

Top Property Manager Lost Big Business, Rest Stable

REAL ESTATE: 2008 saw less turbulence with few portfolio plays

By MARK MUELLER

Orange County's commercial property managers saw a relatively stable 2008, with one big exception.

Total OC commercial space—office, industrial and retail—managed by the largest 25 property managers fell by about 17 million square feet, or 9%, in the past year to 176 million square feet, according to this week's Business Journal list.

Of the 25 companies on the list, seven reported drops in square feet under management, five reported flat numbers and five gained square feet under management. Eight were Business Journal estimates.

The list's biggest decliner was long-time No. 1 CB Richard Ellis Group Inc., whose square feet under management here dropped 21% to 49 million.

Without CB Richard Ellis in the mix, the largest commercial property managers here would have seen a 3% drop in OC square feet under management to 125 million—not bad for what was a tumultuous year for commercial real estate.

Officials for CB Richard Ellis said the decline for its local office was largely tied to a loss of a single client: AMB Property Corp. of San Francisco, which decided to manage its own 25 million-square-foot portfolio in California.

The lost industrial account by CB Richard Ellis also pushed down the total square feet managed by the local offices of the 25 companies on the list. That fell 8% from a year earlier to 248 million square feet. The figure



AMB Property's Anaheim warehouse: company is managing own buildings, cost CB Richard Ellis big business

includes space outside the county that's managed by local offices.

Without CB Richard Ellis, the remaining companies on the list would have seen a 4% drop in total square feet managed by local offices to 199 million.

Despite the drop in business, CB Richard Ellis still retained the No. 1 spot on this year's list by a wide margin—it had 17 million more square feet under management than No. 2 Irvine Company, which had an estimated 32 million in OC in 2008.

Irvine Co.'s numbers were estimated to be the same as a year earlier.

After a few years of heavy development, Irvine Co., by far OC's largest property owner, had no sizable commercial buildings open in 2008, keeping its number flat.

The top two companies on our list dominate the market—combined, they manage more than 45% of the total square feet on this year's list.

Other than the loss of AMB business, the

general trend these days is for owners to outsource their property management services, which can cut costs and reduce internal staffing needs, said Cindy Burger, managing director for asset services in CB Richard Ellis' local region.

For most owners, "cost containment continues to be the (largest) issue," Burger said.

Recent additions for CB Richard Ellis' OC property management business include nearly 7.5 million square feet of industrial and office buildings here and in the Inland Empire owned by Sacramento's Panattoni Development Co.

Opportunities

There could be some large changes and business opportunities on the horizon, especially if distressed commercial building sales begin to ramp up, as many expect.

Troubled buildings "are good news for us," said John Combs, founder of Santa Ana-based RiverRock Real Estate Group Inc., a commercial real estate management and leasing company.

"As properties that have cash-flow issues (increase), owners look closer at their property managers to eke out more savings," he said.

RiverRock saw a 12% increase in OC square feet managed last year, which moved the company up three spots to No. 21 on the list.

Last year, the company added a line of business that targets distressed assets.

"When properties change hands because of foreclosures, business can pick up," Combs said. "We're starting to see some big portfolio plays."

No. 3 Essex Realty Management Inc. of Irvine was another gainer on the list. Its OC portfolio, which is mostly smaller and mid-sized buildings, totaled 8.1 million square feet in 2008, up 13% from a year earlier.

Essex was followed by No. 4 Newport Beach-based Davis Partners LLC, which was estimated to have a 7.5 million square foot portfolio here.

Recent additions to Davis' portfolio include the 600,000-square-foot Centerpointe La Palma complex. The property was sold last October by Los Angeles-based Arden Realty Inc. to Boston-based TA Associates Realty, in one of the larger office sales of the year.

Davis handles most of TA Associates' local portfolio.

The La Palma sale, and another office property sale in Orange by Arden, dropped the landlord down six spots in this year's list, to No. 22.

Similarly, moves by Los Angeles-based Maguire Properties Inc. to ease its debt load resulted in the company falling to No. 5 on the list, down from No. 3 last year.

The landlord shed about 800,000 square feet of office space here last year.

More sales are expected in 2009. ■

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