E&Y KENNETH LEVENTHAL

REAL ESTATE GROUP

E-WAKENING:

THE NEW TECHNOLOGY PLAY IN REAL ESTATE

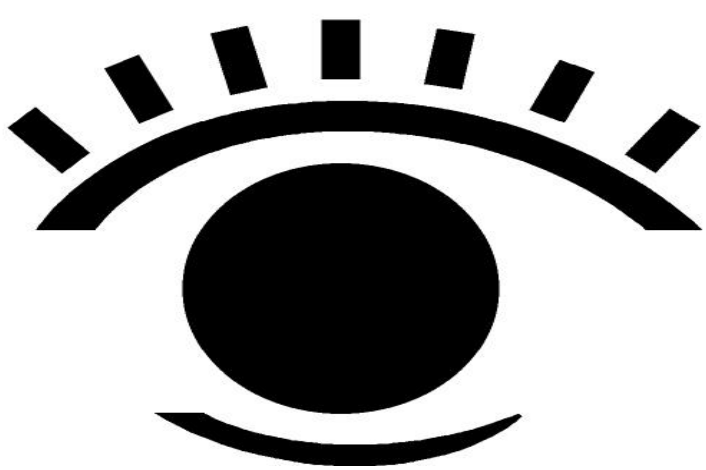

Table of Contents

Introduction

Now that the hot air is starting to leak from the dot.com balloon, real estate companies doing business in cyberspace are bracing for what may be a coming shakeout in E-Commerce. Wall Street's unrequited love for any Internet start-up has given way to a new pragmatism: online companies in real estate and other business sectors are being evaluated on their path-to-profitability (P2P), or when they will start to generate sustainable profits.

P2P could be a long road for many Internet companies, and some with high cash-burn rates could soon fall exhausted by the wayside. Some already have. Meanwhile, the survivors are racing to develop and redevelop the business strategies and profit models that will help them to live and grow in an increasingly competitive e-marketplace.

While the market's focus has been on the fate of dot.com start-ups, another Internet story is unfolding. It concerns the efforts of established companies in a range of industries to Web-enable their businesses. These companies are using the Internet to build alliances with customers and suppliers, create more efficient supply chains, move back office operations to the Internet, manage projects more efficiently, and buy products and services at substantially lower costs.

What does this mean to the real estate industry? Today real estate companies must decide whether to use the latest technologies to launch new revenue-generating ventures. They must also determine *how*, not whether, to web-enable their businesses. Traditionally, the real estate industry has not had much interest in strategy, process improvement or technology. But the opportunities presented by the Web are too compelling for companies to ignore.

New Revenue Models

For once, the real estate industry's relative slowness in adapting to new technology and the Internet could work to its advantage. In assessing revenue and profit opportunities for new online business ventures, real estate companies can learn from the successes – and failures – of online companies that have gone before them. This learning process begins with a self-diagnostic: a real estate company must look at its own competencies and business process and decide how it is different from the competition – and how it is not. It must understand who its customers are and what they want. It has to create a unique value proposition targeted to this market – a value so compelling that customers will return again and again to buy its products or services. And it needs to develop a sustainable revenue and profit model, addressing the question of whether it is worth the investment to build the model based on the expected revenue that will be created. Above all, it has to be flexible and adaptable. The economy and E-Commerce are changing so fast that a company must be prepared to bob and weave, quickly pulling back if one model is not working and trying another.

Enhance/Enable Business Processes

Every real estate company must understand Internet technology and determine how to Web-enable its business in order to manage it more efficiently. "The Internet is making it possible for an industry that has been technology challenged to become technology enabled," commented Joseph Rubin, national director of Real Estate eBusiness Solutions and a partner in the New York office of Ernst & Young's E&Y Kenneth Leventhal Real Estate Group (E&YKL).

By outsourcing their back office operations to online service providers that can do the work faster, cheaper and more efficiently, real estate companies will be able to operate far more efficiently than in the past, realize substantial cost savings, increase net operating income, and achieve higher property and enterprise value. The work of software applications – management of customer relationships, supply chains, human resources, internal accounting and much more – is starting to move online. More providers are selling applications as a service over the Internet instead of as a product-in-a-box. Companies can contract with providers that have the technology, the expertise, and the skilled people to provide a variety of business and technology services over the Internet.

