David Binswanger:

Mack was the man behind the curtain. He should be on the Mount Rushmore of real estate guys in the United States. And the reality is it just wasn't what was important to him, and that was the culture we grew up in. Don't talk about yourself, work relentlessly, quietly, and be successful. And so part of why the company's never been on the record, and why we're doing it now is that Mack never really wanted that.

Clay Duvall:

He built it under three key principles that I think we all hold dear today. One was just bold ambition. The other was just relentless perseverance, and then an unshakable belief, truly an unshakable belief and the power of partnership. And that partnership is not only amongst ourselves with our market partners, but also with all of our clients.

Matt Slepin:

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode recorded live at their new headquarters office in Dallas is with Clay Duvall and David Binswanger, the co-CEOs of Lincoln Property Company. This interview celebrates the 60th anniversary of Lincoln. The company was founded back in 1965, and we get to talk about the company's long history and evolution, the changes in succession that brought Clay and David into leadership, and their new business model, engineered for growth, impact and leadership in today's very different landscape. You've heard these stories a lot on leading voices. If you go back to the early episodes, the podcast focused on the career stories of leaders of our industry. When COVID came, I pivoted the conversations to how companies were dealing with that moment. And since then, the podcast has really been about great companies and leaders in our business, and how they represent the evolutions, issues, and opportunities within their part of the industry.

Many of the episodes have a big history component, because how we got here says so much about where we are. And these origin stories and then the evolution of these businesses give insight into the values and cultures that help organize these firms. Several episodes ago we spoke with Michael Levy from Crow Holdings who told not for the first time on Leading Voice the Trammell Crow story, which is so influenced the entire ethos of the real estate business. And today's episode starts its history with Mack Pogue, with Trammell Crow's support and investments spinning out from the Crow company to start a multifamily development company, largely with the Crow partnership model. We tell the story of how those two companies went in parallel and then diverged in their histories. I'm most fascinated, however, by how Clay and David are remaking that entrepreneurial partnership model, but now with a heavy dose of coordination and support at the national level. So many of our legacy companies have had to play with their ideal model of decentralized entrepreneurial local partners with one or another model of central coordination and support.

Each company that embarks in that journey winds up with their idiosyncratic approach. But I do know, however it's structured that accounting technology, IR culture, playbook, and leadership got to have a meaningful there-there at the core of their business, or the business will just not be competitive and attractive in our quite institutional environment. Again, it boils down to the company's operating platform, which we will continue to be talking about in many of our future episodes, including our next conversation, also an anniversary edition with the co-founders of RealFoundations. I hope that you enjoy the show. As always, if you're enjoying the series, please share an episode with a friend, visit the archive on your podcast app or on the ZRG website and check out past episodes and feel free to get in touch with guest ideas or importantly how ZRG could be helpful to your business in recruiting talent management or consulting on the people side of your company. My email is mslepin@zrgpartners.com. I hope that you enjoy this conversation on the year of Lincoln's 60th anniversary with Clay Duvall and David Binswanger.

Clay and David, welcome to Leading Voices in Real Estate. Thank you for hosting me in your office in Dallas and for doing this together. David, we've known each other since you were running the West Coast for Lincoln, you're now here as co-CEOs in Dallas. Clay, we haven't met, but some 30 years ago, I knew your dad literally on my first search. We will talk about it later, but it really set up my real estate search career, which was fascinating. And it came at a time when your company was in transition because Preston Butcher had left and formed Legacy.

Clay Duvall:

Oh, sure.

Matt Slepin:

He was really careful about the name Legacy. There was some reason for that. But anyhow, so we're going to talk about history, evolution, what your business was, what your business is, where it's going, where we are at this moment in the industry which is interesting, weird, challenging. So, let's start and maybe you guys introduce each other or introduce yourselves. So Clay, you go first.

Clay Duvall:

Yeah, you bet. And thank you very much for having us listen regularly. And the individual that you were responsible for was John Herr, who ran Northern California for many years, an awesome human being. I actually started in the company when I was 14 years old as a runner.

Matt Slepin:

Wow.

Clay Duvall:

And so yeah, I got to have that experience as a young kid.

Matt Slepin:

What's a runner mean?

Clay Duvall:

So, literally would take the mail from one building to the next, would go to appraisal districts, and back then you had to go to appraisal districts and look up properties and find out who owned them and find out the plats and be able to learn how to lay out buildings, etc. So it was a good experience. The one lesson I took from that was walk quick and look busy so that you're able to look like you know what you're doing. But that's when I started.

And then I went to the University of Texas undergrad, and when I got out, I went and I came here and became an analyst back in '97, which was a very interesting time. And we'll talk a little bit about the history of the firm, but really acquisitions and development were just ramping up from the devastation of the '80s and early '90s. And so, I got to be involved in a big portfolio that we created with Goldman Sachs, 31 assets, 600 plus million, which was a lot of money back then. And was an analyst for a couple of years, was a leasing guy for a couple of years, went back and got my MBA, then I came back in '02.

And Binswanger and I actually were co-heads of our capital markets group. And then, David went to do the great things he did and I became head of the capital markets for the firm for about 20 years until we transitioned the business.

Matt Slepin:

And quick question, what does capital markets mean in your firm in that context just so people understand that.

Clay Duvall:

So, working on equity and debt placement for our various joint ventures that we are involved in across the country from an acquisition and development standpoint. So going out our regional partners, which really are the secret sauce to the firm, market leaders, going out and helping them secure equity and debt for the various opportunities that they find.

Matt Slepin:

Right. So you had those coordinated relationships with the big joint venture partners, allocators a lot of them or others?

Clay Duvall:

Correct. Yeah.

Matt Slepin:

Cool. Okay, David.

David Binswanger:

All right, I'm on. Just for the listeners, one of the guys you're talking to, you'll be able to tell it's Clay because he's a native Texan. The other one got here as quick as I could. I'd echo what Clay said, just... Matt, thank you for doing this. We've been talking about this for three years since the succession planning. Lincoln's never done one of these. We've never put our story on the record. And it's our 60th anniversary, we think you do a terrific job of guiding people through these. So, appreciate you doing this. You'll hear something similar when Clay and I talk about our trajectory, which is just a love for Lincoln. We've both been here our entire adult lives.

For me personally, I showed up at this company at 20 years old and found mentors in this company that shepherded me along. It's part of the structure, it's part of the culture. Lincoln ultimately when I moved to California, led to me meeting my wife through Lincoln who led to me having kids. So, over the last 27 years, Lincoln has been the foundation that my entire life was built on in terms of my sort of origin story here. Sophomore year I'm at SMU, I take a real estate appraisal class with Chuck Dannis, and I was also a finance major, it's the first time that the math really made a ton of sense to me. And I don't know if it's because there were dollar signs in front of the math or not, that all of a sudden I was like, "Oh, I get it."

And so I called. I've sort of had these two major, major blind luck moments in my life. And one is being born to great parents in Memphis, Tennessee. The other one happened at this moment as a sophomore in college, which was my sister was engaged, my future brother-in-law was working. He was older than I was, he was at DLJ. I go, "Hey, do you know anybody in the real estate space?" And he introduced me to a guy Elliot Prieur, who was running our office leasing here in Dallas. And sophomore year I begged him for a job, and Elliott didn't give me a job. And so that summer I went home loaded trucks for William

Sonoma and the Memphis heat. It was a double minimum wage, which gave me a nice social budget the next year at SMU. But I was like, "I got to get in air conditioning." And so, I just kept pestering Elliot, and ultimately, he hired me for the same job Clay was describing, which is a runner.

And this'll date me, but runner back then was basically manual CoStar. So, Dallas Toll Road had been expanded, a bunch of office buildings were being built. Elliot used to send me up there, take pictures of the buildings, take pictures of the vacancies, call the brokers, figure out what the rents were, and then come back to my little office, which was really the mailroom. And I'd scratch the dots off on the map, put a table of contents and then bind books. Nobody does that anymore. So, all that's available on CoStar.

