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In the News

▶ **Lodging REIT Parks \$1.9B In Interstate Truck Stops**

Hospitality Properties Trust buys 146 truck stops from TravelCenters of America.

▶ **Simon to Snatch Mills From Brookfield?**

The Mills Corp. considers a 'superior competing transaction' of \$1.5 billion.

▶ **Vornado Bows Out Of Equity Office Chase**

The Blackstone Group emerges victorious from the bidding war as Equity Office shareholders approve the \$55.50-per-share deal.

▶ **SL Green Stays Busy**

Following in its own end-of-the-year footsteps, the company completes \$1.1 billion worth of deals in two days.

Special Report:

▶ **Biotech Is Back**



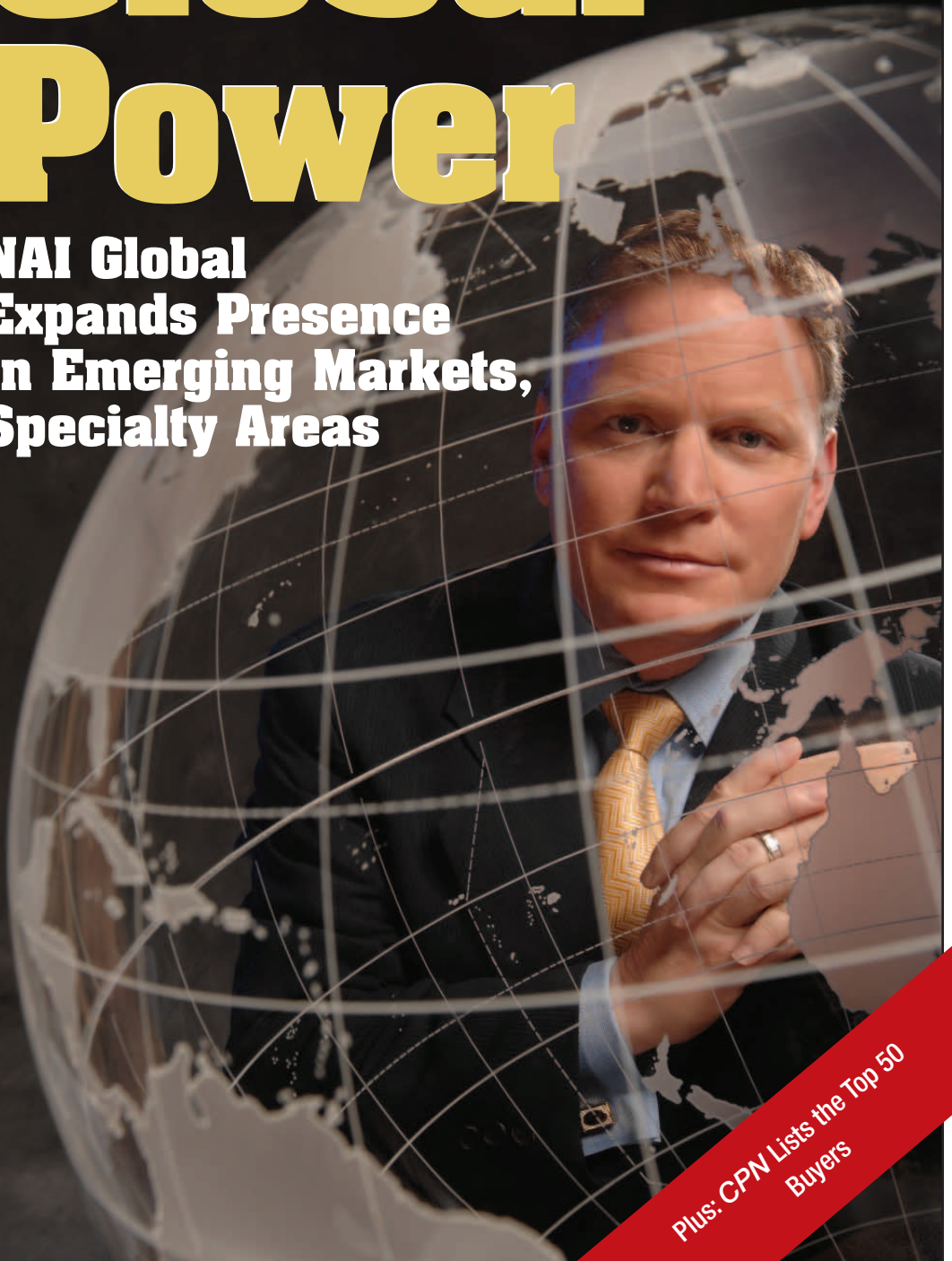
The life sciences and biotechnology sector's major markets are breeding grounds of investment activity, while consolidations and funding uncertainties are making space needs unpredictable.

