

2007 Real Estate Lifecycle

TRENDS AND ANALYSIS

Research Conducted by AMR Research
Underwritten by Accruent and KSA



The 2007 Real Estate Lifecycle: Trends and Analysis survey was conducted to gauge how retailers are managing their real estate portfolio to achieve revenue outcomes, control costs, and facilitate regulatory compliance. The research was underwritten by Accruent and KSA and AMR Research served as the independent research partner. *The 2007 Real Estate Lifecycle: Trends and Analysis* survey was conducted for the National Retail Federation. For more information, contact NRF at 202- 783-7971.

Accruent

Accruent is the leading provider of Real Estate Performance Management (RPM) solutions. Our solutions optimize the impact that real estate has on company performance by helping drive portfolio optimization, understand and control costs and achieve compliance. With over 340 customers from a wide variety of industries, Accruent RPM solutions address industry-specific requirements, and deliver an end-to-end application suite that addresses the full spectrum of real estate activities – everything associated with identifying, opening and maintaining real estate locations. Accruent solutions transform real estate into a source of execution, efficiency, competitiveness and profitable growth.

KSA

Kurt Salmon Associates (KSA) is the premier global management consulting firm focused exclusively on the retail and consumer products industries. We work closely with our clients to create accelerated value through our tailored solutions for business growth, margin management, inventory efficiency, productivity improvement, and technology effectiveness.

AMR Research

Founded in 1986, AMR Research provides advisory services and peer networking to operations and technology executives in industries including retail. Our retail team's in-depth research and analysis provides clients with objective information to understand trends and best practices. This pragmatic and actionable advice enables successful alignment between technology initiatives and business strategies to drive profitable growth.

Survey Planning Committee

NRF would like to thank the following members of the Real Estate Research Planning Committee for their thoughts and guidance during the development of this survey:

Lisa Burnett, The Estée Lauder Companies, Inc. Steve Massanelli, Zale Corporation
Andrew Galasso, Charming Shoppes, Inc. Jaye Perricone, PetSmart
Keith Gehl, Family Dollar

NRF

The National Retail Federation is the world's largest retail trade association, with membership that comprises all retail formats and channels of distribution including department, specialty, discount, catalog, Internet, independent stores, chain restaurants, drug stores and grocery stores as well as the industry's key trading partners of retail goods and services. NRF represents an industry with more than 1.6 million U.S. retail establishments, more than 24 million employees - about one in five American workers - and 2006 sales of \$4.7 trillion. As the industry umbrella group, NRF also represents more than 100 state, national and international retail associations.

Retailers take new approaches to real estate management

The Bottom Line: Retailers have embraced a holistic real estate management approach, taking advantage of streamlined processes, deeper consumer insights, and maturing technology to identify emerging formats, gain operational efficiencies, and seize market share.

Executive Summary

In this hyper-competitive retail environment, real estate executives are continually at the forefront of expansion and development strategies. This has forced retailers to embrace a holistic real estate management approach designed to not only streamline new store planning and execution, but also store portfolio decisions that include remodels, closures, and relocation. Organizations are now managing the entire portfolio of real estate assets through a single lens by integrating market planning, site selection, project management, lease administration, and facilities management processes.

To gauge the state of retail real estate management as organizations strive toward this integrated vision, NRF has retained AMR Research as an independent research partner. AMR Research is the No. 1 research firm focused on the intersection of business processes with retail, value chain, and enterprise technologies. The study is being underwritten by two knowledge leaders in real estate management: **Accruent** and **KSA**.

Based on survey responses from more than 40 retail real estate executives, this Report provides the following insights into strategy, organization, technology, and process trends:

- **Real estate gets CEO attention**—Survey results indicate that executive visibility and attention is increasing. Signifying the strategic nature of real estate management, 40% of retail respondents stated that real estate departments report directly to the CEO. Not only is real estate expanding vertically, but also horizontally. Real estate departments for survey participants comprise an average of 169 full-time employees.
- **Alternative formats eat into traditional leaders**—Retailers are seeking new and innovative formats beyond traditional malls and strip centers. Urban street-front locations are eating into market share from these traditional leaders, representing 8% of the total mix in 2006 and a planned 11% in 2007.
- **Process improvement and data utilization are key**—With prime sites at a premium, respondents stated that market planning (42%) and site selection (21%) are the two components that provide the greatest opportunity for process improvement. Connecting data and processes

among all levels of the real estate organization will enable more informed and efficient decisions regarding market-level and site-specific strategies.

- **Technology investments enable process improvement**—The retail industry is making a massive shift from Excel spreadsheets and homegrown technology to packaged applications to manage the entire lifecycle of properties. In 2006, 25% of retailers used enterprise software applications for the purpose of real estate management. That number grew significantly to 36% in 2007.
- **Faster time to market equates to increased revenue**—The fastest retailers in the survey can open a remodeled store once a lease is signed in less than three months, while the majority (35%) needs three to six months for this process. One major factor contributing to the time needed is the sheer volume of properties that are considered at any given time. Survey participants screen an average of 10 sites for every one that is approved.



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325 7th St. NW, Suite 1100
Washington, DC 20004

www.nrf.com