Brett White:

In today's world as a public company, you better have a very compelling strategy on diversity, equity, and inclusion. You better have a stated goal to be carbon neutral or something like that in the next 20 years. You better have very serious protocols around risk, and behavior, and what your culture is. All those things you must do.

Matt Slepin:

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today, we are re-releasing one of my favorite conversations, which was a long discussion from back in May of 2023 with Brett White, then and still now the Chairman of Cushman & Wakefield and previously the CEO of CBRE where he was, arguably, the architect of the move from CBRE as broker to global services platform. It was just announced that Brett is retiring from the Board of Cushman and passing the Chairman baton to Steve Plavin from Blackstone alongside Michelle MacKay, the company's CEO.

I wanted to revisit this episode since Brett does an awesome job of telling the story of moving both CBRE and Cushman, as I said a moment ago, from the old brokerage model to the global services real estate services model that we all know today. Younger people in our business only know a real estate world in which we have these global services companies - primarily CBRE, Cushman, JLL alongside lots of more niche services and brokerage firms. Understanding the creation story around the meaning and business model of these platforms really tells another side of the story of the institutionalization and scaling of the real estate business, especially as it pertains to our industry's relationship with what I used to call tenants, but the business calls occupiers especially the global corporate users. This is the ecosystem in which our business operates, so having a better understanding of the back story helps us all better understand where we've come from as an industry and therefore maybe greater opportunity for insights into where we are going as an industry as well.

I hope that you enjoy the show, as always if you are 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 can 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 the conversation with Brett White….

Brett White, welcome to Leading Voices in Real Estate, and thanks so much for being on the show. I am thrilled to have you as a guest largely to talk about the meaning and the role as it has evolved over the years of what I think of as the super giant real estate services firms, and you've been in the middle of two of the three big ones, like right smack in the middle. It's the first of two conversations this month. Next episode is going to be with Justin Wheeler from BErkadia,, who's kind of competitor, not in the super giants, but more in the boutique world of real estate services firms. So we get to do a deep dive from both perspectives into the business, and I'm just thrilled to have you on the show to talk about that.

Brett White:

Thank you so much, Matt. It's great to be here. Looking forward to a great give and take conversation this morning.

Matt Slepin:

Cool. So if you could just briefly introduce yourself, and you've already said your voice for our audience, but just talk just for a few moments of the headlines of what you're doing today, where you are, and then we're going to go into all kinds of history from all perspectives.

Brett White:

Sure. Well, I'll keep 40 years of resumes short, if I can. I grew up in Southern California, attended the University of California at Santa Barbara. In my senior year at UCSB, the career of choice for kids like me was commercial real estate as a broker. All I knew was that the young men and women that went into the business seemed to drive nice cars and have a good lifestyle, and so I went through 13 separate interviews at what was then Coldwell Banker commercial in LA and was fortunate to be chosen to go into their pre-sales training program in 1984, and then spent close to 30 years at what was CB Commercial and then CBRE, and every role from a broker trainee to a sales manager, to a regional manager, president of the brokerage company, president of the company, and then ultimately CEO.

During that period of time, we made over 115 acquisitions, took the company public and private, had a wonderful career at a terrific company, CBRA. When I went to the company, we were doing about a $100,000,000 EBITDA when I left, we were doing a bit over 700, and then retired to go into private investing with private equity firms and did a number of those for a few years, and then backed into a purchase with TPG of a small property services firm called DTZ. It was a business we had competed with at CBRE for years. It was bought by a Australian engineering company called UGL. They decided to dispose it, and I partnered up with TPG, and we bought that. That then led us back into the property services world, ironically, ultimately with the purchase of Cushman & Wakefield, which I then had the great pleasure of leading from 2015 until last year where I'm now executive chairman, no longer CEO.

Matt Slepin:

Wow. And you're also with the group, Discovery Land Company.

Brett White:

Right.

Matt Slepin:

And what is that briefly, and then we'll go into the services business.

Brett White:

Right. Discovery Land Company is a private firm that has been engaged in the development of golf oriented, high-end residential communities around the world. The partners in that business are friends of mine, and when I became executive chairman at Cushman & Wakefield, asked me to step in as CEO of this terrific company, and so I'm having a great time learning about high-end residential and golf community development in locations around the world like Scotland, and Portugal, and Costa Rica, and a whole bunch in the US, and just having a wonderful time here.