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Global Power

NAI Global Expands Presence In Emerging Markets, Specialty Areas



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Global Power

NAI Global Expands Its Presence In Emerging Markets, Specialty Areas

By Eugene Gilligan

NAI Global member offices, with a combined transaction volume of \$40 billion in 2006, already span the globe from Asia to Africa to Europe. In all, more than 350 offices fly the NAI Global flag in 45 countries. But that is not enough, according



Jeffrey Finn, President & CEO of NAI Global

to the company's president, Jeffrey Finn, who also assumed the title of CEO in January. "Today's real estate market, both from the corporate side and the investor side, demands that we grow in more markets." Major growth targets include China and India.

Another focus, Finn reported, will be expansion of the company's line of specialty business units. NAI Global Hotels launched in 2006 and has completed more than \$338 million worth of transactions. The company also launched NAI Global Supply Chain Solutions in late January, and it is planning to kick off an investment services group later this year.

The company is also striving to strengthen its U.S. presence. It took a major step in that direction last August, when for the first time it acquired one of its member firms: NAI DG Hart, its New York City affiliate (see "To Be a Big Fish in a Big Pond" on page 23). More acquisitions of member firms may be in store as the company steers

toward one goal, Finn said. "We want to be among the top five real estate firms in the top 50 U.S. markets and the top 10 overseas markets," he declared.

Gerald Finn, who is Jeffrey's father and the company's chairman, founded NAI Global in 1978 as New America Network with the simple vision of a network of commercial real estate brokerage firms, although global expansion was always in his mind. An Orlando company was the first member, and growth was swift, reaching the 100-member threshold in 1984. The firm launched its global expansion initiative 12 years later.

Princeton, N.J.-based NAI Global is structured as a managed network of commercial real estate firms, headed by

an independent, for-profit corporation with a staff of 70. Member firms pay an annual fee to the corporation for the right to use the NAI name in a defined geographic territory and access to NAI's technology platform, its professionals' expertise in such disciplines as corporate solutions and capital markets and its global network through which to refer and receive referrals for business.

The company's top-five initiative is crucial, according to C. Michael Kamm, CEO of NAI BT Commercial, the San Francisco member firm. Kamm also chairs the members leadership

board. "When an out-of-town investor enters a market, the first question that investor asks is, 'Who are the top players in this market?'" he said.



Richard Kimball,
Executive Vice President of
U.S. Brokerage Operations

Need for Specialization

To facilitate growth, the company has made some additions at the corporate level. In January, two executives from Colliers International joined the company: David Berger as managing director of Latin America & Caribbean and Richard Kimball as Executive Vice President of U.S. Brokerage Operations. And Patricia Lines, who will be based in London, was recently named international business development director.

Kimball, who had served as executive vice president of business development at Colliers, will be responsible for building up NAI Global's specialty business units and launching new ones. He said the goal is to double the number of such units during the next two years.

