of the company or institution, analysis of the existing assets, and recommendations for the future. It is worthwhile to explore the contents of each of these components to give structure and credibility to the process.

Understand your organization

The first question should be: What is the fundamental mission of the organization? Is it to make money for shareholders, for the employees, or to serve the public? How is success defined? What are its long- and short-term goals? What are the financial, human and intellectual assets it is trying to maximize? What are its important internal and external interdependencies?

From this series of questions, a set of key principles can be developed that will become guidelines against which all plans should be measured. Growth plans and strategic direction should be calibrated against these concepts. This analysis should also consider that the time horizon associated with the organization's business outlook is almost always shorter than the typical real estate decision timeline. Therefore, several possible future scenarios should be provided. It is useful to have conservative, moderate and aggressive scenarios so that the real estate options anticipate each scenario.

Analyze your assets

The second step, seemingly straightforward but not always fully executed, is to catalog all existing real estate holdings. This becomes a list of opportunities, obligations and constraints. Categories should include:

- Location, including relative accessibility to relevant other facilities, clients and staff;
- Floor plans to scale, preferably done with CAD;
- Dimensions, both usable and rentable square feet;
- Conditions, including detail on deferred maintenance;
- Operating costs and conditions;
- Zoning;
- Vacancy;
- Value, including development potential and sublease value.

It is also important to appreciate the political context. Is the organization wed to a particular city, state or region? How do transportation patterns and staff demographics relate? What is the status of the marketplace in the surrounding areas?

Future recommendations

With a clear appreciation of the organization's key principles and its existing real estate, a review can be conducted of each property to see how it matches against the key criteria. There are several challenging and definitive questions: What kind of space helps maximize the human, financial and technical aspirations of the organization? Does each one fully support the mission? Which are the most important -- and which are the least? Which have growth or contraction potential, and how would any of these options provide better a venue for success? The master plan allows you to develop options, rates, costs and schedules while taking into account long- and short-term approaches.

Real estate is often seen as an overhead expense. Perhaps it should instead be viewed as a productivity tool. If a real estate expenditure can pay for itself with a return commensurate with the organization's objectives, then it is worth prioritizing relative to other capital or operating expenses. If not, what are the options for its disposal, replacement or consolidation?

A real estate master plan is a road map, but should not be a static one. It should be updated regularly to keep it current and relevant, and to make certain that daily decisions are consistent with the big-picture objectives. It requires a combination of technical and strategic skills, but the benefits to any organization, large or small, can be transformative.

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