Investment/Start-Up Opportunities

As real estate advances on the technology curve, venture capitalists and institutional investors as well as real estate companies themselves see opportunities to invest in or start real estate e-businesses over the next six to 12 months, before the window begins to close as companies establish market positions, competitors crowd out new arrivals, and the e-real estate market starts to mature. In real estate, an industry with a long history of entrepreneurship, new entrepreneurial ventures will be found in real estate technology. This will create an opportunity as well as a challenge for the technophobic players in the industry.

The question for investors in investing in online real estate companies, as in other virtual businesses, will be in determining which companies have the business models, the capital, the talent, and the vision to survive and grow in what could be a period of consolidation in E-Commerce.

E&YKL Data Base

To assist companies with this analysis, E&YKL has developed a data base of the hundreds of companies in the virtual real estate space -- companies that specialize in online services to particular markets such as architecture, engineering and construction or that provide online services across a number of real estate markets. "These are not simply Internet versions of traditional real estate companies," said Dale Anne Reiss, global industry leader of Ernst & Young's E&Y Kenneth Leventhal Real Estate Group (E&YKL). "These are technology-driven enterprises that are transforming the real estate marketplace and providing a new set of pipes through which all real estate players will conduct their business."

"Virtual Real Estate"

Paul Griesmer, E&YKL's chief strategist, said that "our data base is of value to real estate companies in identifying opportunities to Web-enable their businesses." Some of the companies in the E&YKL data base are listed in the "Virtual Real Estate" chart attached. It shows many of the leading players in transaction support, asset and property management, customer and tenant services, facilities management, development and construction and other real estate sectors; and it is intended to illustrate the depth and diversity of today's virtual real estate marketplace. Of course, in today's rapidly changing E-Commerce environment, new companies will continue to enter the online real estate market while some others may disappear.

In this report, we share some of our observations and findings about trends and issues in the real estate online marketplace, and we focus on the questions that your company needs to address and the steps needed to position your organization to compete in the New Economy. We will provide frequent updates to our report on our web site (www.ey.com/realestate), where you can sign up to receive our real estate e-newsletter.

Enable/Enhance Business Processes

As the E&YKL analysis shows, the Internet is driving efficiencies in every major real estate process. Behind the Internet is the technology – the online software, the network systems, the application service providers – that powers the online companies that are providing Web-based solutions to developers, owners, investors, property managers, brokers and other players in the real estate industry. But E-Commerce is really about process, about changing the way companies conduct their business: streamlining workflows, enhancing customer connectivity and quickly accessing data that drives management decisions. The following is a look at the key real estate processes, how they are being changed by the Internet, and some of the online players in these spaces.

Construction Management*:* *improving control over budgeting, scheduling and progress monitoring.*

The $3.2 trillion global building and construction industry is one of the world's largest, accounting for 10% or more of GNP in many countries. It also is one of the most fragmented, paper-intensive, and process-bound industries, known for painful project delays and cost overruns. Its adoption and use of computer technology has been slow. Because of complexities in hardware, software and maintenance, no common application had been shared among a project's participants. On a large project, lasting months or even years, coordination of dozens or even hundreds of teams, subcontractors, and vendors on a project typically has been done offline -- by fax, phone, and express mail. Every tweak in a project's architectural drawings requires that new sets of blueprints be printed and distributed to the project's architects, engineers and contractor for review. Much time is wasted on paper shuffling, projects take longer to complete, and costs mount up. And without a central communication hub, a contractor can always say, "I didn't know you wanted me to do *that*."

Enter the Internet. "Collaboration sites" are emerging on the Internet to help companies better manage all types of projects. These include sites that act as virtual project managers for the construction industry, enabling contractors to better manage risk, reduce costs and complete projects on schedule. Construction teams of architects and design professionals, contractors and subcontractors, developers and owners, and facilities managers can log on to the Web sites of Cephren, Bidcom, and Buzzsaw and other online providers and, using secure passwords, access a section of a provider's Web site to store and share blueprints and other documents, communicate with other team members, work through permit processes, create Requests for Proposals (RFPs) and receive bids, buy goods, and recruit construction industry professionals and workers. Companies scattered across the U.S. or around the globe can collaborate on the Web on every phase of a project from design to management. Digital cameras on the construction site can be used to show the progress of the project on the virtual site. The payback: easier communication, faster project completion times, lower costs and more accountability.

