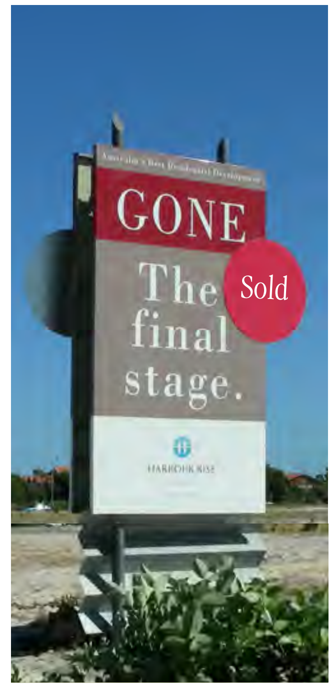
Marketing Real Estate

An Urban Land Institute Workshop

By Richard Burns



GNU Group
Strategic Marketing
Real Estate Branding
Communications Design

3445 Mt. Diablo Blvd.
Lafayette, California 94549
925-444-2020 Telephone
925-444-2039 Facsimile

Richard Burns
925-444-2065 Telephone
rburns@gnugroup.com
www.gnugroup.com

Introduction to Marketing Real Estate

Marketing Real Estate is a workshop developed for the Urban Land Institute by Richard Burns of the GNU Group and Becky Zimmermann of Design Workshop. The course presents a holistic approach to the process of marketing real estate projects. The following materials are synthesized from the course workbook and are intended to introduce the decision analysis, planning, creative and budgeting methodology in the marketing of real estate.

The process begins with planning and research, proceeds through visioning, positioning and goal setting and concludes with the creation of a specific action plan that includes the implementation program, along with schedule and budget.

The lessons apply to virtually any real estate use, product or project in either the private or public sector. Emphasis in the approach is on vision, branding, product and message differentiation, and strategic outreach.

Contents

About ULI ULI facilitates an open exchange of ideas, information, and experience among local, national, and international real estate industry leaders and policy makers dedicated to creating better places. ULI initiates research that anticipates emerging land use trends and issues. ULI's practice program is interdisciplinary and practical, focusing on trends and the many facets of real estate practice. ULI documents best practices, publishes books and conducts educational programs to impart cumulative knowledge to help the development community continuously improve its performance.

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Real Estate Marketing - Investment or Expense

Does your company think of marketing as an investment or an expense? This is a concept fundamental to the mindset that you bring to marketing planning and execution. Investment implies return. Investments measure risk against potential reward. And investments increase value.

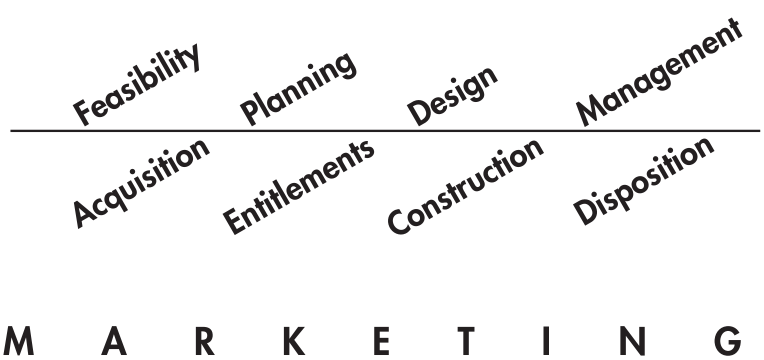
Choose the statement below that best represents your firm's attitude about marketing. If you check expense, your firm is not placing the requisite value on marketing. You do not believe that marketing has the potential for returns. And your firm will inevitably try to shortcut and shortchange marketing expenditures, because that is what every company is trained to do with expenses.

☐ **Marketing in our firm is considered an investment.**
☐ **Marketing in our firm is always considered an expense.**

If you check investment you are most likely highly focused on the potential for marketing. You understand risk and reward and the potential for return on your marketing commitment. You also know the importance of due diligence and allocation of resources. Decisions you make about where to invest marketing resources are always made strategically.

Real Estate Continuum

Real estate development, ownership and management is a fluid activity that includes a variety of actions. The development process entails the complete sequence of steps shown below, while ownership or management may require just isolated elements of the continuum. The underlying constant to every facet of the development and management process is marketing. Audiences at each stage of the process need to be addressed with different messages and through varying mediums to build an on-going and effective marketing program.