Matt Slepin:

That's a wonderful thing to do.

Brett White:

Well, let me put it this way, at 62 years old, I feel like I am learning at that same level I was when I was 22. There's so much that I don't know that I'm learning about, and it's very invigorating to step into a vertical that is quite different than what I did in the past. We certainly had people like Discovery as clients, but neither CBRE nor Cushman were even remotely in this type of business, so it's been really a wonderful learning experience for me.

Matt Slepin:

Yeah. And I want to back up to something you talked about, which was at college, at UCSB, the people who were driving nice cars went into real estate, and I never hear that. That's point number one. Then point number two is you actually started as a runner, if that was the word back then, at the bottom, and then moved up to be CEO of the company. I haven't hardly heard that story. It's usually, "I founded the company, and then I got to be that," not starting at the ground floor in such a kind of crazy hyper competitive kind of business.

Brett White:

Well, when I was in college, I was a biology major, and I thought I was going to be a doctor, and two years into college, I realized I was not wired for another 12 years of school, and went around, and looked at the little community I lived in southern California, looked at people in the community who were very successful, had nice homes, seemed to have a good lifestyle, and there was a common denominator, which was they were either in finance or they were in real estate, and real estate to me seemed like a journey worth looking into. I interned at a developer my junior year in college, and then as I looked at the real estate industry, the developers I spoke to about potentially hiring me all said the same thing, "Before you work here, you need to go to Coldwell Banker Commercial, or Grubb and Alvarez, or Cushman & Wakefield and learn the business."

And what I noticed about those firms was that you could go into those firms at a very young age, and if you worked hard, and you got lucky, you could do well, and that was my comment about the nice cars and good lifestyle. So when I joined CBRE, then Coldwell Banker commercial, at that time, we had been owned by Sears, and we had just taken the company private from Sears. The entry level position was first in what they called the pre-sales program, where you went into different... You had a rotation of four different three month stints at different parts of the company working for a team in those businesses. It could be in mortgage finance, it could be in leasing, it could be in property management, could be wherever, and I did that.

And in those roles, you were literally binding offering books, copying things on the copier, washing people's cars. I moved furniture in one of my boss's homes on the weekend. You did whatever the heck they told you to do, and that was the entry level, and then from that rotation, ideally someone in those four stints would raise their hand and say, "I'll take that kid. He works or she works really hard." I was taken by an industrial team in San Diego, Doug Matheson and Vicki Winters, and became a runner.

And a runner was two years of really hard work working with them doing grunt work, but learning the business, and ideally the way it worked, and it worked for me, is after those two years of training somewhere, you had a year of pre-sales, then two years of runnership. After three years now, you went into the business, and hopefully with a soft landing because some of the projects you were working on with your bosses on the team in your runnership, they let you stay on as a first year broker, which was my case. And that's what started me into the brokerages business.

Matt Slepin:

Right. And it's interesting. Few brokers go... When you get to be really, really, really good as a broker, that might be what you become ultimately just better, and better, and bigger, and bigger. It's few who go into leadership and management. Was there a turning point along the way where you said, "Hey, I want to be a leader versus salesperson, or a leader of salespeople," or how did that transition happen for you?

Brett White:

Well, first of all, I was not very, very good at brokerage. I was good, but I was definitely not in the upper quartile of brokers in the business. And what I recognized pretty early about brokerage is that it is an extremely difficult business. It is just psychologically this idea that no matter how good you do in a year, you wake up January 1st, and your guaranteed income is zero, and you start over again. And it's all about having that type of personality, so resilient, so strong, so confident that year after year after year, you get yourself up, and you go, and you take down that wall. And I looked around the business, and to me what it felt like was that was daunting, and I felt like somebody who that I thought I could do that, and I was doing fine at it, but I thought I could do something different, which is how do I get into a position where I could build a career path in the company that was somewhat predictable?