Buying, Selling and Leasing Property: *ready access to a stream of information, faster due diligence, quicker closings, and significant cost savings*.

Whether a property's in New York, Los Angeles or Peoria, detailed market analyses, property information and photographs covering *tens* of thousands of office, industrial, retail and other commercial properties for sale or lease nationwide are now instantly available online to owners, tenants and brokers from companies such as CoStar Group, Comro, LoopNet, PropertyFirst, and RealtyIQ. These data sites -- the first real estate industry portals -- help users to manage their businesses more efficiently, primarily by providing better access to market and property data. In addition, a number of auction sites and transaction platforms such as Zethus are springing up, allowing market participates to not only see what's out there but to complete an entire transaction online.

In the U.S., the rapidly flowing stream of online property information encompasses not only the largest properties but the thousands of other small office buildings, retail centers and other properties – those that account for the majority of properties. According to the U.S. Energy Administration, there were 775,000 office buildings in the U.S. in 1995 (the latest year for which figures are available), totaling 10.5 billion square feet. But 95% of these buildings were less than 25,000 square feet, and half were less than 5,000 square feet. Only one percent had more than ten floors, and half had only one floor. On the Internet, you can find information on these smaller office properties – and every other sector of the real estate market. Online listings cover dozens of categories from high-rise office to warehouse and distribution centers to commercial land. Some online companies focus on niche markets, for example, CityFeet provides information for small businesses seeking to lease space in targeted U.S. cities. The upshot: Brokers, owners, investors, developers and tenants are able to obtain information, put together deals, complete the due diligence process and close transactions much faster than before, and to save money from more efficient execution of transactions.

In addition, there has been an explosion of sites such as Inman, GlobeStreet, IPGDirect and Pikenet that provide news and online yellow pages to help real estate players navigate the Web. Together with the listing sites, they provide a wealth of new data to the real estate executive.

Property and Asset Management: *enhancing workflow processes*

Portals have emerged in real estate, but they are in earlier stages of development compared to other industries. Most currently offer information or market products or services, but the breakthrough will come in the emergence of sites that facilitate business and store data centrally online.. "We will see a shift in focus" as real estate portals evolve, Rubin said. "The stickiness will not be content but day-to day management of the business enterprise." In other words, the online real estate offerings are still in the process of migrating from data to B2B commerce. We are just beginning to see key operational processes being offered online including property management, rent collection, accounts payable and lease administration.

New York-based RealPulse Inc. (realpulse.com) hopes to create such a business platform by launching The Realm, a B2B E-Commerce hub for commercial real estate. The Realm, scheduled to go live later this year, will be the gateway to proprietary software applications that will enable the commercial real estate industry to conduct most of its day-to-day business online. The Realm's e-business tools are designed to enhance workflow processes that not only are internal to real estate companies but also transform B2B transaction processing between commercial real estate organizations and tenants, suppliers, service providers, lenders and intermediaries. To build the technology platform for The Realm, RealPulse acquired four leading commercial real estate technology firms: ARGUS Financial Software, B.J. Murray, Inc., CTI Limited and Newstar Solutions. The goal is to create a central database of property operations linked with financial forecasting that provides owners with enhanced management information, real time valuation and direct access to the capital markets.

We expect to see a lot of activity in this space over the next 12 months. Many of the largest real estate players, including many of the big financial institutions and Wall Street firms, have not yet weighed in with their online offerings.

Procurement Facilitators: *leveraging buying power*

A key goal of E-Commerce is bringing together communities with common interests. As noted, the real estate community is highly fragmented, with most players unable to buy goods and services as cheaply as the big boys. Procurement is a B2B application which impacts the day-to-day business of every company – a "sticky" activity.