But that was really the job that got me introduced. And after a couple of years of doing that, I'm graduating. I go into Clay's dad's office, I see Mr. Duvall behind his big wood desk. I go, "Mr. Duvall, I'm graduating. I'd love to work here." And Bill goes, "Well, how do you know that?" I go, "Well, I've been here two years. Everybody's great. This is a fun place, I think I can do great." He goes, "But have you worked at another real estate company?" I go, "No." And so I walked out dejected and I realized, "Oh, he's just trying to see if anybody else thinks I'm any good." And so that was the first lesson Bill ever taught me in negotiation, have an option. So I went out and interviewed with CB and Trammell Crow that were separate companies at the time, obviously, together now. And both of them gave me offers to be an office leasing guy.

And so I walked back into Bill's office, I remember it vividly because BlackBerry's were new and he was futzing with his BlackBerry. And I lay these offers down, stand like Superman in front of his desk. And he goes, "Well, what are they offering you?" I go, "Be an office leasing guy." He goes, "We're not hiring any of those." And I go, I'm dejected momentarily. He goes, "We're hiring financial analysts. You should be one of those, and we're paying 24 grand." I go, "They're paying 36." He goes, "We're paying 24." I thought about it for a minute and I took the job. And so as Clay said, one of the great benefits of Lincoln that we continue to try and perpetuate even as we grow is this open door policy and structure where anybody can sit on anything and learn. And one of the things Bill did with both of us, he always took a guy around the country with him. A lot of people called it Bill's bag man, I called it Bill's box man, because Bill didn't carry a briefcase, he carried a banker's box.

Matt Slepin:

A banker's box on travel.

David Binswanger:

It was 30 pounds. This thing weighed a ton, and it was just stacked with papers. And on flights, he'd write all these notes. And through proximity to power, all of a sudden you're 23 years old, you're going to all the market partners going, "Here's what Bill needs from you. And you were responsible for deciphering the notes and sort of getting the information back." So unbelievable, seven, eight years of training ground, everybody who's been around Bill in that capacity has become an incredible real estate guy because of the training.

And then it was really in 2005 that I'm sitting at lunch with Greg Courtwright, who was our COO, later became our president and mentors to Clay and I and good friends, and Mack and Bill. And Bill says to Mack, "Isn't it great? David's going out west." And he never told me before that lunch. And in Mack's absolute wisdom and clarity and the way he talked, he looks at me and he goes, "David, that's great." Half the money I've ever made in my life, I made in the state of California. And two weeks later I had a U-Haul, I had my dog in it. I drove out and had another stroke of luck on timing, which was I started the office in January of '06. You're probably-

Matt Slepin:

The office in Los Angeles?

David Binswanger:

In LA. You're probably going, how is that good luck? Well, I had enough time to do 18 deals in two years with Clay's support from capital markets perspective. We grew from 0 to 3 million feet, we had 36 people. And then the GFC hit, and the old Lincoln way was put your money in the deals, borrow it if you needed to from Bill and Mac, which I did. And I went from having four and a half million dollars of loans that I thought were going to turn into 20, $30 million of promotes to having no way to pay them back.

And the good news was I had enough deep that I was going to learn the lessons forever, but I had enough runway that I realized, "Hey, all you got to do is do the next right thing every day and play a long-term game with long-term people. And whether Lincoln keeps you or these deals survive, you'll earn your reputation through this." So that's what we did. And over the next couple of years, we grew the service business from 3 million to 12 million. We started buying again with groups like Angelo Gordon in 2010, we bought Griffin Tower for 114 bucks a foot office building in Orange County. And we expanded into Orange County, San Diego, San Francisco, Sacramento, Portland, Seattle, Boise, and Salt Lake over the next 16 years.

Matt Slepin:

Now, when you say you expanded into San Francisco, you were there because of John Herr. What does that mean expanded, just to get clarity around that?

David Binswanger:

So John was there, he had been incredibly successful. As you know, he had probably the number one promote in Lincoln history in 350 Bush. Something that John believed in was be a sharpshooter around real estate. Something that he really didn't want to focus a ton on was the reoccurring revenue, property management solutions business. That was something we had spent a lot of time on in these other markets. And so, John and I sat down and talked and he said, "Hey, I'd like to wind down over the next few year., and frankly, I could use a little bit of what you all are doing down south." And so, that transition took place. Patrick Gilligan, who was in our office, went up to the Pacific Northwest to open those. We hired Brandon Wang in San Francisco, and really consolidated the west.

Matt Slepin:

[inaudible 00:17:28] did that search, just so you know. Of course, yeah, yeah.

David Binswanger:

We did. I know, I know, we have a lot of touch points. He's an amazing guy and doing amazing things in that market for us, and really thinking about the business in a 360 way. We manage 20 million feet in that market plus buy real estate. And so over 16 years, we grew from nothing really to 50 million feet under management, 550 people. But candidly, that is not the thing reflecting on it that I'm most proud of. What I'm most proud of about what happened out west is what happened after I left. Rob Kane, who's been leading that business, took the business and tripled it in three years. They went from 50 million feet that took us 16 years to build to 150 million feet of property management and leasing. And they've just done an incredible job, and I'm just super proud to have been part of that journey.

Matt Slepin:

That's great. So, a lot to talk about. And so, I want to think about what the company is today, and then I want to go backwards and talk about the history of the company, and then I want to talk about what plans are and how you've changed things. This is a lot of different things, but give me a sense of the overall footprint and spaces that you're in today, what the business looks like.

Clay Duvall:

Yeah, happy to do so. Today, we're in 31 offices throughout the United States. We have a market leader in each and every one of those offices. We view those individuals as the very best in their marketplace. They're 360 folks, they live below the zip code, so they're going to dinner and lunch and coaching sports teams with not only the tenant reps and the brokers in the market, but also the architects and engineers, and really knowing every single facet of that business. When we did the Stone Point transition, we were 432 million square feet of management and releasing, and today we're over 650 million square feet in a little over two years. And so, we've had tremendous growth since the transition of the business, and so much of it is because of those market leaders.

Matt Slepin:

Okay. And what sectors are you in? And again, we're going to talk some history stuff, but the multifamily group spun out or recapitalized separately.

Clay Duvall:

Correct.

Matt Slepin:

So, what sectors of real estate are you in? And then, how much of the activity is development acquisitions, the investment side versus services side?

Clay Duvall:

So in terms of asset classes, office, logistics, retail, multifamily, medical office, and data center, we have dynamic centers of excellence for each and every single one of those businesses. And a lot of those folks sit here in Dallas and travel around [inaudible 00:20:08].

Matt Slepin:

The center of excellence, meaning corporately, there's a person who leads that sector knowledge, and then the local people get to implement that together with them?

Clay Duvall:

Correct.

Matt Slepin:

Okay.

Clay Duvall:

You got it, yeah. And so there's a guy named Tom Kuhlmann who's been with the company for 40 years, amazing human being. He sits in Dallas, he's run the logistics business, been on investment committees for several of our separate account businesses on logistics. And he was very much a natural. He was already helping out, very much a natural to run the center of excellence for that business as an example.

Matt Slepin:

And how much is of, either what percentage of revenue or what's this balance between the service recurring income and transactional business?

Clay Duvall:

So 90% of the management and releasing that we do across the country, we're also in three countries over in Europe, but we can talk about that a little later. 90% of that business is pure third-party business competing against all the companies that you would know out there, both the large companies as well as the regional companies in regards to providing services, management, leasing, construction management, development services. And then because of that information that we have, we're able to find a lot of opportunities to acquire and/or develop.

Matt Slepin:

So you've talked about the transition with Stone Point and you've talked about the multifamily division spinning out, and you've talked about succession with you guys, put that in some context. Well actually, no, let's go backwards. And one of the mystery people to me in the real estate business who I've either never met or seen or seen on a cover of a magazine or seen speak at a ULI thing is Mack Pogue. So maybe tell the story about Mack and the founding of this, and also the relationship with Trammell Crow. Let's go back in history and then we'll forward back to this.

David Binswanger:

Clay is a perfect guy, given that he's been around the company his entire life to tell that story. I would say that you're right about that. Mack was the man behind the curtain. He should be on the Mount Rushmore of real estate guys in the United States with a few other of the icons. And the reality is it just wasn't what was important to him. And that was the culture we grew up in, "Don't talk about yourself, work relentlessly, quietly, and be successful." And so, part of why the company's never been on the record. And while we're doing it now, is that Mack never really wanted that. He passed away about a year ago, and so in honor of him, we feel like it is the time to tell some of his story. So, Clay would be great at doing that.