And so five years into my brokerage career, I was approached by one of our senior managers who said, "We at CB are going to start a program to find the next generation of leaders, and we're going into the business, and we're picking very young, successful young men and women who we want to mentor and curate so that someday we've got a class of leaders that we can promote." Myself, Chris Ludeman, who runs capital markets at CV, was one of those people alongside with me, and many others who today... Greg Pittman, who went from here to a great career in development. We all were brought up together as entry level managers, and some of us liked it, and some didn't.

I liked it, and I'll never forget my first day as a sales manager in San Diego. This is a very successful office, very senior brokers. I get in, I don't know, 6:30 in the morning, because that's what I did. I'm sitting at my little office terrified that this 28 year old kid has nothing of value to offer anybody, and our most successful office broker, Kraig Kristofferson, walks into my office about 7:00 in the morning, and he sits down. He said, "I need advice on how to sell this $30 million coal center project to Torrey Pines," and it clicked in my head that everybody wants to be led, everybody wants help, and if I could provide, if I could offer up those things that I felt I was good at, even people like Kraig Kristofferson might see me as value add. And from that moment on, I was like a duck to water.I enjoyed leadership. Yeah.

Matt Slepin:

Let me challenge that for a minute, because you're 28 years old, you don't know how to help him sell this, but you know how to listen pretty well, and he knows how to sell it, but he needed to talk to someone, and most people you can't talk to, and all of a sudden you have a leader you could talk to, and they confer that wisdom to you as you talk it through with them, and then you start gaining it over time. I think that's how it works.

Brett White:

It is how it works, and you're exactly right, Matt, that when you're in a position like that where you're very young, and you've learned some things, but you certainly haven't learned enough to lead someone like Kraig Kristofferson. Kraig, he would tell you what you need to know and just parrot it back to him. Right? The question I would always ask [inaudible 00:15:45], "Kraig, what does your gut tell you? What do you think you should do?" And what he wants is reassurance that his gut is right. Right? And then there are some basic things you learn in sales and some basic things you learn in marketing that as basic as they are, reminding people to stick with the process is really helpful, and those are the kind of things that I started with.

Matt Slepin:

Yeah, You mentioned those brokers who are really successful, and through my career, because I'm kind of one of those brokers of modest success, whatever the right word is, but ad hunting, recruiting does that, and I've watched people in different markets, in different offices, in different verticals within companies like yours who are what I call Vortexes, and they actually don't wake up January 1st having... They start with zero on the balance sheet, but they start at about 1,000 in terms of rhythm, and relationships, and deal flow, and their percentage of the deal flow. And I'm just curious, as you've seen those people who are that successful in the business, who own a piece of the business in a given market, in a different sector, is there a consistent theme to those folks? They all look different. They all feel different, but there's some things that they all have. Any comments?

Brett White:

There are absolutely consistent themes. And I would say, Matt, one of the things that we did at CBRE and we did also at Cushman was really study that issue, which was could we develop a profile of what a successful broker looked like, and then could we hire to that profile? In a lot of different ways, that's done aptitude testing, then gathering that data and building a profile of a successful broker, just observing what are these common trends and traits, but there are a few traits that I think are absolutely common across the top, top brokers in the industry, and I would gather them this way. First of all, you have to be somebody who people want to spend time with, and ultimately in any pitch, whether it's for a billion dollar portfolio sale or a 10,000 square foot sublease, that client is, whether they are consciously or subconsciously, they're choosing somebody they feel good about working with.

So having personality, being a good listener, being somebody that people want to get in a car and drive and look at property with or be in a meeting and negotiate with, that's very important. Second is every highly successful broker I've ever worked with has an incredible work ethic, so this does not come easy, and these individuals have a process and a work ethic that is relentless. I think almost to the point of being dysfunctional. So the most successful brokers I know, all they do is work, and their entire life orients around their role in the commercial real estate industry, and how to continue to promote that role and their position in the industry, and they do it in many, many different ways, but their work ethic is relentless.

And I'd say the third thing that I would say is common across all of them, every single one of them is known for something that differentiates them in the marketplace, whether it's their very close relationship with the owners of property in a market, whether it's their particular way in which they manage a negotiation, whether it's whatever it may be, whether it's their understanding of capital stacks, and how to use that in helping a client, all of them are known for something very specific. And I think about some of the best, about Mary Ann Todd.