The growth of procurement facilitators on the Internet has enabled companies in every segment of real estate to ramp up their buying power. Companies like SiteStuff help property owners and managers to significantly reduce the cost of procuring goods and services required to operate properties. A number of other procurement platforms are in development. Hilton Hotels Corp. and PurchasePro.Com recently announced plans to establish a proprietary hospitality procurement network for Hilton's branded hotels and to establish the industry's largest purchasing exchange. BigVine.com manages an online barter system involving a number of markets including real estate. The objective of these procurement sites is not simply to buy lower-priced goods. It is to lower the overall cost of, and enhance control over, the procurement process.

To capture a share of the fast-growing procurement market, some owners and operators have entered into agreements with procurement facilitators to jointly market products and services to tenants. For example, Equity Office Properties and HQ Global Workplaces, a full-service turnkey workplace provider, recently capitalized a joint venture to own and develop full-service business centers in Equity Office's buildings.

Companies are not only finding ways to manage the procurement process more efficiently and at lower costs, they also are developing new markets in procurement services. An example is Corrigo Inc. which provides integrated solutions that improve the efficiencies and overall profitability of field service operations, for example, by enabling apartment tenants to initiate service requests, check their status, and provide feedback through the wireless Web. When the tenant places a service request, a technician is alerted by mobile phone or pager and dials into CorrigoNet, a maintenance and customer service solution that uses the Web, wireless communication, and the telephone. The technician can learn the specifics of the service request, schedule work orders, recommend troubleshooting tasks, accesses an instruction manual, and provide feedback to residents and property managers.

Finance: *shifting from transactional to customer-centric focus.*

"E-Commerce will fundamentally change commercial real estate finance and the CMBS (commercial mortgage backed securities) market," says Rubin. Owners and operators and other borrowers will have more choices. They can go to a lender's or broker's site or, increasingly, to an online marketplace or community that gives them the solutions, tools, products and services to meet all of their financial and operating needs. By participating in these communities, owners and operators will accumulate more power and be in a position to demand better financial products from lenders. "Owners will force lenders to shift from a transactional to a customer-centric focus," Rubin commented. To maintain customer "stickiness," and generate new business, lenders will have to do more than sell loans. They will need to offer an increasing array of products and services to help owners manage their businesses.

E-Commerce will dramatically improve the efficiency of the lending process, eliminating redundancies and paperwork. The data will flow directly from property management systems to brokers or lenders via the web, and then to rating agencies, servicers and CMBS investors seamlessly. Initial loan screening will primarily be automated, with underwriting parameters and market data already built into the system. Sites will provide tools for borrowers to value their properties and size the loans under varying deal structures. The automation of loan processing will not eliminate the human element: person-to-person communication is essential, particularly in the complex negotiations that are common to commercial real estate financing. But the overall efficiencies will lower the cost of lending, and that cost will ultimately be passed through to borrowers as lower spreads.

Equity Capital: *easier access, more efficient market*

As in the lending market, E-Commerce will transform the market for equity real estate capital, giving owners and developers access to equity capital online, creating a more efficient equity capital market, and reducing capital costs. This should reduce the frustration of developers and owners, who often find that raising equity capital is a difficult, time-consuming process, particularly true for small transactions -- those that account for most of the equity investment in real estate. A developer may be able to dial-for-dollars to obtain the $4 million equity piece of a $20 million transaction, but finding $1 million in equity for a $5 million deal can be extremely difficult. Equitycity.com says it solves this problem by using the Internet to connect developers and owners with individual investors or small investment companies -- those that are generally interested in investing from $100,000 to $2 million in equity.

Online Document Management: *reducing transaction times and costs*

Before the Internet, companies involved in large, complex transactions typically would create, copy and distribute by mail or fax hundreds of thousands of pages of documents. And as negotiations progressed, a new set of documents often had to be produced and disseminated. Much time was taken up in document production, transporting and receiving. Now, online document management and collaboration sites like Intralinks enable companies to manage critical business communications online and substantially reduce transaction time and administrative costs. Participants in a transaction can log on to a secure Intralinks site to communicate, share and edit documents from anywhere in the world.