Clay Duvall:

Yeah. So at his funeral service, which was a little over a year ago, there's a senior pastor here in town at the First Baptist Church, which we actually built Lincoln Plaza on the ground that they owned, his name was O.S Hawkins, and he spoke about integrity when he talked about Mack. And everything that the company was built around was that integrity that Mack showed. And we always knew him as the man in the corner, a phenomenal human being, but he always gave credit to everyone else even though he was at the top of the org chart, if you will, but he never took credit for it. And so, he built the company around three key principles in partnership with Trammell Crow. I don't know if you know that, but in 1965, Lincoln was formed and it was a partnership between Mack Pogue and Trammell Crow. And Trammell got bought out in the late '70s, and I'll talk about that here in a second, but they started it with a handshake. I mean, it was nothing more than a handshake, and let's go to work on building a multifamily development company.

Matt Slepin:

And it was for multifamily and Trammell wasn't doing that, so therefore this was a different business, separate from Trammell Crow industrial office.

Clay Duvall:

Yeah, correct. I mean, Trammell was doing a little bit of it, but he saw that Mack was a special human being. And I agree with David, though maybe not recognized as much as some other people because he wasn't as outward-facing as Trammell was. But if you go around the country, so much of what Lincoln's done helped build America from the '60s on. But he built it under three key principles that I think we all hold dear today. One was just bold ambition. The other was just relentless perseverance. And David will talk about it here in a little while about seven different times within the company because certain macroeconomic events occurred that required change. And then an unshakable belief, truly an unshakable belief and the power of partnership. And that partnership is not only amongst ourselves with our market partners, but also with all of our clients that we've done business with, both on third party as well as investing over the years. And we've held very true to those three key things throughout the company.

Matt Slepin:

Got it. And then, it started then as multifamily, but then the commercial side happened as well. And each of them were done through another person who was industry facing, your dad on the commercial side and Tim on the multifamily side.

Clay Duvall:

Correct. And ultimately, Tim Burn on the residential side. In the late '70s, Trammell, of course, started getting heavily into multi, but Mack's started getting into commercial. So they had to make a decision to break those company. I mean, remove Trammell from Lincoln Property Company.

Matt Slepin:

Fair deal.

Clay Duvall:

And my father was a young guy, he was fortunate enough to have sold land both the Trammell and Mack. They both trusted him. I view him of a high integrity human being as well. And they brought him over to help with the asset swap. So they had to remove Trammell from Lincoln and they did it by an asset swap that occurred in the late '70s.

David Binswanger:

One real quick anecdote on that is, and this just goes to all the points about partnership. Trammell and Mack at the time owned 24 assets together, multifamily buildings. Mack went over to Trammell's office, handed him the list, handed him the economics and said, "You pick 12, I'll take whatever you don't want."

Matt Slepin:

Fair deal. Wow, wow.

Clay Duvall:

And by the way, we will talk about the '80s here because of transitioning quickly there. So dad came on, he started growing the business, doing it the exact same way that Mack and Trammell had done before him, which is go find really smart people in markets, partner with them, as David talked about earlier, put in money into deals and let's go grow the business together. Mainly a development company and logistics and office in the '80s. And again, built some of the great buildings in America during that time. As you well know, the S&L crisis occurred in the '80s

And was extremely tough time for them. I didn't share in that experience, but I saw it because I was over there, a 14-year-old kid seeing what was going on and seeing how hard these men were working, but also seeing how these men took care of their people. So they stepped into loans, let a lot of the partners leave, and then promoted from within some of the 20-year-old guys and gals that were rising superstars to be partners and moved a guy named Bill Hickey out to Washington DC. And he did a lot what Binswanger did 15, 20 years later, he took the Mid-Atlantic from 500,000 square feet and grew it into being the largest service provider in the Mid-Atlantic in country on the commercial side.

Matt Slepin:

Again, one of the interesting distinguishing features of your company is the equivalence between development, investments, and service. One of my close friends in the business was the other partner in DC, Jeff Fransen, who I'm sure, and Jeff always talked about his development pipeline equal to his management pipeline. And most development people, the operations side they hold their nose and do it, but for you all, it's an essential component to balance out the business, you've talked about through the conversation.

David Binswanger:

It was born out of necessity and survival, right?

Matt Slepin:

Mm-hmm.

David Binswanger:

The way I understand it, and we will talk about this some, I'm sure, but when Clay and I got here, the RTC was incredibly relevant. And Bill was wearing some of those scars, and forcefully, would teach us those lessons. In fact, the FDIC was in some of our deals when Clay and I first got here, you do a distribution waterfall and they'd get paid. And so, what Bill had the necessity of the mothers of all invention, what he had the idea around was, "Hey, we owe all these people money. We consolidated the individual Lincoln Partners debts."

Mack and Bill, because of integrity, said, "We're not going to hide. We're not going to buy an oil well and declare homestead, we're going to repay all these debts." And the way they did it was basically $0.50 of every $1 they paid back to the banks that they had borrowed from in the life insurance companies. But in exchange for that agreement, what they said was, "We need to manage beyond the stuff we developed," right? Because prior to that time, as we developed, we managed our own product, we leased our own product. They went to all these banks and said, "Hey, if you give us the product to manage across your portfolio, including-

Matt Slepin:

[inaudible 00:29:44].

David Binswanger:

... let us take care of the stress, we can afford to pay you back."

Matt Slepin:

Yeah, I was at the RTC actually so early in my career, so I was sitting in the belly of that beast. One comment from that moment at a time when we hate government for some reason, that was a government agency in which trillions of dollars passed through and there were no controversies around that. No one went to jail from the RTC, and great fortunes were made in the private sector out of the S&L crisis, but it's never been looked back on as a mistake. It's a good example.

Clay Duvall:

So three things, David mentioned one of them, which was all of a sudden we got into the third-party management business. Two other things really helped the company out tremendously at a time that was tough. One was my father built NCNB Tower, which is Bank of America Tower today in downtown Charlotte for Hugh McColl, and he promised you, I'll be there every other week until this building's built. And it truly is when you go to Charlotte, the crown jewel of all of Charlotte, just a fantastic building. The other was through Nation's Bank in a guy named Mike Malone. It was 650 million worth of notes. We were able to buy at a pretty substantial discount and work through that. And that's actually where our first SMA was created in terms of buying those notes back in '92.

Matt Slepin:

And one interesting thing, we talked to Mike Levy a couple of weeks ago on the podcast from the Crow Holdings, and out of the Crow Empire spun out many of the REITs that we know today, both in the apartment side as well as in the commercial side of the business. I don't think REITs spun out of your portfolios over that time. Maybe that's because you were able to survive and hold it because the IPOs of those companies was a defensive move that became a good move.

Clay Duvall:

No, that's right. By the way, love Michael Levy. We actually spoke with him right after your conversation, and Michael's fantastic in what he's doing over there is tremendous.

Matt Slepin:

Doing great well. Yeah.

David Binswanger:

And they're great partners of ours. We've done 15-20 logistics deals with them from their co-mingled vehicle.

Matt Slepin:

Okay, so let's fast-forward a little bit because we're in the S&L crisis, a period of time that I like because I remember it too well. But fast-forward through to the time when you have this transition, when you're recapitalizing the company, new partners spin out and then you guys come in. I'm going to say new sheriff in town, which is the wrong word, but there is going to be a generational shift in what that means. So let's get to that.

David Binswanger:

Sure. [inaudible 00:32:21].

Clay Duvall:

And David, let me get there real quick and then I'll pass it over to you, which is one of the things that also occurred was in '97, Preston Butcher left Lincoln, started Legacy Partners, and that's where you got Binswanger and those guys out there where you helped us re-expand out there. It really loved Preston, amazing human being, but it helped bring the company into one country across the whole thing instead of bifurcation. We worked through that and started to grow. As David mentioned, the West Coast, before the GFC were 110 million square feet in property management. Coming out of the GFC because we didn't have near the problems that many others did. We were 220 million. As we mentioned at the time of the Stone Point transition, we were 430 million square feet. So it's been a pretty incredible trajectory of growth in our service business.

