



Teel **StratVisor** Group

Payoff for Operational Excellence = Higher Returns for the Commercial Real Estate Industry

Is this your world? As a portfolio manager or the owner of commercial real estate, your buildings are full. Your tenants are happy, make their lease payments and never leave. Your employees and contractors have been with you a long time and your tenants can't say enough about your great customer service. Your team is motivated each day to do its best, and it shows.

Okay, so maybe your situation falls a little - or a lot - short of this ideal. Consider:

- Is it possible to increase occupancy and raise rents during a down market?
- How can employee morale be improved and turnover reduced?
- What are the best ways to increase tenant confidence and satisfaction?
- Is top performance really achievable?

The answer to these questions is **"Yes!"**

The way to achieving high performance is through operational excellence. Many owners concentrate on day-to-day operations and short-term profits, without investing the time and resources to execute a longer-term plan. The return on your investment has huge short- and long-term payoffs when building operations are given the same weight as an asset transaction. Markedly higher Return on Investment (ROI) is almost always achieved through operational excellence projects.

Measure the real costs of operations inefficiencies

Losing an employee can cost 100 percent of annual salary according to a study by CEL & Associates, Inc. Losing a tenant adds broker fees, tenant improvement (TI) dollars and lost rent. By looking at just one element of operational excellence, reducing employee turnover and the financial impact of that component, one can see the value of implementing operational excellence programs.

For example, in a 10 million square foot portfolio with annual salaries of \$11.5 million and average turnover of 40%, a 25% improvement in employee retention results in a savings of \$1.1 million annually across the portfolio. In the same portfolio example, the savings for retaining just one 20,000 square foot tenant is \$900 thousand. If this portfolio could reduce the annual tenant turnover of 10% by one fourth, to 7.5%, the annual savings would be \$11.25 million. At a 7% capitalization rate, count that as \$177 million in value increase or a 3-year



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Internal Rate of Return (IRR) on savings of 410% and 3-year IRR on value over 2000%.

Now the payoff for operational excellence in the commercial real estate industry starts to become very clear!

Creating a Top Performance culture that achieves operational excellence (OE) requires:

- 1) Support from the top to implement a sustainable OE program
- 2) Incentives and measurable metrics that tie employees' performance to results needed by the tenants
- 3) Ongoing training and tools to help employees excel
- 4) Elimination of obstacles to peak performance, such as un-needed processes
- 5) Enhanced communications between tenants and your team

Real estate owners seeking to attract and retain tenants face stiff competition in good and bad markets. Prospective tenants always have choices between similar rental rates, concessions and amenities associated with competing properties. One of the most successful ways of differentiating your building from another is customer service and a long-term commitment to operational excellence.

Teel StratVisor Group has been helping Thomas Properties Group, a national, full-service real estate management company to develop, implement and expand their operational excellence program for the last 4 years. In that time, they have tripled their portfolio, and gone public. Here is what Jerry Hackney, Senior Vice President, thinks of the program:

"Teel StratVisor Group has provided superior consulting services through practical solutions and innovative approaches. Our customer service program was going nowhere. StratVisor's hands-on approach, industry benchmarking feedback, and excellent training methods got it back on track and, further, improved our customer service program."

Are you ready to change your world?