New Revenue Models

Until recently, profits for an online company seemed like a mirage on the distant horizon, to be reached some day, somehow. Now profits matter. The focus is on profits from repeat customers, or what's known in Internetspeak as structural stickiness. Repeat customers don't have to be wooed and won over and over again. Be that as it may, a solid customer base is not built overnight. It has to be developed through a carefully planned marketing effort – word-of-mouth, networking, targeted advertising and the like. And it has to be built on the right value proposition and the right value-added approach. Otherwise a company could burn through huge amounts of capital in continuously recreating the customer base.

Whether companies are doing business in cyberspace or physical space, they have the same profit models and the same "value generators" or growth drivers. These drivers power the E-Commerce engine. They are:

- Products/Services
- Customers
- Talent
- Capital
- Business Model
- Infrastructure
- Alliances/Acquisitions
- Market Share

What differentiates companies is in how they manage their business drivers. Many online companies have been so caught up with raising capital, recruiting talent, and building a customer base that they have paid little attention to the other drivers. For a time, they got away with this, spending lavishly on marketing and advertising (and parties), generating site hits, increasing traffic, and going back to the well for more capital in a process that has been described as a huge transfer of wealth from venture capitalists to the advertising industry. Then the stock market's gyrations and a slowdown in the flow of venture capital created turmoil in the dot.com world. Companies began to realize that, to succeed, they needed the right fuel mix. They had to take a balanced, proportional approach to managing growth, utilizing the right combination of growth drivers. To power up with only certain drivers is to risk flame-out.

The Internet is a very large ocean, and eCompanies have to decide what part of it to swim in, and how deep. How many market segments do they want to operate across -- the entire Pacific, or offshore Long Beach? What is the depth of products or services that they will deliver to each segment – do they want to skim the surface like a destroyer, or operate in the depths like a submarine? What's the right mix of breadth and depth based on the opportunities in the marketplace, and the investment required?

Leverage Core Competencies

In the race to gain competitive advantage on the Internet, a company structures its e-business to leverage its existing core competencies in the physical marketplace. A company with the strongest physical core to leverage could have an edge in its sector of E-Commerce. A company that already is a 600-pound gorilla in the physical world doesn't have to start over on the Internet. It goes into cyberspace at full, ferocious maturity.

Value-Added Approach

An e-business not only markets a product or service, but adds value in the process. How much value? The benchmarks are, first, that the product or service is better than its competitors in the physical world, and, second, that it is at least as good as competing products in the e-marketplace. A company's value-added approach sets it apart from the competition. A company goes into E-Commerce with a value proposition so compelling that clients and customers will buy its product and service not only the first time but many times over. The product or service provides real, quantifiable value. When the price is in alignment with a product's value it generates sustainable profits.

Scale

Another issue for online companies is competitive scale, meaning that a company's growth drivers must provide the scale that enable it to compete at the right level in its market. Competitive threats can come not only from other online companies in the same space but from physical world companies entering the market. An online company could be cruising comfortably along and then, wham!, a traditional company with a brand name and vast resources suddenly appears as a 600-pound gorilla in cyberspace, trampling over start-up competitors to dominate the market. To survive, start-ups might form strategic partnerships and alliances that give them the scale to match up against large competitors.

It sounds simple, but many E-Commerce companies don't seem to have figured out how much volume they need to make the venture – and all the capital spending – worthwhile. Dot.coms need to take a hard look at the sustainability of their business models, particularly whether they can generate enough sales volume and cash flow to cover costs and meet investor requirements.

Flexibility

E-Commerce operates in compressed time: companies must respond to change more quickly, or they could be left behind in the race to capture new customers, create new revenue and operate more efficiently. A company must be flexible and adaptable in its approach to E-Commerce, ready to quickly change its business model and strategy in response to market shifts, advances in technology, new opportunities, or new competitive challenges.

Strategic Alliances: *sharing resources to evaluate and exploit E-Commerce opportunities, create new revenue streams, and Web-enable businesses.* Management of real estate is changing," says David Sawaya, a partner in E&YKL's San Francisco office. "Today the focus is on service rather than just providing space." Tenants increasingly are looking for bundled products and services that will enable them to manage their businesses more efficiently. Building owners are forming partnerships and strategic alliances with other owners and specialized service providers to meet tenant needs and generate additional income. "We're seeing more of these alliances," Sawaya commented. Reiss said that "alliances are a way to share the substantial costs of developing virtual spaces," adding that "alliances can attract more users to a site, increasing its value and justifying the development costs."