Matt Slepin:

I want to go back to something you said about Preston in that maybe he ran the West Coast, owned the West Coast, and it was his business, not your business together. So when he spun out, that was a natural thing, but then your business truly became interesting the way you put it, it became national when he left because it was somewhat bifurcated before that?

Clay Duvall:

That's right because there were these silos. There was the butcher's silo out west. There was the Duvall silo kind of Mississippi, I mean, Texas East on commercial, and Burn on multifamily East. And then when Preston left, we're able to put it all under one roof if will.

Matt Slepin:

Okay, and we're going to get back to the differential between centralization and offices running things, right? So that will be something that we're going to talk about in a minute. Okay.

David Binswanger:

So session?

Matt Slepin:

Yeah.

David Binswanger:

It's interesting because you have this sort of vignettes in your mind over a long enough career. And this is one of them that I remember perfectly. It was coming out of COVID, it was the week after Christmas, which is usually a slow week. And I was in my house in LA with my wife and my kids playing under the tree. And my phone's ringing, it's Bill, I pick it up. He goes, "It's Mack and Bill on the phone. We're planning succession. We'd like you to come back and we'd like you and Clay and Greg to figure out what we have and what to do and who you all want to be partners with." And I remember walking inside and my wife is from California, her whole family's from California, she's worked hard to build a business at CB. And I told her what happened, and it was quiet for a long minute. And then she goes, "I've never lived anywhere else. I'm game."

And a few months later we moved here. I joined Clay back here, and a very small group of us because we didn't know what was going to happen. Frankly, we had thought about succession in 2016 and it hadn't happened. And so we kept it very, very quiet from the people of Lincoln and our clients with a very small team trying to figure out for the first time as you were just alluding to this definition of decentralization, what do we really have here? Because historically, there's two owners that own about half the business, and then these local partners that own their halves of the business.

And for much of that time to your also earlier point, it didn't make a ton of difference if the money came from the P&L or the money came from a promote. As long as the money came in and it was more than last year, the company grew. And strategy really wasn't a word we used, it was sort of tactical execution in the regions led by the market partners. So nobody had taken this bird's eye view. And so, we end up packaging Lincoln up, we end up needing an advisor candidly, and we brought one in to help us.

Matt Slepin:

Wait, and in packaging it up, you're needing capital succession as well as leadership succession?

David Binswanger:

So we were trying to solve some business things that we certainly can touch on, but above all, we were trying to find great partners. Clay and I and the other market partners had only ever worked four and been partners with two guys in our entire lives-

Matt Slepin:

Bill and Mack.

David Binswanger:

... Bill and Mac, and each other. But there was an enormous amount of concern over who might want to buy Lincoln and what they might want to do with it. We have a unique culture that comes from the trunk of the tree from Trammell Crow, but was perpetuated, and maybe longest live perpetuation of that culture that had been unchanged through Mack and Bill's leadership. And given what Clay and I mentioned in the beginning, we just want to be a strong link in the chain of the life of Lincoln. We're really the third generation to come in, and we want to set it up for the fifth and sixth and seventh generation. And so, who we're going to be partners with, and how they thought was the thing that was absolutely the threshold?

It wasn't even price to Bill and Mack, it was who are going to be the best partners, and then we can talk about the rest. So, we didn't know anyone in the corporate private equity space. We knew all the real estate private equity guys. And one of the things Bill rightly said, although, it probably made our life initially more challenging was, you guys cannot talk to anyone that we're partners with. So all of a sudden we're like, we can't talk to Morgan Stanley or Goldman Sachs or Carlyle or all the guys we knows.

Matt Slepin:

So those are JV partners in your deals.

David Binswanger:

Exactly.

Matt Slepin:

But now that you're talking about partner in the platform.

David Binswanger:

In the platform. And imagine if you go make a deal with Morgan Stanley like they've done with [inaudible 00:37:55], the rest of our clients, customers and partners may not want to work with us anymore. They may think we're not getting the best deals or we're being promoted by a competitor in the space. And so, Bill was right about that. What we ended up having to do is hire an advisor. That advisor helped refine a list for us of folks that mostly we had never met. And that list ended up being 12 folks. Clay and I and a small group of people met with them, and from every meeting just being completely candid, we had never done this before. We didn't know how to sell the company. We can talk about a real estate deal real quickly.

And so every meeting, we had a young guy, Dan Younger with us and we're like, "Dan, just write down questions we don't know how to answer and let's figure out how to answer them." And so over time, we got better at telling the story. We discovered sort of how private equity thinks and talks, and large family offices. In our back pocket was a group that we knew was a potential candidate and we really wanted to be as put together when we went and saw them as possible, and that was Stone Point. And we knew them for two reasons. One, in 2016 when Mack and Bill were thinking about doing something, they came in. And Agha Khan and Chuck Davis visited with Mack and Bill, and I'll tell a quick funny anecdote. They were leaving our old offices, as you remember, not like the ones Clay built here that are all about light and air. Our old offices were tapestries-

Matt Slepin:

[inaudible 00:39:22].

David Binswanger:

... on the wall, dark mahogany, Western art.

Clay Duvall:

Very much a man in full type look.

David Binswanger:

Yeah. Totally.

Matt Slepin:

[inaudible 00:39:29] Remington. [inaudible 00:39:30].

David Binswanger:

Yeah, Remington's everywhere. And Chuck walks out with Mack after the meeting and there's a painting on the wall, and it's this beautiful painting of a cowboy sitting on a horse. And Mack goes, "You want to hear something funny? There was a guy in here three weeks ago, and he goes, that's my great-grandfather sitting on that horse. There's no amount of money I won't pay for that painting." Mack told him, "It's not for sale." And so Chuck got in the elevator and goes, "If he's not selling the painting, he's not selling the company." And Chuck was right, but Agha Khan at Stone Point gets credit for the next six, seven years, he stayed in front of Lincoln.

And one of the things that he ended up doing was with us buying a data center company. And so, we had been partners with Stone Point for a couple of years. We saw how they thought. We saw how they thought about management teams and risk, and so we knew they were somebody we would love to make a deal with, but we wanted to make sure we were ready when we went and saw them. And so, we saw them last. And we went in, met with Chuck and Jim Carey and other members, Mr. Friedman, other members of their investment committee and Agha, and had a great meeting. And at the end of that meeting, Chuck and Jim handed Clay and I, a list of 64 names and phone numbers. And he said, "These are past and present CEOs, every one of them, their cell phone numbers, call them." Now Clay and I felt bad because we highly curated our referral list, but we did. We went back to the office and we called them, and the consistency with which they describe Stone Point across all different facets of businesses.

Matt Slepin:

What is it like to partner with them?

David Binswanger:

What's it like? The consistency with which they describe Stone Point as the most amazing partners playing a long-term game with long-term people as belief in management teams as really accretive. It was so consistent from them that Clay and I believed it and we said, "These are our guys." Now, it took almost 9 to 10 months from the moment we knew they were our guys to ultimately land that plane. And there were points in time during the deal just candidly, where as the deal took shape, we called it the funders which were Stone Point, the founders, which were Bill and Mack in the future, which was all of the leadership team that was going to stay.

And there were times for the first time in our lives that Clay and I were not perfectly aligned with the founders. Although, we were still working for them and they hadn't made a decision to sell. But what we always did, as we've always done and we learned from Mack and Bill, just be completely transparent with everything you do. So for those nine months of putting a deal together that would keep the culture of Lincoln intact, would keep the incentives intact for the guys in the field, meaning participation in real estate. That was an incredible negotiation and we learned a ton. And what we maybe learned that was absolute best is Mack and Bill cared most about the legacy of the company, the people working here, and that it continued as close to its original culture and form as it could. And we learned that Stone Point were those people. The day we closed, interest rates have gone up 500 basis points. The capital markets have frozen in a way that it was even deeper than the GFC. Stone Point has every reason to-

Matt Slepin:

[inaudible 00:42:40].

David Binswanger:

... think we have short-term problems. And the reality is all they've ever done, and after our very first board meeting, Chuck Davis looked at Clay and I, and he goes, "Mack and Bill always taught you all to build long-term, we're the same, just keep doing that." And they've supported us in every way.