In addition to the recently announced groups, Kimball has thought about a unit to serve non-profit entities. "Many have huge real estate requirements, and sales and tax issues are very different than (for) for-profit companies," he said. Brokers in such practice groups would work in cities like Washington, D.C., where non-profits are significant players. Relationships with commercial developers or corporate executives that sit on non-profit entities' boards can also deliver new business, Kimball noted. A life sciences division, likewise, would place brokers in cities that have significant amounts of hospital and laboratory space. "I can see (each of) these groups being looked at as one entity, such as NAI Hunneman (NAI's Boston affiliate)," he said.

Formation of new divisions should also aid efforts toward the company's broader initiative to beef up investment sales, which last year made up 30 percent of the company's \$40 billion transaction value (about 70 per-

cent came from user-occupancy services, such as advising a corporation that is buying or leasing a building).

The hotel group should help that initiative, and the company expects similar contributions from the net lease and multi-family practices as they develop, Jeffrey Finn said.

Kimball, who was a major force in creating specialty groups for Colliers, said the company's managed network is an asset in his efforts to expand the specialty groups. "You have one engine in front of the train, one driving force,

making the decisions." Such focused groups have become increasingly necessary as companies' real estate requirements have grown more specialized, and they should also facilitate recruiting efforts, he said. "If an NAI office tried to hire one broker away from a larger firm, they might have trouble," he explained. "But if that broker was going to be part of a 16 or 17 (member) hotel brokerage team, that could make a difference."

Meanwhile, the company sees corporations' and investors' demand for more specialized requirements and greater flexibility as an opportunity to expand its global solutions group, according to its managing director, Jean-Claude Goldenstein. "Corporations are disposing of their old sites and looking for new ones," he said. Many times, these new locations are in emerging economies in the Asia-Pacific region, for which advisory services have become more necessary. "We can build on the power of our relationships with best-in-class service providers," Goldenstein said. "The opportunities are out there. When you look at the top five to six real estate service firms, they only have 20 percent market share. The market is fragmented."



Jean-Claude Goldenstein
Managing Director of
Global Solutions

The global solutions group's client list and projects vary. It is advising Nortel Networks in its challenging search for cellular towers in Vietnam, a country that does not have many high-rises. Another client is bankrupt automotive parts maker Delphi Corp., which needs to sell off its European manufacturing facilities.

NAI's global focus has placed the firm on large corporations' radar screens, Goldenstein said. "We're in on global pitches of very large multinational corporations." GTECH Corp., a gaming technology and services company with multiple overseas locations and assets that range from office space to warehouses to casinos is one such client that requires a real estate services company that has a long global reach. NAI Global's ability to manage GTECH's overseas requirements from a central U.S. location was a real benefit, said Craig Weinstein, director of corporate real estate and facilities for GTECH. Typically, many GTECH executives are involved in the site-selection process, and many real estate firms wanted to avoid such a complex process, he said. "A lot of them just want to do the leasing part of the transaction, but NAI Global really facilitated the discussion between our executives. They've done a very good job," he noted.

NAI Global will also benefit from corporations that follow what Goldenstein calls a "China plus one" or "China plus two" strategy—diversifying holdings in China to hedge against political risk by becoming active in nearby markets like Vietnam. Intel Corp. announced in November that it will build a \$1 billion assembly facility there, and that means more direct investment will follow, he said, predicting a "penguin walk," in which corporations will line up to enter the country.

Other countries will also be targets for global expansion, with NAI Global likely to add more offices overseas than in the United States, according to Finn. For instance, the firm plans aggressive expansion in both India and

China this year, aiming to add two more offices to the eight it already has in India and seven to 10 member firms to its five-office presence in China.

Finn also sees strong potential in the Middle East, where it currently has offices in Qatar, Kuwait and Dubai, a United Arab Emirate. "You have to be flexible and have offices in countries where investment is going and where it is coming from," he observed. Dubai, for example, in an effort to become the financial hub of the Middle East, is making significant investments in India, the United States and Western and Eastern Europe. NAI Global also plans to open an office in Abu Dhabi, another United Arab Emirate, he said.

Indeed, he has identified opportunities in some unexpected countries. NAI has a member company in Johannesburg and recently opened an affiliate in Iceland: NAI Reykjavik. "There are clients (in Iceland) who are investing in the U.S. and Europe," he said.

