



IAMC

local

2015

Year-End Summary





Key Themes from 2015 IAMC Local Events

In 2015, IAMC hosted 12 Local events in major markets across North America. These events involved presentations and discussions on relevant topics of interest to IAMC end users, service providers, and economic developers. While each Local event differed based on the location, host, and attendees, there were several key themes that emerged from the series of IAMC Local events.

Key Themes

It is essential for those in corporate real estate (CRE) to understand the organization's vision, mission, and strategy.

Corporate real estate decisions aren't made in a vacuum. They are based on the organization's situation and plans for the future. Therefore, prior to making any corporate real estate decisions it is essential for those in corporate real estate to understand the organization's strategy and direction, as this will shape the company's future. Real estate decisions must align with and support the strategy.

Corporate real estate leaders must focus on and talk about profit.

At several events, participants emphasized that senior business leaders—like the CEO, CFO, COO, CIO, and head of HR—aren't focused on real estate. They don't think about cost per square foot or other common real estate metrics. They are focused on the business, on generating profit, and on improving the bottom line. Therefore, to get the attention of and have relevant conversations with the C-suite, it is important for corporate real estate leaders to understand and be able to talk

about the business. It is necessary to talk in business terms, not real estate terms, and to translate how specific actions in CRE affect the organization's bottom-line profits. That's what the C-suite truly cares about. CRE leaders who understand this and who tailor their communications accordingly will be more successful.

"We have to start talking and acting on their [the C-suite] level."

– Participant, IAMC Local – Southern California

Sustainability is an area of focus of most CEOs and C-suite leaders.

IAMC Local participants say that a growing trend and expectation is that those in the C-suite want company sites and facilities to be more sustainable. This is driven by financial motivations, in that sustainability projects often save companies money and have relatively quick payback periods. It is also driven by reputational considerations.

A challenge related to sustainability is being able to quantify the benefits. If a company uses a certain percentage of products that are recyclable, that is easily quantifiable. However, implementing various practices at a site may be difficult to quantify.

While those in the C-suite are interested in sustainability, attitudes differ regarding the willingness to pay for different levels of LEED. LEED Silver is now broadly available at no additional cost, with LEED Gold adding around 10% to a site's cost and LEED Platinum adding 15%. Some participants have

directives to find locations that meet LEED standards, but not to pay more for being LEED certified.

When renovating or expanding it is important to think about enabling a new type of work environment.

Due to different behaviors and styles of younger generations in the workforce, and because of new types of technologies, the work environment of the future will be very different from today. Creating a physical work environment that enables tomorrow's workforce must be an important consideration. As an example, when The Timken Company was undertaking a major renovation and expansion project, the company established broad goals which included:

- Enhancing the quality of life and attracting/retaining talent.
- Creating a flexible, lean, and efficient work environment.
- Improving company performance through increased adjacencies.
- Having a sustainable, LEED-certified design.

Timken envisioned achieving these goals through a new way of working that included:

- Creating a work environment that is **inspiring** to employees.
- Providing multi-purpose functionality with a **flexible, adaptable** work environment and informal meeting spaces.
- Comfortably and intuitively **connecting** people and technology to work.
- Having "**visual connectivity**," which means an open floorplan and ample access to natural light and views.

Timken's renovation project was about more than creating additional space. It was also about creating a modern, new office environment to improve productivity and appeal to a new generation of employees.

Corporate real estate professionals must thoroughly understand their organization's supply chain.

An organization's real estate needs are often driven by the company's supply chain. Therefore, it is essential that real estate professionals understand their company's supply chain, be knowledgeable about the different steps and players, and understand how the supply chain affects the organization's real estate needs—now and in the future.

A company's supply chain will vary based on the business it is in; a manufacturing company will have a different supply chain and different real estate needs than a transportation company. Real estate professionals must work with (and partner with) multiple departments, such as sales, marketing, finance, customer service, logistics, and more.

Out of necessity, most companies use multiple real estate service providers, which creates complexity.

In discussions about whether companies use one real estate service provider to meet all of their service needs on a global basis, all participants said "no." In fact, the majority of participants don't have one service provider nationally, and the few that do are often not satisfied.