Constellation Real Technologies
In one such alliance, leading real estate companies across a broad range of property sectors have formed a real estate technology company, currently known as Constellation Real Technologies. The company intends to form, incubate and sponsor real estate-related Internet, E-Commerce and broadband enterprises; acquire interests in existing "best of breed" companies on a synergistic basis; and act as an opportunistic consolidator across property sectors in the emerging real estate technology area. The total capital commitment of the founding members is $135 million.

Those members include AMB Property Corporation, Equity Office Properties Trust, Equity Residential Properties Trust, Kaufman & Broad Home Corporation, Simon Property Group and Spieker Properties; a group comprised of the dominant participants in the real estate service sector, CB Richard Ellis Services, Jones Lang LaSalle and Trammell Crow Company; Morgan Stanley Dean Witter, both as investor through its private equity funds, and as advisor to Constellation through its real estate and technology banking units; and Chase H&Q Capital Partners, a strategic affiliate of Chase Capital Partners. Project Constellation's founders own and manage approximately $250 billion of institutional quality income-producing real estate.

Project Octane
CB Richard Ellis, Jones Lang LaSalle, and Trammell Crow Company formed an alliance to pursue a broad range of e-business opportunities, focused initially on procurement, transactions, support services, and business-to-business and business-to-consumer portals. The three companies will have equal ownership in the new venture, which is expected to operate as a separate business with a separate brand.

In another venture, the three companies have selected SiteStuff as their primary Web-based procurement solution. Through SiteStuff, the alliance partners will purchase property management maintenance, repair and operations (MRO) products and services for the benefit of clients in the US, a procurement potential that represents approximately $15 billion over a three-year period. The partnership includes a combined $30 million investment by the alliance companies as part of a preferred stock financing for SiteStuff.

Office Technology Consortium
In another consortium, thirteen leading commercial-property companies agreed to establish the Office Technology Consortium to capitalize on the collective scale of their operations. One of the group's key initiatives is to create an on-line landlord procurement exchange designed to lower landlord and tenant operating costs. Another is to set up an on-line leasing exchange to enable corporations and other users to make faster, more informed decisions when leasing space. The group controls about 400 million square feet of the estimated 4.5 billion square feet of office space in the 50 largest metropolitan statistical areas in the United States. Ray Weeks, vice chair of Duke-Weeks Realty Corporation, is chair of the consortium.

Homebuilding companies
Lennar Corp., Kaufman & Broad Homes Corp., Centex Corp., D. R. Horton Inc., and Pulte Corp. -- five of the biggest homebuilders -- plan to form a company that will sell homes via a Web site, which is expected to start by the end of this year.

It will offer listings of the new company's homes in dozens of markets across the country and be a one-stop shop for home-related services and products. Many home builders, including the five involved in the new company, list some of their homes on their own Web sites, while some independent sites, including homebuilder.com, compile their own listings. But the five companies, which sell a total of about 100,000 homes annually, believe their brand names will attract prospective home buyers and agents to the site. Critics of such alliances have questioned how companies that compete in the physical world can create workable alliances on the Internet. But companies see value in such cooperation. As Christopher Meyer and Stan Davis noted in *BLUR: the speed of change in the connected economy*, "The truth is, no company today can act alone. Success arises from networks."

Planning

Every company in every segment of the real estate industry needs to develop a comprehensive E-Commerce plan and integrate it with its overall strategic planning. A real estate company's plan must be dynamic, flexible and adaptable to the rapidly changing technology and E-Commerce marketplace. The plan is driven by an organization's leadership and vision and, most importantly, its willingness to experiment with new ideas in a marketplace where many companies, both inside and outside of real estate, are developing, testing, refining and implementing new real estate e-business models.

