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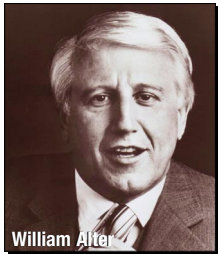
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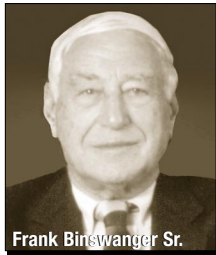
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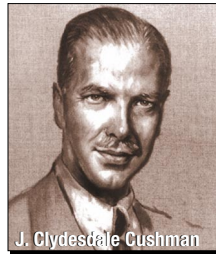
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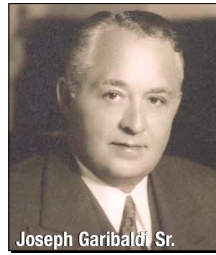
William Alter



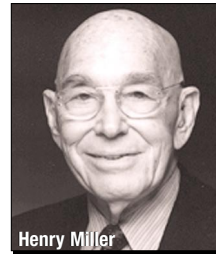
Frank Binswanger Sr.



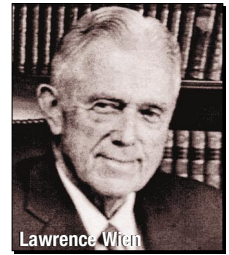
J. Clydesdale Cushman



Joseph Garibaldi Sr.



Henry Miller



Lawrence Wien

The Last Remaining Real Estate Dynasties

By Amy S. Choi

Chicago—Michael Alter grew up in the real estate business, but he had no desire to enter it himself.

“Growing up, I didn’t really know much about what my dad did, and I wasn’t particularly interested,” Alter said. “The company was just kind of there, and I didn’t feel strongly about it one way or the other.”

These days, Alter is president of a \$2 billion company that owns 17 million square feet nationally and recently launched a \$400 million mixed-use park in Phoenix. The Alter Group is one of the largest family-held development firms in the country. Now in its second generation of leadership, the Alter family still has sole ownership of the company.

Unlike on Wall Street or in other professional services industries, powerful individual families continue to play a significant role in the real estate world. Their influence is not just in how many millions of square feet they control. It is also political and, in an odd way, social. The expectation of founders is that the younger generations will keep the dynasty going—though if there is no next generation, they still must ensure that the family business is passed into good hands.

For Michael Alter’s father, William, that meant involving his lawyer son when he began succession planning. Michael

shadowed his dad for two years before taking the reins. William remains at the company but has a hands-off policy to management.

“There was always the possibility that I would (someday) take over,” said Michael Alter. “There was never anything promised, but I think there was an unspoken understanding throughout the company. When I did join, it certainly brought some clarity to the questions about what would happen when my dad retired. It reassured the company that our family has a long-term commitment to the business.”

Of course, not all succession planning is that peaceful. Even for non-family businesses, generation gaps, rivalries and compensation wars are tough to overcome when leadership changes hands. It can be even tougher for strong families that have been forced to consider whether keeping it in the family is the wisest decision.

For most, faced with the challenges of staying family owned and operated in an economy where consolidation of not just their competitors but their lenders, clients and service providers is prevalent, expanding the business to partners that are not part of the founding group is the better option. And so the powerful real estate families that formerly dominated the industry are disappearing, if not in name then in ownership.

Growing Pains

The list of options for those new-generation leaders striving to keep ownership in the family is limited. More and more, even those successful at maintaining ownership are having to give leadership and managerial duties to “outside” senior managers, if not partners.

“Clearly, the family has ownership and control, and it’s reasonably clear that the family will continue to have ownership and control,” said David Binswanger, president of Binswanger/CBB, a company founded by his grandfather, Frank Binswanger Sr., in 1931. “But at the same time, we know we can’t grow without a professional team in place. So as we’ve transitioned in leadership, we’ve gone to a group of senior managers who we have a lot of respect for.”

The “we” is he and his cousin, Frank “Jeff” Binswanger III, who runs the family’s international business. Their fathers, John and Frank Jr., serve as co-chairmen of the company, which now has more than 5,000 employees worldwide.

Keeping the organization as non-bureaucratic as possible and giving non-family members room to be entrepreneurial is key for companies that want to retain the family both in leadership and ownership roles but still retain the best talent.

“The bigger and broader you get, the harder

Nepotism: Not Anymore

Big Families Prioritize Firm, Not Name, To Compete Against National Players

it is to keep the family feel,” said David Binswanger. “But our goal is to be there and be involved and not make people feel like we’re sitting in an ivory tower.”

Of course, the easiest way to make non-family employees feel like part of the corporate “family” is to give them ownership. “I think it’s extraordinarily difficult to grow a real estate service organization and hold ownership too closely,” said David Kahnweiler, president & CEO of Colliers Bennett Kahnweiler—a company his uncle founded—and chairman of Colliers USA. “There are a few companies that have managed to do it, but it’s very difficult to have people with a long tenure when there is no opportunity of growth through ownership of the company.”

