

# Who's who in property management

*You don't have to be a big company to get decent business from property managers. But it helps to know the lay of the land and the key players*

By GEORGE WITTERSCHEIN

**W**ho are those guys, the big property managers looking for national landscape contractors? *Landscape Management* prepared this capsule look at your customers — the property management industry. But you can be sure of one thing about the following list: it isn't really accurate.

If you maintain or install landscapes on a single commercial property, the consolidation in the real estate and property management industries affects you. Not only does their consolidation impact you, it impacts the validity of any survey like the one compiled last year by the *National Real Estate Investor* magazine (in Atlanta, 770-955-2500). Several mergers and acquisitions have occurred since then. For example, Number 3 Trammell Crow absorbed Number 15 Faison, and so on. The effect is constantly changing rankings (Number 1 Insignia has been at the top for three years running).

This is the closest we (or rather, *NREI*) could come to reality for the present. If you want an update, *NREI* should have a new survey out by the time you read this.

Top U.S. Property Management companies:

1. *Insignia Financial Group Inc.*, Greenville, SC; sq. ft. under management, 1997: 387,000,000; [www.insigniafinancial.com](http://www.insigniafinancial.com)
2. *CB Commercial / Koll Management Ser-*

## REITs: They aren't like Cheerios

What's the significance of the REITs for the green industry contractor? Since REITs report back directly to their owners (stock market investors), they are under tremendous pressure to generate profits **yesterday**. That means holding down expenses — and, therefore, doing business with only the largest, lowest-cost-per-square foot landscape contractors. Right?

Not necessarily.

William (Bill) Link is director of landscaping for Camden Development, Inc. in Houston. Camden is the third-largest multifamily residential REIT in the country, with about \$1.5 billion in assets. They do about

\$9.5 million in landscape maintenance yearly, plus some \$4 million in landscape work on 16 current construction projects.

Link has five regulation landscape maintenance managers reporting to him, who interact directly with landscape contractors and make recommendations as to who Link should hire. "I may be one of TruGreen-ChemLawn's biggest customers," he says, "but I also have small companies in markets like Austin, TX, and Greensboro, NC. And I hire a very small company in a small market like Corpus Christi."

Link, a former landscape

contractor himself ("About a hundred years ago," he jokes) does not have a national account. "Landscape management is kind of like politics. It's all local. You have to take care of me locally."

Does Link feel that the property management consolidation will knock smaller companies out of business? "I think there's always going to be a role remaining for local landscape contractors who bring the technical expertise and the capability to provide a right product for a competitive price.

"I think your readers ought to be encouraged. I see these startup companies every day,

wanting work. There are a lot of very capable kids around, coming out of some good schools. If they'll just maintain their proficiency and deliver the product, I think there's always that market for them. There's not a lot of consolidation so far on the landscape construction side, and smaller local contractors ought to look into that. We have currently \$350 million worth of new development going on. We use a lot of local vendors — there's always a local condition that the local people know best. It's not like making Cheerios!" □



ices, Los Angeles; sq. ft. under management, 1997: 311,400,000; www.cbcommercial.com

3. *Trammell Crow Co.*, Dallas; sq. ft. under management, 1997: 301,180,000; www.trammellcrow.com

4. *Lincoln Property Co.*, Dallas (Unusual among top players in that 40% of its properties are multifamily residential.); sq. ft. under management, 1997: 208,600,000; www.lincolnproperty.com

5. *Cushman & Wakefield*, New York, NY; sq. ft. under management, 1997: 200,000,000; www.cushwake.com

6. *LaSalle Partners*, Chicago; sq. ft. under management, 1997: 207,000,000; www.lasalle.com

7. *Compass Management & Leasing Inc.*, Atlanta; sq. ft. under management, 1997: 180,000,000; www.compassml.com

8. *Simon DeBartolo Group*, Indianapolis; sq. ft. under management, 1997: 139,000,000; www.simon.com

9. *PM Realty Group*, Houston; sq. ft. under management, 1997: 115,000,000.

10. *Grubb & Ellis Management Services Inc.*, Northbrook, IL; sq. ft. under management, 1997: 94,000,000; www.grubb-ellis.com

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## Understanding REITs (Real Estate Investment Trusts)

REITs are the "coming thing" in real estate with their ability to attract capital (they do it simply and easily by selling common stock). However, you need to know this:

1. They have not yet "inherited the earth," according to a report by Merrill Lynch First Vice Presidents Eric I. Hemel and Leonard G. Sahling. REITs have been poor performers on the stock market, and at present hold only 8% of the prime commercial real estate in the U.S. (apartments, office, industrial, malls, strip shopping centers and hotels). While this 8% share equals roughly \$177 billion worth of real estate, it's

hardly market dominance.

2. REITs have shown phenomenal growth since 1991, and this is continuing at a pace that could bring them to five times their present size (as measured in dollars) by 2010. The ML report quotes an industry study to the effect that REITs could ultimately reach 50% penetration of the commercial real estate industry. It adds, "Given our estimate of \$2.3 trillion of eligible commercial real estate...and assuming that the REIT industry will succeed in attaining a 50% market share, it would appear that REITs are destined to become a \$1.1 trillion sector (in 1998 dol-

## Are you in the ballpark? Check these prices

You can benchmark your prices against national pricing norms, listed below as landscape maintenance expenditures per square foot, compiled by the Institute of Real Estate Management in Chicago from thousands of reports submitted by member property management firms:

### Landscape expenditures for downtown office buildings in \$ per square foot of entire buildings

Region	Median	\$/sq ft Low	\$/sq ft High	\$/sq ft
Maine to Virginia	.04	.03	.07	.07
Southeast	.06	.04	.13	.13
Northern Midwest	.04	.02	.08	.08
TX LA OK ARK NM	.05	.03	.08	.08
Central/NorthWest	.06	.03	.10	.10
Cal-Nevada-Arizona	.10	.05	.17	.17

### Landscape expenditures for suburban office buildings in \$ per square foot of entire buildings

Region	Median	\$/sq ft Low	\$/sq ft High	\$/sq ft
Maine to Virginia	.17	.12	.27	.27
Southeast	.20	.14	.30	.30
Northern Midwest	.16	.10	.24	.24
TX LA OK ARK NM	.14	.09	.20	.20
Central/NorthWest	.18	.10	.26	.26
Cal-Nevada-Arizona	.19	.10	.30	.30

lars)." (The study quoted is by Barry Ziering, Bernard Winograd, Will McIntosh, and Robert Hess, "Anatomy of a Capital Market Transformation: The Evolution of Public and Private Market Commercial Real Estate Investing," *The Journal of Real Estate Investment Trusts*, October 1997).

3. They could get even bigger. REITs are moving into new territories (for them), like nursing homes, assisted-living facilities, prisons, golf courses, fast-food restaurants and movie

theaters. Others are executing what amounts to leveraged buy-outs of real estate-intensive operating businesses, owning everything from timber forests to automobile dealerships. Some REITs have links with real estate companies operating casinos, cold storage facilities and student dormitories. "In view of the rapidly expanding boundaries of the REIT... the ultimate magnitude of the sector's expansion is impossible to forecast," the ML authors say. □