Matt Slepin:

Wow. Let me ask a few questions about that. One is you made a comment, it was the first time that your interests weren't fully aligned with Bill and Mack, and you dealt with it by transparency. It's just something to resonate with our audience because I love when I have a pain point to put it out there really strong, smile at it, laugh at it, acknowledge it because then he can get through it. Because if he was trying to hide that thing, it never works.

David Binswanger:

I'll get Bill Duvall the credit. He had these sayings that he would say, he'd say, "One bad partner costs you two good ones." He'd say, "Deal selection's the most important thing," which really meant time management. And one of the things he said on that point was, and Clay will laugh at this one, but he said, "If you keep it on your desk, it is your problem. If you bring it out into the light, it is our problem." And every one of us has failed a thousand times at this company. And it is one of the greatest things about it because they push you well beyond your capabilities to do things. There's young guys sitting in meetings that they should be 10 years older to be sitting in. But Bill always said, "Look, I'm never going to be mad at you for failing with effort, but failure of character integrity, that's never going to stand here."

Matt Slepin:

Because it's going to happen again.

David Binswanger:

[inaudible 00:44:14]. That's exactly right.

Matt Slepin:

Okay, back to a second question about this because private equity is fascinating and really interesting the way you've described Stone Point in light of Warren Buffett's announcement the other day because they're a long-term holder. And private equity comes in so many flavors, and you know it, because when you do a deal with someone, they have a 3 to 5 year window on a merchant build, but Stone Point has a longer term time horizon. What does that mean if we put Berkshire in one of the, like, "Yes, I want to partner with them because they're going to hold me forever and make us successful." How does Stone Point fit into that? Do they have a timeline on the investment with you?

David Binswanger:

It's a perfect question because it was at top of our mind. And of many of the other groups we met with, there were really three, including Stone Point that had a longer term view. Everybody else was what you described, how do we get in and out of this thing as fast as possible? And we knew enough over seven cycles that we're going into a real estate cycle, you really need a lot of time to heal from it and position for growth.

And we were coming into a fresh fund for Stone Point where in Fund IX for them, and that fund had a decade plus some extensions, and we were one of the first investments. So we knew at a minimum we had 10 to 13 years, which for us seemed like plenty to come out of this recovery. The other thing, I would say, about them is they have continued to make investments and hold on to their best companies. They are insurance businesses that Stone Point has been in for 25 years. And so, one of our hopes is that we always have Stone Point as our partner, as our majority board, and that over time they will cycle in the ways that they do capital through the company. And so, they are not the traditional churn and burn, how do we get in and out of this at three years private equity capital, they are playing a much longer term game.

Clay Duvall:

Well, what's amazing about them is they've been in our shorts, they've been nothing but [inaudible 00:46:19]. We call them up and need access to somebody that we would've never been able to have access to in the past. And Chuck or Jim or Agha, one of the board members may potentially know that individual. They've helped us a bunch on M&A. And we hadn't really done that before, but since the transition with them, we've bought six companies, have two more under contract. And so, they've been amazing because they actually, that is their business.

Matt Slepin:

They understand that.

Clay Duvall:

Yeah.

Matt Slepin:

Right.

Clay Duvall:

And so, they've been fantastic from that standpoint.

Matt Slepin:

It's interesting, ZRG is owned by private equity as well, and it has enabled ZRG to do something I really appreciate, which is buy companies because they bought my company three years ago. But the ability to play that way versus playing by normal organic growth, which we real estate people know how to do, we know how to do another deal, another deal, another deal. But if you could play non-organically through an M&A, it can change the culture in a whole big way.

David Binswanger:

And I'm glad you said culture, Bill was amazing and Mack was amazing at having your starter, your backup, your farm team, your high school kids. And Clay and I are byproducts of this system, right?

Matt Slepin:

Right.

David Binswanger:

We get very little credit for where we're sitting today. It's just we arrived at this amazing system and amazing culture, but all we ever did was grow talent. And to now be able to, through Stone Point's expertise capital through Ali Daubert who joined us as head of strategy, we now have this opportunity to play with the Michael Jordans of existing businesses as opposed to hoping someone becomes Michael Jordan. And so culture, as you mentioned is the threshold for us. We have looked at a hundred deals in the last two years. Many, many of the deals get disqualified because we don't think they're a culture fit no matter how much money or what solution they can bring to the company. But as the threshold, if you fit from a culture perspective, everything else we're looking at is, how do we serve our clients better? Can we get into a new domain like the Centennial Investment, large format malls, 27 year business, great guy who we'd been partners with before? We can't go build that business in the next 3 to 5 years.

But all of a sudden we can play with somebody that's special sauce in that business. RiverRock, Outwest was a company, John Combs, I competed with them for 17 years. Every quarter I'd meet with John and go, "John, here's the three deals we competed on. You beat me at two out of three, I'm doing real estate deals. Can we put this together?" And it wasn't until we had Ali and we had Stone Point, that deal came together. And he had 50 million feet, we had 50 million feet, we're a hundred million feet with some overlapping clients, but a lot of new clients and serving them in a whole new way.

Matt Slepin:

Yeah. And a lot of those deals happen, like your deal happened when the executive needed to have a succession transition themselves. It was like me with ZRG. My only way to monetize my business or have succession in my business was to sell it and stick around, which I'm thrilled that I did. And John probably was right at that sweet part of his career where, "Well, yeah, okay, I'm vulnerable to make this happen instead of just competing with you all the time."

David Binswanger:

No, it's a great point. And one close last week Unire, and the founder of that company was ready to pass the generational baton, but also the next generation wanted a broader brand, a broader mandate. And what we found, and we didn't know this two years ago, we found it by having a lot of meetings is we have a very appealing calling card as it relates to exactly what you're describing. Founder lead, regional businesses that need secession, because some of the others not to be mentioned, who show up to do inorganic growth, they're going to synergize the companies, they're going to remove a bunch of people. And these folks who built these businesses just like Lincoln builds them from the ground up, it's all about the people. And so when we show up and we say, "What's important to you is important to us, and let me tell you about our culture," and it tends to overlap with the way they think about it. They're so excited to have met. And so we have really good calling card in that space, and we're going to do a lot more of that.

Matt Slepin:

Yeah.

Clay Duvall:

One of the things too that we really have taken from Stone Point is they have what they call their elephant process. And really, it's taking time and getting to know you and making sure that you're going to fit within this organization. And Greg and Ali, who really spend a lot of time on that business have adopted that. So the Unire transaction that was probably 15 months in the making, so it wasn't something fast. They had to be comfortable with us. We had to be comfortable with them. We had to make sure that they were a culture fit. I mean, you bring on these great smart people and you do exactly what we have done at Lincoln for many years, which is let them go, let them work on what they're really good at. We did not have much of a presence at all in the Inland Empire from a logistics standpoint. And now, all of a sudden we have 60 million million feet led by really, really smart people that are perfect fits within our organization.

Matt Slepin:

Yeah. So let's change the subject. I'm curious, when all this happened, then once you have a partner, your brain trust of what you're able to do and need to do as co-CEOs to take it to the next generation is enabled. But you also have a partner to help you think about that. And we've talked a little bit about centralization versus decentralization, and in this world where technology matters, business platform matters, our next podcast is with the two co-founders of RealFoundations. David Stanford's already been on the show, but we're going to do it again because we're talking about business platform. We're talking about the impact of technology and AI across the business platform, and those are things that don't work well decentralized from my standpoint. So, you had to make a shift. What did that shift look like as two new leaders of this business?

David Binswanger:

Let me start, and Clay will take over. Every single thing we want to do was about helping our people, creating opportunities for them here so that they can serve our customers and clients. And so that has been the principle, that is the end state of every discussion in the beginning of all of them. And so to that end, when we were finally closing, Clay and I had to sit down and call all of our clients. And at the end of every one of those conversations, we said, what's the best thing about Lincoln and what's the worst thing about Lincoln? And there was real consistency in that, and it became a North Star for what we want to solve. One was everywhere we go, you have the best people. And they didn't just mean market leaders, they meant property managers, engineers, construction managers.

Everywhere we go, the Lincoln people are as resourceful, capable, and fun to be around as anybody we work with. Okay, what's the biggest problem? We don't know you everywhere. It's really fragmented and fractured. So we know you in Atlanta, we never met you in LA. Your accounting departments are all great, but we get six different development activity reports from you. It's six different projects across the country that we're building with you.