Matt Slepin:

She's been on the podcast, by the way.

Brett White:

Who is one of the most brilliant, amazing people I've ever met in my career, ever. So humbled to have spent time with her. Steve Siegle, Bruce Mosler, John [inaudible 00:19:55]. I can go through this list of people. Every one of them is unique but known for something very special. All of those people, you and I would love to go have a glass of wine with. All of those people work their tails off seven days a week.

Matt Slepin:

One thing I'd add to that, of those that I've spoken to, they're also, well, I want to say extraordinary, and I want to say smart. They're not all book smart necessarily, but most of them are way smart. Mary Ann Todd, when she was on the podcast, and we talked it through, her level of accomplishment outside of real estate given her basic intelligence and drive was huge. And then she came to real estate, transformed the business in some ways, but they're all really, really smart.

Brett White:

Yeah, they are, because again, this is a tough, tough business, and to get to the highest level in this industry, you're working on very complex transactions. You have to be smart, and you're right. There are schools of real estate. USC has one. MIT has one. Florida has a great one, but we really don't mint a class of great real estate professionals every year that we can hire. These people tend to come from all walks of life. In San Diego at CB, the hiring profile was ex-Navy pilots, and Kraig Kristofferson was an ex Navy pilot. Doug Matheson was an ex-Navy pilot. They had a discipline. They had a way of thinking about the business. Vicki Winters, who I trained under, came from property management in St. Louis. Mary Ann Todd came from the arts, from the arts. Steve Siegle was a developer. They're all different, but they're all whip smart and just have this way about them that it makes them fascinating to you and me, and we want to spend time with them and learn from them.

Matt Slepin:

Yeah, and you paired the word intelligence with complexity, because that's also an interesting element to this. We think it's a relatively simple business, and some people say that, but the things that you're juggling to make that transaction, to add that level of extra value to the transaction, that is clear to the clients, so they keep coming back, it's complexity, intelligence, in every other thing that you said, so thank you. That's a great explanation for that.

Brett White:

Well, and Matt, that point you just made is a critical point, because you just explained why billions, and billions, and billions of dollars have evaporated from DC firms trying to disintermediate brokerage, and the reason technology cannot disintermediate brokerage and never will, is because of that issue. That complexity requires a human being of enormous skill to manage and complete these very intricate tough transactions.

Matt Slepin:

Maybe not with ChatGPT. That will all change, but I don't think so.

Brett White:

It might.

Matt Slepin:

Last comment, and then we're going to change subjects is when I started in my search career, which was 30 some odd years ago, one of the truisms was get someone who started as a runner at CB, in particular, Cushman or whatever, and that's changed. Back when you were coming up, I think there was a lot of that, and people do three, four years of it and then move out. But since then, the real estate world has institutionalized, so they got their start at Blackstone, maybe they got their start at Eastdil. I don't want to talk about a competitor yet, but generally it's not starting in brokerage anymore. Any comments to that?

Brett White:

Yeah, I think that if your point is that you see less switching from brokerage into other industries... Is that the point?

Matt Slepin:

Yeah, or I think it's less the training ground for people who get out of brokerage.

Brett White:

What's changed over time is that the profile of success in commercial real estate brokerage has changed, and it has become, as we've been talking about, a very technical, very complex business, and so the training that people get as they come up with the organizations is really intense. It's very technical training, and with that training, I think they become best suited to remain in this industry. That training, it used to be PSS Xerox training, that's what we all got. So we learned how to sell through objections, how to sell features and benefits. That's not really what's trained anymore. It's hard Excel modeling. It's complex financing. It's how to manage a distributed global footprint for an industrial user around the world, and that training makes you very specifically skilled for this vertical, probably less skilled to move over to search or something else.

Matt Slepin:

Yeah, or investment management, whatever.

Brett White:

Yeah.