Marketing Defined

Marketing real estate is a process
that results in the sale or leasing of
the most space or product,
for the greatest return,
in the shortest amount of time.

Marketing is a holistic process that includes research, planning, promotions and sales.

Research learning about the markets, audiences and competition.

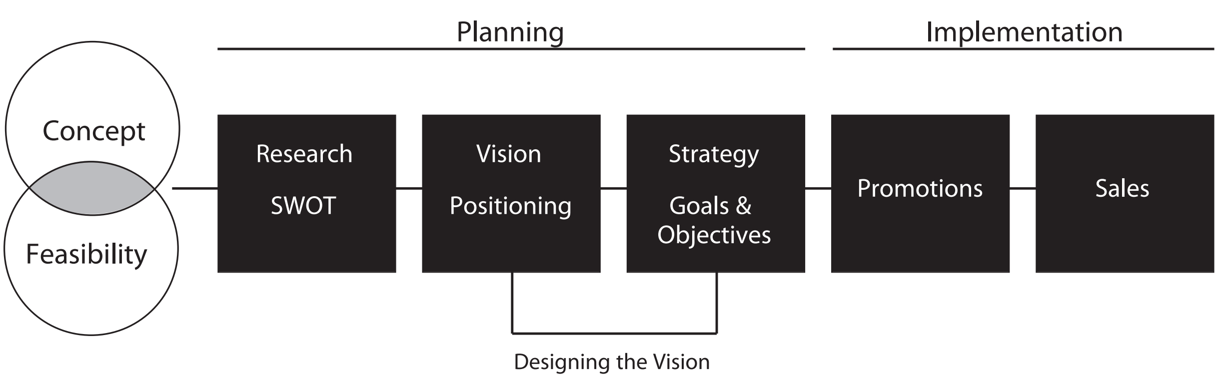
Strategy and Planning developing the strategic course of action based on project and market dynamics.

Promotions communicating to target audiences with the appropriate messages and media to generate awareness, interest, and traffic.

Sales transacting the lease or sale.

The Marketing Process

The marketing process is a linear series of steps that will result in the strategic marketing plan. It begins with a well-conceived project that responds to market demand (a market looking for a project) rather than the other way around (a project looking for a market). Although it is not impossible for a dynamic marketing program to facilitate the success of a property in a poor market, it is unwise for a developer to proceed with this assumption.



Phases and Actions

Each phase of a development program requires different outreach methods. This table identifies the actions, activities and tools that are typically associated with each phase.

Development Phase	Marketing Actions, Activities and Tools
Acquisition	
Pre-purchase Evaluation & Acquisition of Property	• Market research
	• Market feasibility & SWOT
	• Vision statement
	• Offering prospectus
	• Investor communications (on-going)
Pre-Horizontal Development	
Planning, Zoning, Entitlement & Design	• Project positioning
	• Marketing & image planning
	• Naming
	• Branding and Identity design
	• Website
	• Design guidelines & CCR packaging
	• Marketing signage
	• Community relations
	• Public & press relations
Horizontal Development	
Infrastructure Implementation	• Marketing outreach (on-going)
	• Brochure and print materials
	• Promotions and events
	• Permanent signage
	• Advertising & events
	• Public and press relations
	• Marketing center
	• Social media
Vertical Development	
Construction	• On-going marketing and promotions for sales &/or leasing in support of the development (wholesale & retail)
Ownership	
On-going Property & Asset Management	• Tenant &/or resident communications
	• On-going sales & leasing programs
	• Tenant/customer relations
Disposition	
Sale	• Offering prospectus
	• Sales marketing campaign

Levels of Marketing

Marketing has many audiences who must be influenced during the course a project's life. Consider the ultimate user the "retail' audience. All other constituencies that can influence the project's success are the "wholesale" audiences.

Determine all of the audiences for your project type and delineate whether they are wholesale or retail.

For example, in a community development the homebuilders are the wholesale audience and the homebuyer the retail audience. The master developer must communicate effectively with both audiences (and any number of additional wholesale audiences).

The retail audience for a shopping mall is the tenant (they pay rent). But the primary wholesale audience is the consumer.