And we said, we don't have to be creative here. We just have to do what the customers need. And so from that perspective, everything around, our strategy, everything we've been doing has been to better serve the clients and the customers. And so make their lives easier, recruit and retain great talent so that they can serve the customer. And so to that end, there were really three principles. One was OneLincoln, which is all about the evolution of completely decentralized to somewhat centralized strategy plumbing. And this is one of those places where Clay, Greg, and I with 40 years, 27 and 26 years of experience at Lincoln, we had a blind spot. And the way I thought about it is as my island of knowledge grows, so does my shore of ignorance.

And every meeting we would go to, unfortunately, the ignorance multiplies by 10 for everything you learn. We figured out, we got to go add some people. And so, we've added people to the organization here at headquarters that can help take a company that was great at winning once, make a big promo, big development fee, and help us win repeatedly. And you have to have some eyedroppers of standard operating procedures. So bringing in a new highly qualified CFO, bringing in a head of strategy, bringing in a head of national property management, bringing in a national head of brokerage. Some of these roles that Lincoln never had, they had no need to have a national head, it was all handled in the markets. But what we have to be so careful of is that market is the special sauce. They have so much information, they have agency and autonomy and equitable participation, but that information lived in a silo.

And so, what we've been trying to do, and some of it is low tech, let's have leadership calls. Let's get together four times a year, something the previous company never did. Let's have capital markets calls, let's have tenant migration calls, let's have centers of excellence calls. Some of that just happened day one. We just centralized some of the processes and started communicating more across lines, and the culture wanted it. Everyone that was this next generation leader, they loved the information, but what was important in refining that is the 1% that's important to everybody. Don't get on the call and talk about your entitlement project in the Inland Empire. Let's talk about capital migration patterns or tenant migrations or who you're working with. So, those were some of the things we did instantaneously. At the same time, the company's investing tens of millions of dollars in the plumbing. So new ERP systems, new IT, new AI, new data collection, all of these things are going to be a 10-year work in progress. We've made a ton of progress. We have a long way to go on that.

Matt Slepin:

So forever for everybody any-

David Binswanger:

Forever.

Matt Slepin:

And was the generation of new leaders that you just use those words, the new generation would want that to happen, but there's some old generation but they owned their piece of it, leave me alone. Some people might say that if they're been sitting there and own a market for years and years and years, some of that generational transition's not easy.

Clay Duvall:

No, it's not. But what did occur during the transition was you had a number of partners, about eight, because Lincoln had done well enough, they were able to retire or move on and work on other-

Matt Slepin:

So the capital event helped some of those who were ready to retire move along-

Clay Duvall:

Yeah. Yeah, for sure. Absolutely.

Matt Slepin:

Taken on [inaudible 00:57:27].

Clay Duvall:

And then what happened was similar to what we talked about in the late '80s and '90s where you had this transition of these partners that had been there a long time and you had these guys in their late 20s and early 30s stepping up. Very similar thing happened during this, which was people waiting in the wings, ready to take it over, ready to run hard, actually starving for that sharing of information and really embrace the fact that we were taking silos down that existed for the... And by the way, I had worked amazingly well for Bill and Mack, but to be the company that we want to be, had to really remove all those silos that existed or walls that existed around the country, and these folks and individuals were starving for that information.

Matt Slepin:

Heinz is going through a similar transition at the moment, and it's tough in these organizations to do that. It may be tough depending upon the generational shift of belief here and those silos. So if you have a 50-year-old running a silo, you just took my silo away, man. That might not feel so good. But if you have a 40-year-old, they're excited for that model. I'm being ageist in now saying that.

David Binswanger:

Yeah, generally I know what you're saying, and I think you're directionally accurate. There's a couple of things that happened at the close additionally to that, which is the infrastructure of Lincoln. The actual stock in Lincoln at close was owned by four people. The stock now is owned by 40 on the management side. So we were able to invite market leaders, other key needle movers into the company to make an investment alongside with Stone Point, and through that aid the economic alignment around OneLincoln. And so that was a big deal. But you're totally right, which is why it's so critical that you have people that believe in partnership. And there are guys out there like Brandon Ernst who runs a huge market for us or David Krumwiede in Phoenix who runs a huge market, they've made the money they need to make, they may be in the last runway of their careers and have been open with us about that.

They want to do this for the next generation too. This has been an amazing place for them. And so they want to mentor, they want to give back. They want to be parts of these centers of excellence helping train up the next generation. And there's obvious economic alignment around making sure the enterprise value over time grows.

Matt Slepin:

The core people who have to set that is you guys, right? It's the way you're going to behave around that, will set that tone. And if there's anything we've said through this conversation, that's what Mack's said in the DNA of the company so that you can behave that way now, and figure out what it needs to look like in its new light.

David Binswanger:

That's right. And to that point, one of the questions that almost everybody asks Clay and I at some point in time is how's a co-CEO thing work? And I guess I don't know this, we're both first-time CEOs. Maybe it doesn't work other places, and so therefore, people are skeptical when they ask us. Clay is my second most important partner, and I'm his second most. We both outkicked our coverage with our lives.

And in a lot of ways, I would say, we learned from those relationships. The number one thing is respect. And we assume positive intent in each other's relationships, meaning we've known each other a long time. It's hard to throw one past the other guy. He knows what you're good at, he knows what you're not good at. And from our perspective, we don't want to define ourselves too rigidly. What we want to do is share a collective vision, assume positive intent and respect with each other. Don't ever keep score, and go to the place that helps the company the most. And we do try to carry on Mack's legacy and Bill's legacy in that regard, and hopefully, we model that for guys who are coming up that will continue that when we're long gone.

Matt Slepin:

It's interesting, you said second most important relationship. And I said, one interesting thing about you guys is that you've each had long-term marriages, and the long-term marriage is training ground for being partners. And it's a little bit hard to have a long-term marriage successful. My wife's going to hear this, she's going to yell at me for that, but it's really true. And the learning ground for that and the learning ground for not that is a very different thing than you're describing here.

David Binswanger:

That shared collective vision of where Clay and Charles and [inaudible 01:01:55] and I want to take our lives is the same thing we do here from a business perspective and maybe beyond business, because many of the people here have become close, and are teammates or family. And so, I think it's a great analogy. I do see why it's a good proving ground. You don't ever want to try and be right, you want to do the right thing. And that's something that if there's a disagreement, which there rarely is, he and I will go behind closed doors. We'll have a conversation about it, assuming positive intent, assuming curiosity. Why do you think that way? And candidly, if there ultimately is a disagreement at the end of that, the guy who's more passionate wins and now you own it.

Matt Slepin:

And one other question about the co-CEOs. You talked about how you deal with disagreements, but I'm really curious, the co-CEO allows you to split responsibilities. My view of that is there's nothing you don't both know about. I'm putting words in your mouth. There's nothing you don't both know about. However, each of you go run after things separately so you can be two people, not one person, and double your effectiveness when that works.

David Binswanger:

The explanation that I use in Clay will be more specific, but we have a very wide funnel at Lincoln, but a very tight filter in the leadership team. Meaning they know when to call Clay for something, they know his strengths. They've known him since he was 19. They've known me since I was 20. They know when to call me in the field. The same thing if you need Ali or Dan or Mike or Greg for something. And so, it's not a traditional org chart. It won't ever be while we're here because the market leaders, they run their own businesses. And they know, "Hey, I need Clay to some help on capital market something. I need David's help on recruiting somebody." And so they know when to call us. Now in terms of comms, we've got a bat phone between each other, there's short form text happening 10 times a day.

Clay Duvall:

For real. Yeah. No, all that is so true. I think that's an enormous benefit that we have, that we have been working together for 27 years.

Matt Slepin:

So long.

Clay Duvall:

And includes Greg Courtwright into that because Courtwright's in the middle of it constantly. And just knowing the other person and knowing their strengths so well, allows you to remove a lot of insecurities around the fact that, "Oh gosh, I wasn't in the room for that." Well, it's way better that David was in the room than me because that led to his strength and not my strength. So, the fact that we know each other so well, it's been an enormous benefit.

