

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing

5. Market Analysis/Urban Economics/Real Estate
Process

- p. "Merchandising Analysis for Office
Space" presented to Real Estate
Feasibility Seminar at Wisconsin Center,
no date

Real Estate Feasibility Analysis Seminar
A Seminar Sponsored by University of Wisconsin-Extension
Department of Engineering
THE WISCONSIN CENTER

Merchandise Analysis for Office Space
Instructor: Prof. James A. Graaskamp

I. Market Segmentation and Product Definition

- A. Think small - real estate enterprise depends on very small micro-markets.
1. A 30,000 square foot office building means \$180,000 in annual sales or more and possibly \$750,000 of investment at \$25 a square foot.
 2. A 24-unit apartment building at \$200 a month rent is almost \$60,000 gross a year and a \$360,000 investment.
 3. In each case you have higher sales and more assets per customer than almost any other business in the United States. Even large projects are simply groups of small micro-markets served by a single project.
- B. First try to name the revenue unit or method of measuring profit per sales unit -
1. Paper company profits per acre
 2. Cash flow in dollars per apartment
 3. Office rental per floor
- C. Consider the revolution in recreational land development from selling lots, to lakeshore to water recreation access, to escape, to consumption of a weekend, to riskless adventure.
- D. Try to identify the customer unit - who signs the check?
1. The doctor or the clinic?
 2. The salesman or the firm?
 3. The ticket buyer or the promoter?
 4. The building committee chairman or the staff member who really knows what he is doing?
- E. Correct identification of the sales unit and the customer unit leads to -
1. Identification of competitive projects and the competitive standard
 2. Generation of a prospect list or customer spotting strategy
 3. Focus of aggregate market potentials

II. The Customer Profile and Consumer Survey

- A. Scaling the market with a body count and opportunity gaps
- B. Classifying the body count by preferences
- C. Study of the competition to define the competitive standard and supply gaps
- D. Surveying the consumer to identify a competitive differential
- E. The objective is to define a product and price with monopoly characteristics in order to control variance in capture rates.
- F. Before drafting questions for a survey:
 - 1. Determine what ratios are needed for aggregate data breakdown.
 - 2. Determine precise data to be supplied and pre-architectural program
 - 3. Eliminate questions which don't need to be asked
 - 4. Determine budget and time constraint to select survey technique
- G. Direct mail, telephone, and personal interview alternatives
- H. Statistical elegance can be sacrificed for primary intelligence data
- I. The key questions should probe dissatisfaction with competitive project, motivation for moving, and site dynamics.
- J. Use of survey professionals is cheap and more sophisticated than low budget in-house surveys.

III. Description of a Madison Case Study for an Office Building