Matt Slepin:

Okay. So let's pivot, and I want to talk about the evolution and the creation of these giant real estate services firms, and two-thirds of our listeners only know the world where the CB as it is today, or Cushman & Wakefield, or JLL as it is today, has always existed, but when you started, and when you started in leadership, they were much smaller and maybe public or not public, but it was a different business back then. And I want to talk about the evolution from some point in history to today. I don't know where to enter that, but you're in the story of two of these things, so maybe start with what it was at CB when you started to become a leader. You said 115 acquisitions, so what was the story you were trying to tell? What was trying to be built? What was the end game, and then how have we surprised ourself with the end game that we've achieved?

Brett White:

Sure. So way, way back when before I started in the industry and when I first entered the industry, services were purchased by clients very discreetly and against individual transactions. So if you were IBM, what you had was you had a collection of regional real estate managers all over the country, all over the world. There would be one for Los Angeles, there'd be one for San Francisco, there'd be one for Kansas City or that area of the Midwest. And when you went to procure brokerage services, that regional real estate manager made that decision, and so whether you were Cushman Realty based in Los Angeles with maybe one other office, John Cushman's old business, or you were Staubach, or you were whomever, you were competing on a local basis for a local mandate.

The same thing was true in the capital markets. Back then, capital was local. Developers raised capital locally. The [inaudible 00:26:38] developers were raising it from local lenders. The investment business, most of the investment deals were done by life companies and by some offshoots of financial institutions who made all those decisions locally, so it didn't matter if you had a 100 offices or one. If you had a good relationship to that local manager, you got the work.

What began to happen in the early 1980s is that companies began to consolidate those decisions and consolidate their real estate groups into more efficient central organizations, and when that began to happen, the broker who had had the relationship with the IBM real estate manager in LA, if IBM now moved that decision to Denver, so someone covering the West, or worse, to New York, someone covering the US, you lost that business if you could not answer that decision maker's need to be covered in seven states. If you weren't there, you couldn't do it. Same thing on the capital side. So what happened is CBRE, Grubb & Ellis, Cushman Wakefield began to develop a platform that could address consolidated decision making, and that caused all of us to first build wholly owned platforms. So we were doing the work through our own people, and platforms that can walk into that IBM decision maker and say, "I can take care of your real estate need wherever you are located, and this makes me different than the boutique from an LA that you used to hire" and those decisions started going that way.

And I'll never forget at CBRE, the tipping point, we were CB Commercial then, was we did all of Microsoft's work in the US, and Microsoft came to us, and this would've been in the mid 1990s. Microsoft came to us and said, "Hey, you guys aren't in Europe. No big deal. You don't need to worry. You don't need to take us over there. We're fine. There's a firm we're going to use over there, Jones Lang Wootton, but don't worry about it. It's totally different. Two years later, we had lost the entire portfolio of Microsoft to Jones Lang. That caused us at CBRE to say, "We must not only be a national firm in the us, we must be a global firm." And the loss of that deal forced us to begin buying companies non-us and try and create a global platform that could offer all the services that these clients needed. We did it. Jones Lang did it. Cushman & Wakefield did it, which became the big three.

Matt Slepin:

It's interesting, I spend about half my time in the multi-family business where the drivers don't have that corporate driver, and I spend the other half in commercial, so I get what you're saying, but as these businesses came together, then it also came together on every side of the real estate business because that size and scale started to matter, but with different stories for each sector that got you there.

Brett White:

That's right, and whether it is capital markets where institutional quality real estate in the US in the eighties and nineties shifted from local, private, a lot of local and private ownership almost entirely to institutional ownership, institutions who make big national bundled decisions. Corporate real estate that went from local decisions to now a corporate real estate group of 1/10 the number of people they used to have now making decisions on behalf of half the country, the whole country, or the whole world. All of these things began shifting to where we felt to be competitive and to capture the most market share, we had to be a firm that could address every need a client had on their wheel of needs. We had to hit them all, because if we didn't, Jones Lang would come in on a small deal in Europe and then usurp us on everything else.

Matt Slepin:

Right. And the other thing I'm thinking, there's probably five themes that all point to the same place, and they were all happening at the same time, because another dynamic to this, another way to tell the story is that on the brokerage side, deals were awarded individually, as you described, right? To a local person. But then over time, the deal that got let to the mortgage banker, also got let to the leasing broker, also got let to the property services side, and also got let to the leasing people. So all of a sudden it all became the same, and then the investment sales team, and maybe that bundling became 10%, 20%, 30%, 50% over time. So without that bundle, you're losing too much on the table.