David Binswanger:

Maybe the last point I'd make on this is, this is a hard job. It's significantly harder than I expected. I thought I'd done a lot of hard things. This is a hell of a climb. I don't know how anyone would do this by themselves. And so, we are having an experience unique to us, but I've got a partner in that and it's great.

Clay Duvall:

I was going to comment on family, because to think it's like the core of who we are. David and I as individuals at the core of... We were raised both raised by amazing mothers and fathers, and have incredible families. And I think so much of what Bill and Mack did was carry that too into the workplace. And here's what I mean by that, which is like we work our butts off, we travel across the United States and the world, but when we're home, we go have dinner with our families. And guess what, that's an hour or 30 minutes, but it is, you put the phones off to the side and it's as meaningful as it gets. And so when we hired Dan Roth to be our CFO, Dan moved from Germany, believe it or not, and he has a wife and young son here.

I mean, Dan works as hard as any of us, but he was staying here until 11:00 12:00 at night. And David and I both went in his office and said, "You can still do that, but go home and have dinner with your family because you'll never ever get that back." I mean, you're not going to get that experience back and you're going to regret if you don't have that experience. And so, we try to lead from the front in and around that, and I hope that all of our people see how important family is to us, and it's a reflection of how they want to lead in their lives as well.

Matt Slepin:

Yeah, good for you. It's really important. I know in my life, I'm obsessed with work, it's 24/7. We didn't miss dinner when we weren't traveling, either my wife or me, we had dinner with our daughter.

Clay Duvall:

Exactly.

David Binswanger:

You don't want to cure people of all their neurosis, right? And so Clay and I are addicted, there's no doubt about it-

Matt Slepin:

We all are.

David Binswanger:

... to our work. And the C-suite team that's here today, a lot of newly constituted folks with us are text and emails to each other. They stop at about 11:30, and Ali's always first on the peloton, she's usually texting us by 04:35. And so, it really can be all consuming and you have to, as Clay said, take these moments. My kids are 10 and eight. I will regret having success over the next four years at this company and not having been a part of their lives, and Clay's a good reminder and a North Star for me to not let that happen.

Matt Slepin:

Yeah, good for you. My trick with my daughter was to read stories every night as long as I was traveling, and she would be in my arm and under my arm, like her head on my armpit or whatever it is, and we read the Lord of the Rings, we read Harry Potter all through until she was about 16. She was reading the books herself, but we still lay in bed and read it-

David Binswanger:

That's beautiful. That's exactly right.

Matt Slepin:

... every night. It was just the most wonderful thing.

Clay Duvall:

I coached my kids for 14 years, and I'm okay not coaching that anymore. Obviously, it'd be really challenging, but... I mean, I would never give that back. I mean, it was amazing to not only get to spend time with them, but then also see them make decisions or deal with challenging situations. Because I think sports offers a lot of that to you.

Matt Slepin:

David, so when I met you, you were growing the services business on the West Coast the way you described it. I used a word, I'm going to embarrass you a little bit on this, but I have a term for some people and I believe some people can walk through a wall, and you're one of those people I experienced. I went back to the office after first meeting you and said, "Well, this man has so much energy and intelligence. And if he told me he'd walk through a wall, I believe he would."

I had the same when I met John Herr and recruited him to you all, because he said something that usually would offend me. He said, "I'm going to make them a shit ton of money." And that was his goal. And it was one of the first times I believed that line from someone. I said, "I bet you are. Let's make this happen." But you had that, and the thing that that is, is different than the thing that a CEO is. Walking through walls is not what a CEO does. It's what a producer can do. So moving from production to CEO or co-CEO, was that a mind shift for you to this other place?

David Binswanger:

It was incredibly difficult. That's an astute point. Having Greg and Clay on my right and left hand to advise me and call me out was extraordinarily helpful. This has been the biggest growth opportunity in my entire career that's come with a lot of growth opportunities. And I want to be great for the people of Lincoln, and so I'm willing to do anything. And you mentioned you're going to embarrass me. I've gotten a core competency of being embarrassed publicly, which is not something I used to do. Because we're trying lots of new things.

And if you try new things, you're going to make mistakes. And so, there was this philosophy Outwest that if you remember the time I was out there, it was the biggest companies in the world where growing in

Silicon Valley and merging with tech and entertainment in Southern California, and there was this sort of statements that would come out of that Silicon Valley of move, fast break things. There's a Marine war fighting tactic called surfaces and gaps, move forward until you hit a surface, move laterally until you hit a gap. Those were things when you're a small team growing from 0 to 550 people across the west, those are things that's more like operating a small platoon. You know where everybody is, you can see them.

Matt Slepin:

It's a battle.

David Binswanger:

There is a whole new thing now that I'm having to learn that's making decisions that are further out in time and space. If there's one area where anyone ever sees me frustrated is, there's not enough action, we're not going fast enough. Because everything I used to do was sort of a speed boat. Now, we're in our motto of speed boats. And it takes longer, these evolutions take a lot longer. We mentioned Greg a lot, but I think to influence both Clay and I on our default to action, he put a huge Tolstoy picture in his office that said, "Patience [inaudible 01:10:50] and time." And both are true sort of active patience. But your question's astute, it has been an incredible learning opportunity, and I'm trying to every day to get better and better at what this job needs as opposed to what the old job needed.

Matt Slepin:

Cool. [inaudible 01:11:06].

Clay Duvall:

I don't want you to be confused though. He is a force of nature.

Matt Slepin:

That was the word.

Clay Duvall:

He still runs through walls. Yeah.

Matt Slepin:

Walk through a wall, force of nature, it's the same thing. But taming that and making that work is, again, really interesting. Maybe two other subjects before we wrap up. One is talk a little bit about the present market, and it's a time of uncertainty. So, how do you navigate through uncertainty particularly to make investments? The management part's probably easy, but the investment side is there's a lot of fog out there.

David Binswanger:

None of it's easy, but appreciate that. I'll maybe start and Clay can jump in. This conversation made me think of something which is, and it's sort of been woven into the conversation the last 27-8 years that Clay and I have been in this business. We got the RTC beat into our heads from Bill and Mack. We had a little bit of a run in on the West Coast had the dot-com implosion. We had a little bit of a run and we had the GFC, we had a little bit of a run and we had COVID. We had a little bit of a run and we had interest rates. We had really no run and we had tariffs and global unrest. And if you said what's certainty like, I would be really confused. Your question was about uncertainty. We've only ever known that.

And more and more, maybe it's getting older, maybe it's slowing down, maybe it's just being in this business for a long time. I think the leaders that are more comfortable with uncertainty always perform better. And what that means from an investment perspective for us is, there are seven cycles as Clay mentioned of knowledge, wisdom passed along, living in the walls of this organization. It's helping us A, take perspective that this too will pass, but it's also helping us make less mistakes. And so, what we do on the investment side is we look through the cycle. We've always done that at Lincoln.

And what that means is, okay, what won't change? Well, things that don't change. People want great safe places to live. People want great communities. People want to socialize together. And believe it or not, people want to work together in the same place. And so, we take those as guiding principles of where are we going to invest? And then we look at what does change, what changes is demographics and constraints. And so 17 years, I was the lucky beneficiary of all of the demographics growing out west from Seattle to San Diego, and money wanting to follow those demographics. Then there were too many constraints put on the state of California, and now all of the money's moving to Texas. So, knowing those as Clay mentioned below the zip code, understanding demographic shifts and the constraints on the other side, that is where our market leaders are absolute experts at distilling the information they have from their solutions business and picking the right investments.

Matt Slepin:

Fair deal.

Clay Duvall:

Yeah. As I've said earlier, that relentless perseverance, it plays into that uncertainty. All of our market leaders are extremely adaptable. Like I said earlier, 360 in real estate folks. Wherever there's uncertainty, there's opportunity, right? And there's a lot of opportunity out there in this distressed world within the real estate economy to go out and explore and find, and hopefully, bring to our clients and partners.

Matt Slepin:

Everyone argued that the vintage of '24, '25, '26 would... It was '24, '25 would be the best vintages. It might be '25 and '26 and '27 are the best vintages because it's still slow.

Clay Duvall:

It feels a little extended.

Matt Slepin:

Yeah, I think it is. And in office, you're building some office. Can I talk about that?