In planning a marketing campaign be sure to clearly understand your audience levels and target the outreach to their needs and through the mediums that will most effectively reach them.

Land Uses and Audiences	Wholesale (indirect/intermediate)	Retail (direct/end user)
Office		
Residential		
Industrial		
Hospitality		
Retail		
Warehouse/Distribution		
Recreation		
Entertainment		
Community		
Institution/education		
Transportation		
Parking		
Health Care		
Other		

Audiences

List all of the audiences who must be communicated to/with during each phase of the development process and indicate whether they are wholesale or retail.

Stage/ Audience	Wholesale (intermediary)	Retail (end user)
Acquisition		
Pre-horizontal (entitlement, planning and design)		
Horizontal (construction)		
Vertical (construction)		
Ownership/Management		
Disposition		

Market Research Purpose

The purpose of real estate market research is to gather the intelligence that allows focused and strategic decisions about feasibility, financial proforma and strategy. It informs how the project will be physically developed or improved including product mix, amenities and design. It also influences how the project will be presented including branding, positioning, pricing, messaging, media, budgets and schedule.

Key Market Research Issues

Market research must seek to adhere to these precepts.

☐ Be specific to your situation, project or company.
Don't let anyone sell you a "cookie cutter" report.

☐ Use current data.
Use historical data as an indicator of trends.
Current data is extremely important. Get it, even if it is difficult to do so.

☐ Get the answers.
Know how to ask the right questions.

☐ Know everything about your competition.
Be straightforward or be coy, but don't be taken by surprise.

☐ Know your buyer.
Spend a "day in the life of" your potential buyer/tenant.

☐ Draw conclusions.
Get to the conclusions using clear logic.

☐ Determine the shelf life.
Establish mechanisms to update data, if needed.

☐ Be prepared for the truth.

The Ten Critical Market Research Questions

Regardless of property or project type, real estate market research must answer the following 10 questions.

1. What are the trends in (project type) development?

2. What is the current market for this project or property type? (Profile the current buyers, tenants, etc.)

3. What is the depth of this market?

4. What are the market's perceived values?

5. What opportunities and challenges does the current market profile present?

6. How do you determine and gain an understanding of your target market?

7. What are the competitive projects? (their market positions, development programs, buyers, price points, absorption, lessons learned, etc.)

8. What are the comparable projects - those that have similar traits to your project but are not necessarily in competitive markets? (their market positions, development programs, buyers, price points, absorption, lessons learned, etc.)

9. What are the opportunities and challenges presented by the competitive and comparable projects?

10. What conclusions can be drawn regarding:
    a. Positioning
    b. Market
    c. Development program
    d. Marketing
    e. Opportunities for differentiation
    f. Price points
    g. Absorption rates
    h. Challenges
    i. Feasibility – now or later

SWOT
Strengths
Weaknesses
Opportunities
Threats

A SWOT analysis is a benchmarking process used to inventory all internal and external attributes of a project, both positive and negative. It delineates the internal strengths that can have a favorable influence and potentially be incorporated into a positive presentation of the development as well as weaknesses that must be overcome. The analysis identifies external opportunities and threats that are beyond the developer's control but can potentially affect the development's viability.

The SWOT analysis also identifies values and virtues of the development that can be the focus of the marketing program and reveals the deterrents and obstacles to the project's success. It should result in a complete inventory of all factors, internal and external, that influence the marketing of the project. The SWOT analysis will drive the vision for the property and become an important resource in formulating its story.

Strengths

Strengths are internal attributes of the project that differentiate it from the competition. They can include location, quality of the design and environment, entitlements, cost, amenities, management characteristics, or anything else that enables the project to appeal to the target audience and be better than the competition. Knowing the project's strengths can provide guidance on the attributes and capabilities upon which to build a marketing program.

Weaknesses

Weaknesses are self-imposed limitations and problems that have a negative impact on the project's or property's attractiveness. They too can include location, quality of design and environment, entitlements, cost, amenities, management characteristics, or anything else that makes the project less than the competition. Once weaknesses are identified, the challenge is to mitigate them. Determining which of the weaknesses can be overcome through marketing and which require programmatic or product changes is a fundamental part of the process.