The most common arrangement—used by several firms—is to have a short list of "suggested" national service providers, but to provide regional and local flexibility. Participants explained that companies typically have suggested national providers, but regions are allowed to use regional providers. In most regions, people at the company believe that the national providers don't have a good enough understanding of local conditions and don't provide good enough service for a local site. So, companies allow localization and flexibility. Further, companies often have a centralized legal team that looks at all leases, but most functions, such as project management, take place locally.

While allowing local flexibility is common, it can create issues related to reporting and data management. To address this issue, practices include establishing consistent company-wide metrics and having consistent formatting of standard information.

“When you use different regional and local service providers it can create management issues in not getting consistent information.”

– Participant, IAMC Local – Southern California

Some CRE professionals believe that in the future there may be consolidation in the fragmented service provider market. Currently, roughly 80% of Fortune 1000 companies use one of the top four accounting firms. At the same time, only about 20% of these companies use one of the four largest real estate service providers, indicating that the service provider market remains fragmented and consolidation seems likely.

Much change is taking place in the energy industry, which will affect other industries.

New technological advances in horizontal drilling and hydraulic fracturing have changed the face of the oil and gas industry, increasing the supply of energy in North America, decreasing the cost of energy, and helping industrial growth. There are significant benefits for the entire U.S. economy and particularly for those regions with significant gas and liquid deposits. The overall impact on several states, such as Pennsylvania, and on the Northeast is tremendous, with industrial redevelopment taking place. These new fuel sources are driving new pipelines and infrastructure to support growth. For industrial real estate developers it is important to understand the changes being driven by the energy industry as these changes can affect asset opportunities for future projects.

“For industrial real estate developers, understanding the implications of energy hubs, transportation assets, and industrial end-use applications can drive asset opportunities for future projects.”

– Presenter, IAMC Local – Philadelphia

Many organizations must deal with surplus assets, which present both challenges and opportunities.

Dealing with surplus properties can involve a host of challenges, including environmental issues and carrying costs. There may also be disagreements in an organization about a property’s market value and what to do with a property. However, even for properties with environmental issues in remote locations there are often buyers looking to expand operations and get a great deal, and who may be comfortable with environmental risks.

“There’s really a financial downside risk, an operational downside risk, and a reputational downside risk. It depends on the site. It depends on the business. Each of these buckets presents a range of different costs, risks, exposures, liabilities.”

– Panelist, IAMC Local – Chicago

Companies need to understand their costs associated with surplus properties, understand their risks and liabilities, and have internal alignment on how to proceed. It is important for companies to develop relationships with economic developers and regulators in order to strike the most appropriate incentives to help expedite a sale and/or to make the property as attractive as possible to a potential acquirer.

“The sooner you can align with your executive management and figure out their propensity to take risk, the better off you will be.”

– Panelist, IAMC Local – Chicago



IAMC Local Chicago Expert Panel

Exclusive Tours

At many of the IAMC Local events, hosts were able to arrange exclusive, behind-the-scenes facility tours for IAMC members. These tours provided a unique perspective on the operations at world-class facilities in different industries. IAMC Local events included tours at:

- Lockheed Martin's C-130 plant (Atlanta)
- Porsche Experience Center (Atlanta)
- Boeing facility (Charleston)
- CenterPoint's Intermodal Facility and BNSF's Logistics Park (Chicago)
- Timken (Cleveland)
- Mission Control at the Johnson Space Center (Houston)
- FedEx Distribution Center (Indianapolis)
- Braskem Marcus Hook facility and Sunoco Logistics facility (Philadelphia)
- DPR building (San Francisco)
- Northrop Grumman, BYD, and the Mojave Air & Space Port (Southern California)

Get Some Help!

Many of the IAMC Local events involved Get Some Help! These are facilitated peer-to-peer discussion sessions where attendees share practical "how to" knowledge with fellow corporate real estate leaders. Among the topics discussed were:

- The different roles and responsibilities of CRE
- The changing roles of CRE
- Conveying the benefits of the corporate real estate function to the C-level and other corporate leaders, and helping those in CRE sell themselves and the value of CRE to the C-suite
- Succession planning
- Bringing more young people into the industry

2015 Event Timeline

“The IAMC Local in SoCal was unforgettable! IAMC is like a close-knit family we only see at the holidays ... joyous, meaningful and something to look forward to twice-a-year [at IAMC Professional Forums]! IAMC Local events give us a chance to connect more often and explore local manufacturing facilities and topics.

I will absolutely attend an IAMC Local event again!”