Brett White:

Well, the holy grail in real estate services is to bundle. We all looked at that as the golden goose. If we could wrap around a client, and whether the entry point was selling a building, managing a building that then went to a sale, leasing a building that went to evaluation, that went to a sale, that went to a financing, however we got in, the golden goose was to be able to provide a client everything they needed, and we knew that the capture costs then go away, that we have higher margin when we're able to bundle. That was the golden goose. I would say that after 40 years of this, if you looked at the top clients of CBRE, JLL, Cushman, and Wakefield, my guess is the top 25 clients of those firms are purchasing at least three separate service lines from that firm, whereas back 40 years ago, it would've been one. Now, very few clients purchase them right? Everything is competitively bid, but that is we're still driving to that place where we can capture more wallet share of these big clients than we have in the past.

Matt Slepin:

So totally different question, I think of compensation, and I think of the compensation of the broker, and the compensation of the massive brokers who we talked about before, and the fee splits arranging to them, and the balance of power between the platform and the producer, so two Ps, platform and producer balance of power. You would think through what you just described is that the balance of power goes hugely towards the company, the platform through that dynamic that you're describing, but I'll make a leap of faith and say that still brokers are really, really, really, really well paid and get a big, big commission because you need to keep them, and you don't want to lose them to the other guys. So can you talk about any of what I just observed?

Brett White:

All true, right? All true. So first of all, I would say that moving compensation in the brokerage industry or just in the industry is glacially slow, very, very difficult to do. There's a bit of a standoff. Everyone is afraid to take too big of a leap because you don't want to lose people, and you don't want to disrupt the system. The system is a great system. We have great margins in brokerage, so if it's not broke, why fix it? All those things are obstacles. And I will say this, in the space of corporate real estate where we are managing big footprint for big clients, a lot of the people that work in that space are paid differently than the broker out in the marketplace is paid, and that's because those clients want that. They want a salary bonus structure where they can control KPIs and what people earn, but generally speaking, the industry is still stuck in the compensation model it has 60, 70 years ago, and that model has to change.

It creates a dynamic, I think, that can be a misalignment between the producers and the company, right? Which is the company is focused on long-term performance. It's focused on driving certain things. It's focused on really trying to take a very, very big picture, whereas yet you pay your producers to close transactions, and so when we get frustrated sometimes that a brokerage team won't spend as much time as we would like them to inputting information into a CRM system, or whatever it may be, we have to always remind ourselves we've created a Pavlovian system where they're doing exactly what we pay them to do. So the future here, Matt, is recognizing that the people who are attracted to transactional work very, very much want to have instant reward and want to be paid for that work they are doing. There's that dynamic.

That competes against a dynamic, which is we would love to celebrate those people that way and pay them that way, but also have them be part of the long-term success of the company, have them be a part of driving the goals that we're trying to drive throughout the company. How would you do that? You would do it through it might be get more equity ownership into these people's hands. It might be some component of commission and bonus, right? And we've seen companies do that. Eastdil has a model that pays that way. Willy has a model at Walker that's a bit like that, and I think over time you're going to see these compensation models continue to slowly evolve towards some hybrid of both.

Matt Slepin:

Mm-hmm. And since it gets back to one of the points you said before, which is when you're selling to a global client, you're selling that you are a coordinated business, not that you have the 20 best producers, each of whom are going to come attack you, and they will attack you because they want the business, and so, again, that tension between the producer and the platform is a live tension that actually you hope never goes away because you want people that motivated.

Brett White:

You're right. It's a balancing act, Matt. And what we want and what our producers want is a very managed, coordinated relationship with our biggest clients. So how do you have a commissioned based Salesforce and produce this managed, coherent, well-organized relationship with big clients? It's work. You can do it, and we all do it. We do it well, but it's work, and part of it is a bifurcation of the market and the Salesforce, which is we have certain types of people paid a certain way or incentivized a certain way that work with our largest clients, and they're protected around those clients. We have a different part of the sales force that works on the local transactions, who really have much more of a free run in the marketplace, but that balancing act is a very delicate and important piece of the puzzle, which is to the Blackstones of the world or the B of As of the world, we have to look highly coordinated, highly managed, coherent, deliverers of the service, not a free for all.