Opportunities

Opportunities are situations or conditions that exist outside the property or project. They can be global and omnipresent, or they can exist at a point in time. Opportunities include, among other things, economic and market conditions (which are always subject to change), the demeanor of local jurisdictions, neighbors, the labor pool, demographic trends, and financial climate. Opportunities must be aligned with strengths to determine how best to capitalize on accommodate fluctuating economics.

Threats

Threats come from outside and require the greatest vigilance. Threats, like opportunities, vary in their magnitude and longevity. Some can be mitigated through the development or marketing program. Others may be permanent. A major threat, like a downturn in the economy, requires an adjustment to strategy. Smaller threats such as the departure of a key tenant present marketing problems and must be addressed through the marketing program.

Vision

The vision for a real estate project or development can be best described as the dream for what the place is to become. This dream is measured not only in the physical dimensions but also in the character and dynamics of the place that will endure long after the development is complete. Vision defines the project in terms of the following:

Physical qualities the compelling physical features including location, plan, building attributes, architecture and design vernacular.

Environmental conditions the natural and man made environmental qualities.

Sociological dynamics the human conditions and interactions that will characterize the project, including the features and amenities programs that will foster the social dynamic.

Character the traits and vernacular that will shape the look and feel of the project.

Values the underlying values that will be embraced by the project's tenants/residents/users.

Commitment to execution the owner/developer intentions and dedication to the creation and management of the project.

Quality of life the experience and value of being a tenant/resident/user of the project.

Economic Promise the financial aspirations for both the owner/developer and the users expressed in terms of value and desired return on investment.

Vision Statement

A vision statement captures the essence of the vision and serves as the foundation for positioning the development. It provides the road map around which the planning, design, construction, communications and marketing will be based. The vision statement must be actionable. It must offer guidance for the behavior and benchmarks for everyone associated with the place, and provide the platform for accurately and consistently telling the development story. Ultimately, the vision statement establishes the criteria by which every development and management decision can be measured.

Positioning

Whereas vision is the expression of the broad development concept, positioning is the identification of the selling propositions that will establish the project's place in the market. Positioning is the means by which to create a competitive edge for the project. Four fundamental strategies can be used to position any real estate project: differentiating, repositioning, finding a niche, and branding. Although these strategies are not mutually exclusive, one of them will usually dominate in determining the manner in which the project is packaged and presented. The dominant and secondary positioning platforms are derived directly from the attributes of vision.

Differentiation is the most common positioning strategy. Issues that differentiate a property can be all manner of things, but they must directly benefic target audiences. Larger floor plates, better amenities such as concierge service or fitness facilities in a commercial project, or recreational amenities and open space in a residential project may be the strengths on which a development can be distinguished from the competition. In a highly competitive market, too often price is the only point of differentiation.

Repositioning is the process of taking an existing product and turning it into something new or different. Given the accelerating rate of change in our society, repositioning becomes an important development strategy that allows an existing property to adapt to a new use and continue to be viable.

Finding an unserved or underserved niche in the market and filling it is another method of positioning. Niches can include very specific types of property to serve the special needs of distinct buyers and users. Virtually every class of real estate can be positioned according to the niche it occupies. In recent years, a wide variety of niche retail formats such as family entertainment centers and high-end specialty outlets have offered strong competition to standard regional, neighborhood, and convenience shopping centers. Many niche hospitality markets have been identified, including luxury, resort, urban, boutique, economy, destination, and ecological.

Branding is the process of endowing qualities in the project that create value and expectations in the mind of the prospect. Branding builds on visual identification. It is about name and product recognition, predictability; and creating and meeting expectations. The most often cited definition of branding is "a promise." To that end, branding adds consistent and controlled behavior to visual identity. Great brands must deliver products and services with a degree of consistency that allows customers to have their expectations met. Because of the diverse and varied nature of real estate, consolidation in the real estate industry has seen a trend toward branding the new, larger companies formed rather than trying to establish a brand through the project.

Goals, Objectives and Tactics

A real estate marketing plan requires clear goals and objectives. A goal identifies an overarching end result to be accomplished through marketing. Objectives quantify the goals by assigning specific numbers and time frames. Objectives need percentages (market share), numbers (ROI, square feet leased, units sold, volume of sales, etc.), time (target dates) in order to be prescriptive and measurable.