Though many families are reluctant to turn over shares of their companies to non-family members, incorporating outside principals is a sure-fire way to reward senior employees who do not carry the family name—and to keep them around. The New Jersey-based Garibaldi Group, for example, was in business for nearly 80 years before offering partnerships to three non-family members in 1997. The company had been owned equally by the third generation of Garibaldi brothers, who had bought out their

father and uncle, Joseph Jr. and Frank. In 2003, it also created a new tier of management, promoting four employees to senior managing directors as a training ground for partnership.



Binswanger/CBB

Founder: Frank Binswanger Sr.
Current Leaders: David Binswanger and Frank “Jeff” Binswanger III
Frank Sr. got into real estate at the

height of the Great Depression, founding the company in 1931 to focus on industrial brokerage and relocate textile firms. In 1956, he expanded from Philadelphia and opened the company’s first satellite office.

“Jeff and I are always looking at the same finish line,” David said. “We don’t always agree on how to get there, but at the end of the day, when a decision is made, we get behind it together.”

“These are key people of the next generation who have been very influential in setting the course for the next several years, and who very quickly will become partners,” said James Garibaldi, CEO and grandson of founder Joseph Sr. “Candidly, we had a difficult enough time managing the personalities of the four brothers even before bringing in outside equity. But we brought in the partners because we wanted them to have a vested interest in the growth of the firm, and more important, it was due to them.”

“There is always the question of pure birthright versus a real vested interest in the business,” added James Garibaldi. “I think after we brought in outside partners, we sent the message to ourselves and to the marketplace that people are no longer entitled to this business just because they are Garibaldis. People wondered, ‘What’s my future if I don’t have the last name?’ We’ve answered that question now.”

Partnership may still not be enough for some executives, who might not want to report to the man whose name is on the letterhead.

Christopher Kinum, now senior managing director & branch manager at Cushman & Wakefield Inc. in New Jersey, was one of the first outside partners at Garibaldi Group. “I fully accepted and embraced the role as a principal of the firm, and there were a number of decisionmakers among the partnership,” Kinum said. “But while the Garibaldis are about as savvy and personable a group as there is in the industry, they are still the founders and chairman and president and CEO. By leaving, I was able to take responsibility for my own profit and loss.”

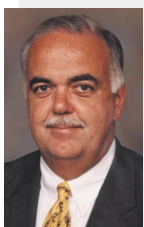
Successful Succession

On the other hand, the company he now works for has long since ceased to be a family business, as John Cushman III, chairman of Cushman & Wakefield’s board, is the first to say. Arthur Mirante and Bruce Mosler join John and his twin brother Louis as senior officers in the company founded by John and Louis’ grandfather, J. Clydesdale Cushman, and great uncle, Bernard Wakefield. And the Cushmans only rejoined the company in 2001, having left in 1978 to form Cushman Realty Corp., which then merged with Cushman & Wakefield.

Of course, John and Louis are not the only Cushmans at Cushman & Wakefield. Four generations work for the company, including John’s son Jeffrey, a managing director for business development in Europe.

Two other sons are also in real estate. They are developers in Southern California (at non-Cushman-related firms), while another son is an investment banker. The Cushmans also own D.A. Cushman Realty Corp., an investment company.

“I never suggested that any of my children



The Garibaldi Group

Founder: Joseph Garibaldi Sr.
Current Leader: James Garibaldi
The Garibaldi Group was founded in 1919 as an industrial real estate firm in Hoboken, N.J. In 1981, Joseph Sr.’s four grandsons

bought the company, which now manages more than \$100M worth of real estate and represents companies such as Honeywell, Accenture and Novartis.

“There’s a level of accountability when your name is on the door,” James said. “That longevity and stability is very important to us.”



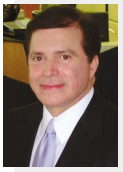
Cushman & Wakefield Inc.

Founders: J. Clydesdale Cushman and Bernard Wakefield
Current Leaders: John Cushman III, Louis Cushman, Arthur Mirante and

Bruce Mosler

Cushman & Wakefield Inc. was founded in 1917. Now it has 11,500 employees, manages 325 MSF, is on six of the seven continents and has a presence in 49 different countries.

“We have pride in our influence on real estate,” John said. “My grandfather was revered, and he and the people that came after him built a wonderful company.”



Bentley Forbes

Founder: C. Frederick Wehba
Current Leaders: C. Frederick Wehba, three sons and a nephew
 Two generations of Wehbas jointly run Bentley Forbes, which Frederick founded in 1993. The company is now pushing to double its \$1B, 11 MSF portfolio, attempting to acquire \$500M in property by mid-2004. "In a family business, there's a lot of give-and-take and a lot of tempers that fly," Frederick said. "But there's a lot of love and compassion that does get spread among the entire company, just like in a family."

go into real estate," said John. "But real estate is definitely in our blood. Growing up in my family, and even now at family gatherings, there is a lot of discussion about real estate."