Matt Slepin:

So Let's play that one out a little bit, and then we're going to change subjects, because I've experienced working this with the companies we're talking about, which is that you have an institutional side, and you have a private client side of the business, and the private client side of the business is more local and might be a free for all with producers just being producers, but once someone gets to that institutional client base, you put them in that school, and then they do know that they're going to have to coordinate, and they accept it more or less in a balanced way, but they're two different businesses, and they really have to be run that way.

Brett White:

Absolutely right, and whether it's in the capital markets world, which you're referring to, so let's call that the vernacular you're using it is institutional and private client, right?

Matt Slepin:

Right.

Brett White:

That's pretty well demonstrated in the market as a very workable way to manage the situation. The same thing is true in corporate, which is there are those individuals who manage one or two big, big accounts. We wrap the company around them, the services around them. They are protected on those accounts. They may be paid differently than brokers are, and then there are folks in the marketplace that are tenant rep or doing a different part of the business who are really doing it in a much more localized fashion with less of the company wrapped around them. Again, getting that right matters, and that demarcation is becoming clearer and clearer every day, that there's the needs of an institutional client in capital markets are very, very different than a partnership in Orange County of four friends who own a 30,000 square foot walkup office building.

Matt Slepin:

And to have a culture where both exist and both coexist in a happy way to lead that, that's a trick.

Brett White:

Well, it is, and it defines culture, right? So when you think about the firms out there that I would say play in the private client space with tennis, think of Matthews real estate. Here's a firm. Brian's company is growing quickly. It is very much in the local market, aggressive brokerage type business, very much akin to what John Cushman had 20, 30 years ago, and for a certain segment of the market, that's a very good model. It doesn't work at the big side. It doesn't work with the Bank of Americas, or the IBMs, or whomever. It could work great for that 10 person, or 20 person, or 50 person operation in Newport Beach that's a small growing business, and there are different cultures, right?

The culture you have at CBRE, or Cushman, or JLL is very much about you drive a very institutional, very thoughtful process about how you manage clients and manage the business, and we're very, very focused on sustainability, and DEI, and all the things that our clients demand us to be focused upon, and we should. And then you've got at the local end, those things are less a part of the business, right? These little firms that are out there, they don't worry about DEI, or sustainability, or any of that, because they don't need to because their clients don't really ask them to.

Matt Slepin:

Hopefully one day they will, but that's a whole nother conversation. We may get there a little bit on this. So we're attacking the growth of these firms, and I keep talking about it as these firms, and maybe talk about... And if there was only one, it wouldn't have happened, because you said before it was having the competition with JLL globally that got you to go globally. I don't know if that's precisely true.

Brett White:

That's right.

Matt Slepin:

But having Avis, Hertz, and Budget together, that was really helpful to the growth of these. So maybe talk a little bit about the ratcheting plateau growth spurts that you lived through in this, and how the end game became more clear, and I also want to talk about the differentiation among those platforms if we can.

Brett White:

Sure.

Matt Slepin:

I know you have a bone to pick from your platform, but I'm still curious what... And did the public markets help them to have to grow with a mandate or to also have to help them de-risk? That's too many questions at once, but I think you'll have some answers.

Brett White:

Let's break it up this way. So first of all, in this industry, there is always going to be a role for both the local boutiques. Brian Matthews company, fantastic tenant rep business, do amazing work in the marketplace. There'll always be a role for those firms. And there is always going to be an aggregation of market share and a dominant role for global full service firms. And that disaggregation of the marketplace has been occurring for 40 years. It's continuing to occur. More and more share continues to go to the bigger firms. So those three firms, JLL, CBRE, Cushman & Wakefield, all saw the same opportunity, which we spoke about before, which was that by being able to provide a truly global full service platform, more and more share ought to go to those firms.