Tactics are the distinct actions that must be taken to realize the goals and objectives. In addition to numbers and time frames they require designation of responsibility for achieving the results.

Sample Goals/Objectives/Tactics Worksheet

This worksheet starts with identifying one of the projects goals, followed by the objectives and tactics that form the action plan.

Objectives quantify the goal and tactics define the specific tasks that will achieve the objectives. The column at the right lists the audiences who are the focus of each action.

Tactics	*Applicable Target Markets*
Lease all remaining space (150,000 sf)	A. Commercial brokers
	B. Potential tenants
	C. Existing tenants
	D. Media

Objectives	
1. Establish marketing plan and budget by month one	A, B, C, D,
2. Make all audiences aware of the available space by month two	A, B, C, D,
3. Commitments from two major tenants (more than 40,000 sf) by month six	A, B, C, D,
4. Commitments from eight minor tenants (4 to 8,000 sf) by month six	A, B, C, D,
5. Commitments for remaining space by month twelve	A, B, C, D,
6. Retain all tenants with expiring leases	A, B, C, D,

Tactics	
1. Sign broker agreement immediately	A
2. Create leasing brochure	A, B, C, D,
3. Create outreach program to participating brokers	A
4. Issue regular press releases	A, B, C, D,
5. Create an information center	A, B, C, D,
6. Hold brokers open	A
7. Create broker incentive program	A
8. Create and implement new tenant appreciation program	C

Marketing Action Matrix

Research and development planning will define the target markets and audiences for your project. As you proceed to the promotions program it is crucial that you have identified the target audiences and understand what you have to offer and what you must communicate to them. This matrix is the place to codify the audiences and establish the actions and messages that will influence them in favor of your project.

Audience	Their wants and needs?	What do we have to meet wants & needs?	Development actions to meet wants & needs?	What do we want them to know?	How will we tell them?	Desired results?

Promotions

The promotions program is the mix of actions, activities and materials you will use to communicate to your audiences. Each project's promotion program will be driven by the vision, position, market, audiences, budget, schedule, and a host of other factors. As you consider each menu item be clear in your expectations and how the item will support the marketing goals and objectives for the project.

Research

SWOT
Vision Statement
Positioning & Naming

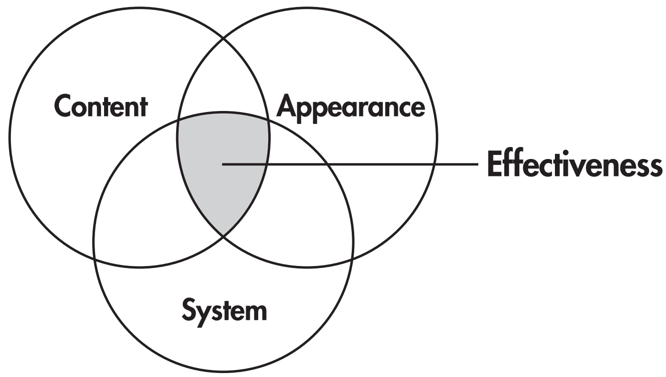
Visual Image
Identity
Design Criteria

P R O M O T I O N S   M E N U

Brochures	Advertising	Marketing Centers	Environmental Graphics	Guidelines and Criteria
Newletters	Promotions	Exhibits	Sign Systems	
Direct Mail	Public Relations	Displays	Marketing Signs	
Collateral	Community Relations	Models		
Web sites	Events	AV/Video		
E Blasts	Social Media	Computer Animation		

Elements of Promotion

The promotion program will include the optimum mix of outreach activities to communicate to the audiences. The promotions program should be approached holistically with all of the parts reinforcing each other. Make sure there is consistency and continuity. To achieve maximum effectiveness consider the three facets of effective promotions.



Content

Differentiating your project is fundamental. Tell your story with conviction and make your points clear. Make sure your written content is neither dry nor founded on platitudes or clichés. Infuse passion and energy into your story. Communicate the competitive advantages. Always consider your story from the customer's point of view. Make it speak to their wants and needs and appeal to both their heads (logic) and their hearts (emotions).