Clay Duvall:

Sure.

David Binswanger:

Maybe talk about this for a bit.

Clay Duvall:

Yeah, you're sitting in one of them. We built our new headquarters here in Preston Center in Dallas. It's not a huge building, it's 230,000 square feet. But what we found is if you need to be below the zip code in the right submarket, and if you do, you're going to outperform your pro forma. And so this building is a great example. Not only are we in it, but we have some amazing friends and clients and partners that are in it like Sewell, which is the oldest auto dealer in the state of Texas, the Taliesin family, and others.

We actually had one floor here that a tenant wanted to buy out, and they paid us a sizable sum to buy out of their lease. And then we released that space within three months at $8 above what that previous tenant originally signed it. So if you're in the right building, in the right submarket, you're going to perform because it's all about recruitment and retainment. And the young people we've seen want to be in the office. I know that doesn't exist everywhere, but what we've seen in many of these markets and many of these submarkets, especially like the Preston Centers or Uptown Dallas's of the world, people want to be in the office and they want to be in the best.

Matt Slepin:

Well, tenants want to be in the best buildings that feel good for their folks. They don't care that our industry has a problem of a bunch of obsolete office buildings that are underwater that we own. That's our problem, their opportunity and still our opportunity if we can control the negatives is the go-forward stuff.

Clay Duvall:

And some of those we've actually been able to take advantage of, which is I was in Phoenix yesterday and we bought one deal up at I-17 and 101 two office buildings. We're going to tear down the office buildings, we're going to build logistics there. We've done the same thing in Orange County, and we're actually doing another one in Orange County where we're going to ultimately build 400 apartment units on. So old office that was surface park that was not ever going to work from an economic standpoint, got to a pricing level where the land price worked to be able to go put logistics or multifamily on it.

Matt Slepin:

Go get them. Are there any topics we have missed in what you want in your 60th anniversary celebration and succession discussion here in public that we haven't talked about that are important?

David Binswanger:

One thing we haven't touched on, and this came directly from Crow to Mack, is kindness. You can find this online, but Crow later in his life was given a speech and said, "What I really meant was love, but it made people uncomfortable." We thought of it and think of it as kindness. And kindness is not weakness, it's giving feedback, it's being fair with each other. But that's another thing that we hadn't touched on inside the company, that in every conversation you're seeking clarity, you're seeking kindness, and you're doing what's best for the person you're sitting with, and best for the organization.

Matt Slepin:

It's interesting to equate the word kindness with honesty with people because honesty is often coaching and not all positivity. Kindness does not have to be positivity.

David Binswanger:

It's just clarity.

Matt Slepin:

Yeah, clarity is kind.

Clay Duvall:

Yeah. No, it's cliche, but we recognize from day one, first of all, an amazing honor and privilege to be able to lead the organization. This is the cliche, we stand on the shoulder of giants, and we absolutely are not confused by that at all. And we have a real responsibility for the 3,700 people that work at Lincoln Property Company to make it the best place and best organization that it can be to provide amazing services to our clients across the country.

Matt Slepin:

Wow. Cool. Okay, last question on Leading Voices is always your advice to a young person getting into the real estate business. Clay?

Clay Duvall:

Integrity matters. Be the first in and the last to leave, and find something you love. Because it needs to not be a job, it needs to be just a way of life and go about waking up every morning, fired up to attack the day. You got to find that, and that'll change your whole trajectory on life.

Matt Slepin:

And how within the real estate business do you wend your way to find the thing that you love? Any comments on that? It's easy to say, find something you love. Is it a function? Is it a company? Is it a culture? Is it a real estate?

Clay Duvall:

That's so individually specific, but for us it was coming in and knowing we like numbers, getting in as analysts, and getting just thousands of reps so that we all of a sudden... I mean, at first I didn't even realize that I wanted to really be in real estate. I did it because my dad was doing it. And then, I had an experience where I was actually in San Francisco doing an internship between my first and second year of business school in an investment bank. And I was like, I know that I didn't want to do that because I like to live hard, work hard, play hard, all those monikers. And so, it's just a matter of working your way through it and finding the different things within the business that you enjoy, whether it's real estate or some other, but I don't think there's a silver bullet around.

David Binswanger:

I've got a thought on that. You and I talked a while ago about event horizons in the business. I don't know if you remember the conversation, Matt, but when we met in Dallas, and one of the things we talked about was specialization in real estate. And I've got a couple event horizon concerns out there long-term, but one of them is that everyone is pigeonholed into specialization that gets out of college today. And that is not how Trammell Crow, that is not how Lincoln Property Company trains people. They train them to be generalists. And over time being too specialized creates a silo that creates tremendous blind spots, and that means things from the history will repeat themselves. And so, to Clay's point on finding the thing that you love in real estate, be a generalist, get cross-trained, do as many things as you can, whether it's your formal responsibility or not, get up early and get your job done early so you can go wander into somebody else office and offer help.

So, I think if you're getting out of school today, really a hundred percent focus on who you're working with and what you're doing. Make sure they're giving you the proper training to gain technical skills. And candidly, if you're sitting here listening to this and it's become so competitive getting out of college and getting a job. I don't think Clay or I would get into the universities we went to if we had to apply today. The talent pool is so deep. And so, if you're listening to this and you're not one of those top five people in your class who also has relationships, don't worry about it. To me, school tests your weaknesses. And when you find the thing you love, when you find the thing you want and do, life rewards your strengths. And so, find the system that's going to play to your strengths, reward your strengths. And at the end of the day, attitude and effort is controllable and it's everything. And so, bring that attitude and effort every day, be a great teammate. And if you're one of those type of people, find Clay and I, we want you here.

Matt Slepin:

Fair deal. It's interesting as a recruiter, my advice to people is to be a specialist, not a generalist, but I'm going to modify my normal advice to fit yours a little bit, which is in the first part of your career, have a very broad base of understanding. And then your specialization sits on top of a broad base of understanding because those who only understand their specialization moment and not the broader industry and all the functions within it and the context of it, they're not on a broad enough base. So I think that's a weak place to be if you're just totally silo.

David Binswanger:

I'm glad you said that. I want to not confuse what I said, anybody to be confused about something which is there's no shortcut. Don't think I'm a generalist and therefore, I can do anything immediately. There is an absolute need to acquire a technical tool bag. And depending on what you want to do in real estate, that takes and who you are and how many hours you spend at it, that takes around seven or eight years. We're not building rockets here, and you'll learn enough of specialist behavior in that first decade of work that you then can zoom out or zoom in based on what your core competencies are.

Matt Slepin:

Another thing you said through the conversation, sorry to stick so much more on this, and you haven't talked about this in this advice part, is the human element and the human quality and the ability to have relationships. And it's been throughout the whole conversation in terms of your culture because the people skills is assumed in everything that you've said.

David Binswanger:

Agreed. And I generally call that the umbrella of trust. And it's probably the most important thing when we talk about partnership and kindness and respect, it's this trust. A good friend of mine who passed away, Dean Rostovsky, used to say the efficiency of trust. And I thought it was the greatest term. And so how do you establish trust, reliability, consistent of behavior over time? And that as a young person or that in the middle of your career, or that at the end of your career or outside of work, that trust, that consistency of behavior, that reliability is the most important thing.

Clay Duvall:

Totally. No doubt, no doubt. Matt, I can't thank you enough for taking time. What you're doing in the community is fantastic, and we appreciate the partnership over the years, so thank you.

Matt Slepin:

Really appreciate it too. Thank you both.

David Binswanger:

Thank you. It's been fun.

Matt Slepin:

I hope that you enjoyed today's episode. Please remember, if you're enjoying Leading Voices, to share an episode with a friend or get them to subscribe. If they're podcast wary and not sure how to find and subscribe on their phone, go ahead and take their phone in your hand and subscribe for them, and add another few of your favorite podcasts to their list to get them started. They'll thank you for it. You can also find episodes of the show on our website, which you could find at zrgpartners.com/leadingvoices. And if you have comments or discussion about this episode, or Leading Voices in general, if you're seeking help in real estate human capital solutions, recruiting or consulting especially, please contact me at mslepin@zrgpartners.com. Thanks for being a listener to Leading Voices.