We offer these questions as a means to frame the issues and start the process of developing an e-business plan:

- *What impact is E-Commerce having on your company and your competitors?*
- *What is your E-Commerce strategy?* How developed is it? What area: B2B, B2C, B2T? What E-Commerce initiatives do you have underway?
- *How is E-Commerce changing your tenant relationships?*
  For example, do you provide online leasing? Do you track tenant service requests on the Internet? Do you collect rent on the Internet?
- *How is E-Commerce changing your vendor/supplier relationships?*
  Do you buy building supplies or MRO over the Internet? Administer service contracts on the Internet? Track orders and pay bills online?
- *What are you traditional competitors doing in E-Commerce?*
  Who are they and what are they up to? Have you benchmarked your E-Commerce performance against the competition? Are you ahead or behind?
- *How are you responding to the changing real estate requirements of your tenants?*
  Do you know the real estate needs of your tenants, e.g., how much space they require, and what locations they need
- *How are you addressing issues of control, security, and information technology reliability in E-Commerce?*
- *How effectively does your existing IT infrastructure and staff support your E-Commerce strategy?* Does your workforce generally have the skills and training to operate in an E-Commerce environment?

In addressing these questions, you can begin by examining your current business model, including your company's key goals and business drivers, the external market forces buffeting your company, and your company's internal assets and legacies.

- *Business drivers* include the need to grow, raise capital, and operate efficiently as well as drivers unique to your organization.
- *External market forces* include changes in capital needs, competitive forces, shifting alliances, rapid changes in produce value and pricing, and needs for new talent.
- *Internal assets and legacies* include your current infrastructure, brand, customer base, skill sets, state of your technology, and expectations of your shareholders and other stakeholders.
    - Compared with an Internet startup, a traditional company has customers, suppliers, existing products and services, a profit model, alliances and probably a brand identity. But in moving into E-Commerce, it must address a range of issues such as whether to web-enable its existing businesses, expand or modify existing core business, or transform itself into a new business.
    - An Internet startup often begins in need of everything: capital, talent, customers, suppliers, alliance partners and so on. Its urgent issues include deciding on the right business proposition and operational approach, the best profit model, how to attract customers, what facilities are needed, and, most importantly, how long it will take to return a profit.
- *Initiatives*

  In developing your e-business plan, keep your options open. Develop alternatives or multiple initiatives to implement your plan so you can quickly adapt to the rapid change and experimentation in E-Commerce. Competitors could capture your targeted space, and you may have to target a different market. Another question: how fast can you fail? The faster you know that one approach won't work, the more quickly you can regroup and reposition. By developing these initiatives, you should have a clear idea of what e-business you will be in – and what business you shouldn't be in.
- *E-business plan*

  Whether you are a traditional company or an e-business startup, your e-business plan needs:
    - A unique value proposition: what value will your customers see in your products or services?
    - The best operational approach: how will you stitch together the right alliances and business partners? What's your best cost model? How can you make good on your value proposition – can you deliver?
    - The right profit mechanism. Yes, profits!

- *Barriers*

  How will you overcome barriers to launching your e-business plan? Such as the money or key talent needed to launch, or how your competitors will respond, or how to attract venture capital for a possible IPO. And, finally, in breaking through these barriers, how fast can you get to market? In E-Commerce, a 100 mph launch may seem like slow motion. The faster, the better.

Outlook

In this report we have provided you with some general ideas and suggestions of how to develop an e-business plan. The actual planning process is, of course, more complicated, and full of challenges. But as we noted earlier in this report, the next six to 12 months represent a window of opportunity for established real estate companies to start e-businesses or dot.com companies to launch web sites targeted to the real estate market. After that, the window could begin to close, and the opportunities may be more limited. So take a look at where your organization is and where it could go in E-Commerce. At least for a little while, the opportunities are wide open.

E&Y Kenneth Leventhal Real Estate Group

The E&Y Kenneth Leventhal Real Estate Group of Ernst & Young has one of the leading real estate E-Commerce practices, providing accounting, tax and advisory services to the industry. We assist real estate companies in analyzing technology opportunities and Web-enabling their business processes, and real estate dot coms in designing strategies that generate value for the industry. We also have a team focused on security issues, so that you and your suppliers and customers can conduct your business on-line in a secure environment.

Whether you already are a fully fledged e-business or on the way to becoming one, our experienced people are there to help you drive value in the connected economy, faster, from concept to IPO.

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