Appearance

Appearance is the quality and appropriateness of the visual representation of the project. Once your story and messages are clearly articulated, graphic design is the means of translating them through all of your materials. Effective graphic design can support very specific image and communications objectives.
The foundation of an effective visual program uses the power of design to capture and portray the image, identity and character of a project. The language of graphic design is comprised of a limited number of variables that we call the visual vocabulary and includes symbols, logos, logotypes, typography, color, materials , format layout, grids, graphics, illustration, renderings, photography, reproduction techniques and graphic devices.

System

Continuity is the key to enhancing recognition. Achieve the requisite consistency with rules (standards and guidelines) for how your communications will look and how they will be produced. Make sure that everyone knows the rules. And make sure that you have a designated person who is empowered to enforce the rules.

Sales

Real estate marketing makes a distinction between promotions and sales. Sales represent the step in the marketing process where an interested prospect has been identified and needs to be converted to a buyer or tenant. A broker or sales agent typically executes this step. The role of the broker or sales agent varies from project to project and depends on the developer's desires. The relationship can range from an outside brokerage company to the developer's in-house staff.

The approach depends on the developer's capabilities, the property type, and market conditions. Regardless, the brokerage community inevitably becomes part of the sales process for any project. Therefore, developing relationships with local real estate agents who specialize in a specific property type is critical, regardless of whether the developer employs an in-house sales staff or an outside agency. Successful brokers know about local market conditions and often have proprietary access to prospects.

When sales and leasing are handled in house, the developer has far more control. But even with in house sales teams, the developer must maintain a cooperative and productive relationship with outside brokers, including the commission-sharing structure to provide appropriate incentives. Brokers are not easily excited by new products unless they are convinced they can sell the property quickly and easily.

Brokers want assurance that developers will pay full commissions quickly. Timely financial remuneration of cooperating brokers is the primary reason that agents bring prospects to a developer's property. To the extent that the developer can help agents build a stronger relationship with their clients, local agents become more enthusiastic.

The broker relationship must be carefully planned and conscientiously managed. The developer/owner has ultimate responsibility for the broker's motivation and success. Critical to a productive relationship is a well crafted agreement that establishes performance and behavioral expectations up front.

The Marketing Budget

As most facets of development lend themselves to fairly accurate estimates, a developer's desire to identify the precise costs of marketing, leasing and sales is understandable. Developing a set budget, however, is much more difficult than deriving estimates for most construction costs. Exclusive of leasing or sales commissions, marketing expenditures typically run from 1 to 3 percent of gross sales; therefore, the margin for discrepancy as a percentage of the marketing budget alone can be great.

Also, marketing does not follow a predictable schedule. You must continue marketing until the project is completely leased or sold. On going budget planning requires a period of time against which the investment required for marketing can be forecast. It is important to make realistic estimates. Real estate developers tend to be relatively optimistic and usually designate a time frame that is too short to complete all the sales objectives. The budget should be prepared for a period that relates to other aspects of the business structure such as a fiscal or tax year or for the entire selling period. If you choose a shorter time frame, make sure everyone involved knows that the budget is not the total to be allocated and that additional funding will be required.

Managing an effective marketing program means judiciously deploying resources. Three approaches to budgeting for marketing are common:

- ☐ Zero-based budgeting;
- ☐ Percentage of revenue budgeting; and
- ☐ Fixed allocation budgeting.

Zero-Based Budgeting

Zero-based budgeting assigns a cost to each line item or activity. It is the most reliable approach to preparing an accurate budget, as it anticipates everything that needs to happen through the entire course of the marketing program. This budgeting process begins with a marketing plan developed to the point of identifying all activities necessary to achieve marketing goals.

To estimate the grand total, it is necessary to predict how long it will take to sell or lease the project. Market research can provide an estimated absorption rate, but how much to spend per month to achieve that rate is a judgment call. The total of all projected expenditures should be continually evaluated to determine whether the total budget is in line with the development proforma. If not, the final budget must be adjusted to reflect the project's overall financial requirements.

Percentage of Revenue Budgeting

In the real estate industry, certain property types have established financial benchmarks for marketing budgets. The percentage of revenue budgeting approach assumes that these industry averages are reasonable gauges of what it will cost to get the marketing done. It might be useful to start with industry averages to prepare a ballpark marketing budget, assuming that if marketing costs exceed the averages, the pricing for the development might be at a competitive disadvantage. Although averages are useful references, they can be misleading and may not be an accurate or appropriate gauge of the project's needs.