Still Growing at Home

The focus on global expansion, though, does not mean NAI Global sees a lack of growth opportunities in the United States. The U.S. Postal Service has engaged NAI for 400 assignments in the past seven years, many of them property dispositions, and NAI is now advising the agency on broader acquisition, disposition and development strategies, as a significant number of its facilities are out of date or not in optimal locations, according to Ted Parcel, senior vice president of corporate services for NAI. New bar-coding equipment also has changed the agency's space requirements.

The United States' shift from a manufacturing economy to a service economy has also presented opportunities: NAI Global is working with the United States Steel Corp. to convert its former Fairless Works Plant on 2,500 acres of riverfront land in Bucks County, Pa., for other uses.

To Be a Big Fish in a Big Pond

NAI Global stepped away from its model as a managed network of independently owned real estate firms last August, when it purchased its New York City network affiliate, NAI DG Hart, the first time the company had acquired a member firm.

The plan was for NAI Global to dedicate significant capital and add management resources to strengthen its presence in the United States' prime gateway market, according to Jeffrey Finn, the firm's president & CEO. "By bringing to bear the resources of the global organizations, we believe we can broaden our base of operations, attract new talent and respond more effectively to our corporate- and investor-client demands," he said.

Manhattan real estate veteran Henry Goodfriend served as vice president of corporate services until NAI Global named him managing director of global services for NAI New York City. NAI Global also relocated its corporate global solutions group, led by managing director Jean-Claude Goldenstein, from Princeton, N.J., to Manhattan. And the New York office serves as the base of operations for NAI Global's capital markets group, which is headed by managing director Peter Avalone. DG Hart founders Joseph Genovesi and Stephen Dadourian have stayed on with the firm, with primary responsibilities in production.

Genovesi characterized the sale as a "win-win" for NAI and himself. NAI Global members felt the need for the company to strengthen its New York presence, he said. "It wasn't something that was said, but I felt

Parcel said change will be the constant for NAI Global to keep in mind to effectively serve corporate clients. "There have been lots of mergers and acquisitions, and that is causing companies to rethink their real estate," he noted.

As the company continues to grow, "lone rangers" need not apply, Finn said. "We want highly regarded, ethical firms that are aligned with our strategy," he emphasized. "They must be willing to work in a collaborative way and want to be part of a global services platform."

the pressure." NAI acquired the office last summer, and Genovesi said the last half of the year was spent planning its expansion.

NAI Global has spent the beginning of this year staffing up and adding brokers. Plans are to triple or quadruple the New York office in size and add seven to 15 brokers. And while the office traditionally had three or four "rookies," the company will focus its recruitment efforts on mid-career and veteran brokers this year.

One New York real estate industry veteran who asked to remain anonymous said the firm has not made a major impact in Manhattan. Being a global real estate player, though, demands having a robust Manhattan presence, according to David Arena, president of the New York City office of Grubb & Ellis Co. "As the saying goes, if you want to be struck by lightning, you have to go where lightning strikes," Arena said.

Success in Manhattan demands having a diverse team of professionals who can ably service two main constituencies: landlords/investors and occupiers, whether they be corporate or municipal. End-users in particular are demanding an array of services today, whether they want project managers or operations managers and whether in disciplines like energy use or the capital markets.

While clients are demanding these services nationwide, a firm must be particularly strong in those disciplines in the ultracompetitive Manhattan market, Arena said. "You have to have experts in these functions all knitted together on one team."

So far, NAI Global's strategy seems to be working, and Gerald Finn foresees a bright future for the company. "I was never interested in having a small company. We reinvested the profits in order to keep growing. We're going to keep growing and adding good new people. We want to be the best. I think we are, (but) I think we can be the largest in the world. We can get there."

Jeffrey Finn added, "There has been a lot of industry consolidation, and we're one of the survivors. We're very excited about where we are." ■