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THE BUSINESSWEEK 50 -- STRATEGIES FOR SUCCESS

No. 16: CB Richard Ellis

Healthy Global Economy, Boom in Commercial Sales



The El Segundo (CALIF.) headquarters of CB Richard Ellis Group Inc. ([CBG](#)) is moving for the fourth time in 10 years. Normally the company is chasing cheaper rents. This time, Chief Executive Brett White and the eight others in the executive suite want shorter commutes; White's was an hour and 40 minutes on a recent Monday morning. They're going 15 miles north to Westwood. "We're doing exactly what we tell clients not to do," he says with a wry smile. "We're moving to higher-priced space when times are good."

Times are indeed good for the world's largest commercial real estate services company. With more than 300 offices, CB Richard Ellis leases, sells, operates, and appraises commercial properties; manages real estate investment portfolios, supervises construction, and originates and brokers mortgages. (The CB harks back to Coldwell Banker, but it hasn't been connected to the residential brokerage since 1989.) Since going public in 2004, revenues have climbed more than 70%, to \$4 billion, and earnings have quintupled, to \$318 million.

CB Richard Ellis is benefiting from a strong global economy and a relatively modest pace of construction--particularly for high-end office space. Companies are expanding globally and outsourcing real estate management to specialists. That's led to CB Richard Ellis handling some huge deals lately. Last year it represented owner MetLife Inc. when it transacted the largest sale ever of a single piece of real estate: that of Manhattan's Stuyvesant Town apartments to Tishman Speyer Properties for \$5.4 billion.

Another megatrend at work is money managers' continued fascination with commercial properties, even as residential real estate goes cold. In the past decade institutional investment in U.S. real estate has climbed from \$250 billion to \$600 billion. Says Geoffrey Dohrmann, president of Institutional Real Estate Inc., a market research firm: "Just as institutions became the dominant force in the equity and bond markets, they will be in real estate, too."

The company has made dozens of acquisitions since beginning to diversify in 1991, most recently the \$2.2 billion purchase of Dallas-based real estate services firm Trammell Crow Co. last year. That brought a blue-chip roster of corporate clients as well as a business that develops buildings for clients.

Does CBRE have a finger in too many pies? Playing multiple roles is common in

real estate, but some firms avoid it. Staubach Co., founded by football great Roger Staubach, accepts only tenants as clients, on the theory that representing both landlords and tenants is a conflict of interest. White says that CBRE's success shows that it can handle conflicts. As evidence he points to a unit that invests institutions' money in commercial real estate. The unit's managers can't own stock in CB Richard Ellis and their compensation is based solely on clients' returns. They choose whomever they want as leasing brokers. "About 40% of the time we're embarrassed because they hired a competitor," White says.

Its reach, while complicating life, may be the company's strongest selling point. "When you're selling computers or cars on a global basis, you have to be everywhere," says client Eugene Bauchner, head of real estate in the Americas for the advertising firm WPP Group. "Some markets where it's very tight, they create space where none exists. There aren't many companies that can do that."