

The Power of Real Estate for Your Organization

Friday, April 13, 2012 | San Diego Metro Magazine | David Marino, John Jarvis

Real estate is typically the second largest fixed cost line item on a company's expense statement after payroll. Company owners and management teams diligently seek to manage and reduce these real estate costs in every way possible. Doing more with less represents increasing productivity and profitability. But there is a larger and often missed opportunity with corporate real estate that has less to do with managing expenses, and more to do with realizing the potential of an organization. As we are now poised on the brink of another economic recovery, with the prospect of rising rents driving key corporate real estate decisions, this is a perfect time to consider a fresh mindset and a new real estate paradigm with powerful implications for the success of your company.

This article is not about lowering your real estate costs. This is about impacting and empowering the first expense line item, and the most dynamic and powerful part of your company – your people. According to a Towers Watson global survey, over 50% of U. S. companies have trouble attracting high-performing or critically skilled employees, and 31% also have trouble with retention. Once you have attracted that coveted individual onto your team, how do you keep him or her fully engaged, adding value and giving their best daily? You can always pay more, but the truth is that most people are motivated by more than just money. Most people want to feel that their work matters, that their contributions are valued and that the organization is vested in their personal and professional growth. This is the often missed opportunity of corporate real estate – selecting, designing and constructing a facility that physically reinforces your cultural vision.

Real estate is the center of gravity for your organization. It is where your people come together and gather to get their work done, to share their ideas, to collaborate, to plan for the future of your company and to execute the tactical measures that will take you to that next place. Your space is a conduit for increasing the energy and attitudes of your employees, which then spills over to customers and visitors. Exciting and positive space is an asset to every company in employee attraction and retention, and in fulfilling the mission of the business. A business owner cannot talk about communication, quality, trust, and “MOJO” with an obsolete, dark, choppy, dirty and dated facility—you have to walk the talk.

John Ohanian is a visionary leader and the CEO of 211 San Diego. When he assembled his team to make plans around their pending lease expiration for this non-profit organization, he was very focused on reducing real estate costs. “We were paying a lot, and the building was old and tired. I just knew that we could do better.” As it turns out, they did much better. “It has been wonderful to see how the right space can have such a profound impact on an organization. Our people are fired up to come to work every day, and our customers are blown away, because when they visit our operation, they can literally see and experience our operational effectiveness.”

Jack Farnan understands what people are looking for from their work. As Senior Vice President, Human Resources for Mitchell International, Jack is a champion for employee engagement and satisfaction. “Our old headquarters made it very difficult to implement the business transformation that we envisioned. Now that we are settled into our new home, it is difficult to put a dollar value on the gains that we have seen, including employee engagement, productivity and happiness. Knowing what we know now, I can tell you firsthand that the cultural impact from getting our real estate right has real economic value far in excess of the costs, which were such an important part of our original analysis.”

Real estate in San Diego is relatively inexpensive compared to the San Francisco region, West Los Angeles, Boston, New York City and most other major U. S. metropolitan areas. It's the quality employees that don't come cheap, and living in bad real estate to save money is “stepping over dollars to pick up pennies.” The success and profitability of companies will be driven much more by how the facility empowers the organization, and not by how much rent a company pays.

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