Then again, skill level and interest are not necessarily passed down through the generations. "The difficulty is in finding commitments from generation to generation that work and providing opportunities from generation to generation, but making sure those positions are earned," said Vance Miller, chairman of Henry S. Miller Commercial and the company namesake's grandson. Vance's son Vaughn is president of the company's retail division. "The great thing about real estate is that people are generally rewarded based on production, so that helps us attract the best people and keep them."

"You need to make sure you have talent coming in," said David Binswanger. "One big concern is if everybody (in the family) wants to come in. Then, suddenly, you're in a very difficult position. To solve it, you do what my grandfather did and what Jeff and I did, which is to create distinct responsibilities. Over time, you grow into the roles and make sure that the leadership and transition is smooth."

The pressure on the younger generations of powerful families to carry on the legacy of the patriarchs is a heavy one, which comes with scrutiny both inside and outside of the company. Recently, *Businessweek* magazine slammed the Stern family children for not living up to Leonard Stern's potential. It has also laid bare infighting among the Pritzkers. In other families, children who choose not to join the family business at all are often blamed for ruining family legacies.

"I think it's incredibly challenging when you want all of your family members to lead,

and they might not be as confident in taking control as you want them to be," said C. Frederick Wehba, chairman of Bentley Forbes, which he runs with three of his four sons and a nephew. "It can be intimidating to come to a big company that's family owned, with the pressure of performing to the level that your father is performing at."

"It's hard enough to deal with generational issues when you're not family, and it becomes even more complicated when you throw in family members," said David Kahnweiler. "Often the son can't do enough in the eyes of his father or in their own eyes. Or conversely, dads don't think their sons are doing it the right way. It can create a lot of tension."

Real Estate's Empty Nest

That tension, combined with the ordinary challenges of running a business, does plenty to strain a family company trying to compete in an ever-consolidating industry, where more and more firms are large—even national—and publicly owned.

"You can see the Wal-Martization of our clients and in our industry as well. They're knocking a lot of the little guys out of business," said Bill Hanson, president of NAI James E. Hanson, a New Jersey-based brokerage firm founded by his grandfather in



The Alter Group

Founder: William Alter
Current Leader: Michael Alter
 The Alter Group was founded in 1955. It has developed more than 100 MSF of commercial space and currently has more than \$700M in new developments under way. Headquartered in Chicago, it owns property in 25 markets. "My dad has been remarkable in allowing me to do what I have to do," Michael said. "He's still there, and I rely on him tremendously for advice, but it's very clear who is running the company day to day."

1955 and carried on by his father, who now serves as chairman. "But in a lot of those big companies, you just can't get the service anymore. I believe there still will be a place for family companies like ours, because the market still wants that kind of service."

Hanson's wistfulness is echoed in family companies nationally, even as they reach outside to help themselves grow. For the

Wehbas, the pending hire of a new CEO—who will answer to an executive committee, controlled by the Wehbas—is a highly anticipated chance to learn from somebody outside of the family. Still, their top priority is to keep the family atmosphere.

"It's always been our goal to build a family dynasty, like the Rockefellers or the Cushmans," said Fred Wehba Sr. "I worked for my father from my teens on, and he became one of my best friends. My dream was to develop that kind of relationship with my sons."

Joining forces with networks such as NAI, Colliers and ONCOR is one way to stay intact as a family and protect the name and legacy while becoming more competitive. Families like the Pinkards in Washington, D.C., and the Spauldings in Boston have kept their companies intact but can still combat the growing consolidation of their clients and their competitors.

Ultimately, though—despite the challenges of being family owned and operated—one company that did offer itself up for a profit found greater reward in regaining family control. Having sold their company to Grubb & Ellis Co. in 1984, the Millers bought it back seven years later, a critical moment in retaining the family's influence on the business.

"Grubb gave us an offer we couldn't refuse, and so we sold to them," said Vance Miller. "But when times got tougher, they asked us if we would like to buy the Henry S. Miller company back. We jumped at the opportunity, and now we have no intention of doing anything but staying family owned."

Others have not followed the same path. In Texas, they mourn the disappearance of other powerful families, such as the Hudsons and the Majors. "We're the only ones left of these firms that were legends in the 1960s and 1970s," Miller said.

But retaining that family ownership requires commitment. "If you can't transition and make a change generation to generation, the family company is going to die off very quickly," said David Binswanger. "Legacies only work if the next generation can keep up their end of the bargain."

"As a real estate family, I think we're becoming more and more of an anachronism," said Michael Alter. "Of the large, privately held national firms, there is only a handful of us. I don't know if that's good or bad, but for us, it seems to work." ■