— Kimberly Maevers
President
 Greater Antelope Valley Economic Alliance

Philadelphia

The Origin and Future of Marcellus Shale

Overview of operations at Marcellus Shale and Braskem Marcus Hook

- Get Some Help!
- Tours: Marcus Hook and Sunoco Logistics facilities
- Event Sponsors: Actio Corporate Asset Advisors, LLC; Project Solutions Group; Select Greater Philadelphia

May 27

February 19

Southern California

An Inside Look: Advanced Transportation

- Get Some Help!
- Tours: Northrup Grumman, BYD, Mojave Air & Spaceport
- Event Sponsor: LBA Realty



IAMC Local Southern California at Mojave Air & Spaceport

June 4

Cleveland

Moving at the Speed of Opportunity

Presenting on Timken Company's business model, and recent expansion and renovation

- Get Some Help!
- Tour: Timken
- Event Sponsors: Jones Lang LaSalle; Biggins Lacy Shapiro & Company, LLC; Team Northeast Ohio/Cleveland Plus

“I enjoyed the opportunity to make new connections, strengthen existing relationships and learn more about major infrastructure projects in our area. I definitely recommend local events and will attend again.”

— Karen Yale
Director, Administrative Services
 EP Energy Corporation

2015 Event Timeline

"IAMC Local events are targeted, strategic and provide an intimate setting to get to know other members in your area and dive deeper into a particular subject. If you haven't attended a Local event, you're missing a great opportunity!"

— Kristie McKillip
Business Recruitment
Duke Energy

"This year's IAMC event in Houston was great. The combination of interesting speakers with a fascinating behind the scenes tour of the Johnson Space Center made for a thought-provoking day. The information was relevant and helped give good insight to some of the most relevant things happening in Houston. The networking was a big plus as well."

— Russell Manthy
Managing Director
IA Interior Architects



2015 Event Timeline

"I attended many IAMC Local events this year. Each had the distinct flavor of its host community and all featured IAMC's unique value proposition: unparalleled knowledge sharing and quality relationship building with senior professionals in industrial real estate. I encourage anyone who hasn't attended a Local event to join us in 2016."

— Jennifer Lantz
Executive Director
 Wilson Economic Dev. Council
 2015 National Sponsor

Atlanta

- Get Some Help!
- Tour: Exclusive behind the scenes tour of Lockheed Martin's C-130 plant
- Event Sponsors: Cushman & Wakefield; H&M Company, Inc.

September 3



August 27

Indianapolis

- Presentations by FedEx and Eli Lilly
- Tour: FedEx Distribution Center
- Get Some Help!
- Event Sponsors: The Opus Group/Opus Development; Becknell Industrial; The Indy Partnership; Duke Energy; Summit Realty Group



October 27

Dallas

Economic Development: Community Foundations and USDA/Rural Development Resources for your Clients

- Speaker Mary Manning, expert in CRE executive leadership
- Get Some Help!
- Event Sponsors: Midland Development Corporation; Amarillo Economic Development Corporation; The Carter Group, Inc.; IA Interior Architects; Structure Tone Southwest

2015 Event Timeline

“IAMC Local events are an excellent way to build and strengthen relationships with other real estate professionals in your area. It gives a chance to discuss regional issues such as market trends, rents, absorption, and vacancy with professionals experiencing the same challenges.”

— Paul Bouschard
Global Category Manager,
Real Estate
Kohler Co.

“Attending IAMC Local events was a highlight in 2015. Local programming allows more intimate events. One-on-one conversations and awesome programming make it a win/win. Since we all prefer doing business with people we like, these meetings give the opportunity to share information, ideas and strategies on a more personal level.”

— Sharon MillerTrackman
Director of Marketing,
The Americas
Qube Global Software
2015 National Sponsor



IAMC Local Atlanta at Porsche's Experience Center



2015 National Sponsors

IAMC Local is arguably one of our most successful initiatives. Local events – offered in major North American markets – offer members and prospective members the opportunity to connect in between forums and to both build relationships and knowledge share with their local networks of corporate real estate professionals.

The program would not be possible without our prestigious sponsors.



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Contact: *Jennifer Lantz* | 252-237-1115 |
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To learn more or to become an IAMC Local Sponsor, contact Christina Thomas at christina.thomas@iamc.org or 770.325.3460.



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