

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

VII. INDUSTRY EDUCATIONAL COURSES - LONG TERM

- F. U.W. Extension And Executive Development
 - 10. Miscellaneous Undated Lectures Sponsored by U.W. Extension
 - d. "Merchandise Analysis for Office Space",
Real Estate Feasibility Analysis
Seminar, The Wisconsin Center, Madison

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