Averages provide only macro budgets. They indicate what others are allocating to marketing in the aggregate, but they do not disclose what areas of the promotions menu are most effective. Moreover, the size, markets, history, economic conditions, and a host of other factors will skew the percentages. To gloat because marketing expenditures have been kept below industry averages or to be distressed because they have exceeded averages may do the project a great disservice. Most critical is committing the resources to meet marketing goals.

Fixed Allocation Budgeting

"Fixed allocation" means simply assigning an amount for marketing based on company or project financial modeling. Whether based on experience from past projects, formulas developed for the particular property type being developed, or a discretionary decision, plugged-in numbers for marketing are dangerous. This approach is not recommended and is identified here as a budgeting alternative only because many development companies use it. Relying on numbers based on past allocations is irresponsible and reflects an organization that approaches marketing as an expense. Most budgets developed as fixed allocations generally result in numerous amendments to ensure that the budgets are sufficient to allow the marketing program to succeed. Most important, such budgets must be constantly monitored. It is difficult to forecast accurately how long marketing and sales will last. Because of the idiosyncrasies of the market, fluctuating economic cycles, and a host of other conditions beyond the developer's control, marketing programs and their budgets require a measure of flexibility.

All budgets should include a contingency fund that can become a reserve if market conditions dictate the need for additional time or money to complete the program.

Whichever budgeting system is used, it is critically important that the productivity of marketing and sales activities be continuously measured against leases produced or sales closed.

Marketing Plan Template

Use this outline and structure to develop your project's marketing plan.

Project Name ____

Location ____

Description Articulate the development program, uses, functions, size, features.

Research Findings Codify all significant research that will influence strategy.

Target Audience List all audiences.

SWOT List Strengths, Weaknesses, Opportunities and Threats.

Vision Statement Write a strategic, actionable vision statement.

Goals/Objectives/Tactics Identify all goals and list the objectives and tactics for each.

Position Describe how the project will be positioned

Promotion List all promotional activities, materials and tools. Consider both wholesale and retail audiences.

Sales Plan Describe the structure for the sales plan. Who will do it, how will they be structured, how will they be compensated and how will they be managed and accountable.

Budget Describe in detail the investment for marketing and the structure of the budget.

Schedule Organize the above marketing activities into a schedule.

Responsibility Identify who will be responsible for all activities.

Richard Burns

Richard is a designer, writer, and marketer. He has a Masters of Science degree in visual design from Illinois Institute of Technology's Institute of Design, and a BA in design from Indiana University. An early affiliation with the SWA Group, planners and landscape architects, provided Richard his early insight into the world of real estate and professional service firms.

In 1974, Richard founded The GNU Group, a design and communications practice. With offices in the California, Texas, and the Pacific Northwest, the firm became one of the country's most accomplished and comprehensive marketing communications and design firms addressing the needs of the real estate industry. The GNU Group provides real estate clients with all of the expertise and support needed to reach and influence their diverse audiences, from research, vision, positioning and strategy, to naming projects, creating images and identities, to the ads, collateral, events, exhibits and signs that tell a project's story. He now serves as a consulting principal of the firm.

Richard has had the opportunity to participate in hundreds of real estate development projects including all land uses, both domestically and internationally, and to work with many of the world's premiere development companies and consultants. This experience gives him a comprehensive perspective on real estate development and management, and a command of the distinct marketing challenges of real estate projects.

Throughout his career, Richard has been active in professional activities and organizations. As a member of The Urban Land Institute he has served on the Community Development and Recreational Councils and on the Development Committee. He developed the curriculum for, and teaches ULI's Real Estate Marketing Workshops and has written the chapter on marketing for ULI's *Real Estate Development Principles and Process* textbook. He has also authored *The Ultimate A/E/C Marketing Plan*, a guide to marketing professional services firms. He was a founder of The Society for Environmental Graphic Design (SEGD), served as its President, on its Board of Directors, and in 1987 was named the Society's first Fellow.

He has been honored with numerous awards for his design and marketing expertise, including multiple "best in show" awards from the Society for Marketing Professional Services (SMPS).