



Friday, January 15, 2010

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http://www.sddt.com

Source Code: 20100115tdj

Commercial real estate brokerage realigning in S.D. County

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The commercial brokerage industry is changing in San Diego with some breaking away, others realigning or others reinventing themselves in an effort to gain market share.

Three former **Marcus & Millichap** agents -- Bill Anderson, Chris Robinson and Craig Stewart -- have broken away to form **ACRE (Apartments & Commercial Real Estate) Investment Real Estate Services**.

With a total of 40 years in apartment brokerage and property management and combined sales of more than \$500 million, the brokers have no shortage of expertise, but with a still very dubious economy, is this the best time to strike out on a new venture?

The brokers say yes.

"I believe this is the year of the bottom," said Stewart, an ACRE senior vice president and principal. "We've seen an increased buyer interest in apartments."

That said, Stewart conceded it will probably be a year before the sale of 100-plus-unit apartment complexes become a regular occurrence again.

For now, Stewart said he is seeing a lot of cash-only transactions, 1031 exchanges and prospective buyers scrambling to find enough properties in which to invest.

"A lot of buyers are running around dropping unsolicited offers," Stewart said. "They're wondering, 'where am I going to put my money?'"

In the past, Stewart said these investors might have placed their money in triple net leased retail properties.

Now, with vacancies about twice what they were three years ago and some retailers still teetering on the brink, retail appears dicey -- making apartments a significantly better bet for now.

As for why the ACRE partners left the comfort of one of the nation's largest commercial brokerage firms, there is no single answer.

"M&M didn't allow property management nor leasing," Stewart said. "Only investment sales."

Stewart, who envisions more of a full-service brokerage than the one he left, said his trio also elected to go on their own because they didn't want to spend time answering to a large corporate parent.

"I know the books and when you are able to spend the time and are very intimate with a property, it makes it easy to do the management," Stewart said.

Kent Williams, a **Marcus & Millichap** senior vice president and regional manager said while he wishes ACRE the best, he doesn't believe they will have an easy time.

"The fact is the market isn't big enough for all the good people right now," Williams said. "The odds are against everyone doing this. There will be a lot of shakeup in the brokerage industry."

The Marcus & Millichap office here is tightening its own belt.

After having about 51 brokers here two years ago, the office has reduced to 41 today.

"We will continue to cull the herd," Williams said. "We want to get down to about 35."

Williams does have something to cheer about.

"San Diego finished number one (in sales) in a company with 83 offices," he said.

As reported here earlier this month, **BRE Commercial** is about to abandon its long-standing partnership with Santa Ana-based **Grubb & Ellis** (NYSE: GBE) and align the entire office of 91 brokers with the St. Louis-based **Cassidy Turley** commercial brokerage firm.

That alliance is expected to be in place by March 1.

Changes have also been occurring at **Colliers International**.

On January 4, Colliers and already affiliated Toronto-based **FirstService Real Estate Advisors** announced plans to combine their operations and global real estate platforms, creating what the brokerage refers to as "a new global powerhouse."

"It's the third largest commercial brokerage in the world, (**CB Richard Ellis** (NYSE: CBG) and **Jones Lang LaSalle**," said Jim Spain, Colliers regional managing director here. The office here has 73 brokers.

"By integrating our business mission and services, we have a stronger and better-aligned client service platform," he said.

Spain, whose firm manages more than 4.5 million square feet of commercial space in San Diego County, said while his brokerage firm now has a much broader reach, all the commercial brokerage operations that had been labeled either under Colliers or FirstService will be under the Colliers banner.

"The network between the two firms was somewhat fractionalized before," Spain said. "We've wanted expand our East Coast service and now we can do that."

When asked about the state of the brokerage industry as a whole, Spain said he expects the consolidation trend that started with Burnham being acquired by **Cushman & Wakefield** and **Jones Lang LaSalle** (NYSE: JLL) buying Staubach within the past four years will continue into this lean era as well.

"There is a continuing trend toward consolidation," Spain said.

While adding that he also anticipates more entrepreneurs such as Anderson, Robinson and Stewart who will dare to venture forth, Spain also doesn't believe they will have an easy time

"While these people are very entrepreneurial, they will be the exception rather than the rule," Spain said. "People don't want their services done by multiple companies."

Unlike Williams, who is in the process of trimming his operation, Spain said he has actually been hiring in recent months.

"We've recruited 13 brokers in one of the worst real estate markets ever," he said.