If you look at any services industry, whether it's accounting, consulting, I mean we can go right down the list, what you find is that their marketplace also has disaggregated. You'll find two or three dominant players with probably 70% to 80% market share. And then you'll find dozens if not hundreds of boutique firms doing one thing really, really well and doing what they do at that one vertical, that one service line. In our industry to become a global service firm, we all landed to the same place which was being public would allow us to raise capital and to put in place protocols, and systems, and risk compliance measures that would allow us to do that in a better way. To be a global full services firm, we all got to the place that said being public would help us in that journey, and now all three are public.

Once you're public, now you have imposed upon you things you must pay attention to that you don't when you're private. So for instance, in today's world as a public company, you better have a very compelling strategy on diversity, equity, and inclusion. You better have a stated goal to be carbon neutral is something like that in the next 20 years, you better have very serious protocols around risk, and behavior, and what your culture is. All those things you must do as a public company, and they're incredibly helpful because they force you to focus on things that sometimes are not natural or are uncomfortable to focus on. Now also, once you're a public company and you're in this industry, you better figure out a way to diversify your cash flows and diversify your revenues so that you are not dependent on the vagaries of the transaction market, but rather you also have a big business of recurring revenues that pay the bills in good times and bad, which is why all of us are so big in corporate services, all of us are so big in property management.

Matt Slepin:

It's fascinating. I thought it was genius and brilliance, but it's actually you create the mandate, and the mandate creates the things that you have to do to do that, and all three companies came up with the same solution, as you said. Now, you may execute in different ways, because the internal execution is probably an equal challenge to the growth execution.

Brett White:

It's exactly right. I mean, when we started our journey, TPG and myself, at Cushman & Wakefield, we decided day one that we would spend the money to put in place all the systems, and protocols, and governance rules as if we were public, even though we weren't. And why do we do that? Because it made us a better company, and so those things you drive in the organization. It creates a better company. It creates a company you can really be proud of and really stand on, but public or private, it all comes down to the execution, and you asked a question a moment ago about differentiators among the three firms.

I'll be honest with you, I do sometimes wonder how a client differentiates between the big three, because all three firms are really, really good at what they do. All three firms tend to trade people. There's nothing that we can do today that is so secret and so proprietary that we walk into an institutional presentation and always win, whatever we come up with. It's really, really hard to do, and we all work on it constantly. What is it when we walk into a client? What is it that we are able to lean into and demonstrate that makes us different and better? And that's a tough race.

Matt Slepin:

So let me ask you a question. Back to that point though, because I'm thinking that what really differentiates you when you get in that room versus Avis, Hertz, all three firms is the team that's sitting there, and the relationships, and their ability to go eyeball to eyeball. You might say, "Hey, we have better technology," or, "We have better systems that you're going to love," or, "We bill you better." I don't think that sells it. I think it's, "I'm going to trust this person." Help me with that. Again, we're back to that balance between platform and producer.

Brett White:

So if we agree that all three of the big firms are competent providers of all of the services and tools that large customers need, and I would posit that is true, it always comes down to the team, always.

Matt Slepin:

And how much of it... I'm curious about this because I do this every day. How much of it is the team as the human being, and how much is they said, "We solved this exact problem before. We know the deal,"?

Brett White:

It's both, right? So the team that wins, I would go back to what we talked about at the very beginning of this interview. The team that wins is able to demonstrate a couple things. First of all, the client looks at them and says, "They will be easy to work with." However they define that, they'll be easy to work with. Second is, "They bring to me all the things I need to get this word executed ideally," and by the way, you could just decide on those two elements. The [inaudible 00:49:33] you've got what they need. Let's assume all three firms have it, and now you have a team that for whatever reason looks more attractive to that client, could be easier to work with, could be they have better experience in exactly what it is you're going to want to do, and you look at that and say, "That's the differentiator. That's what I needed." And you're absolutely right now. That case study work and pedigree of doing exactly the type of work that that client needs to get done is super important. Super important.

Matt Slepin:

Yeah. [inaudible 00:50:08]. When I do my selling, what I want them to buy is they want me as their partner. Okay, I want to work... and you've said this through the conversation, but I want to work with you because you're going to help me think about this, and I'm close enough to the work they've described, but they want me to be co-pilot with them during a process that matters

Brett White:

In the perfect client relationship, you and the client are arm in arm partners. That is the perfect relationship, and if you look at your earlier questions about the most successful brokers in the industry to a person, they are viewed by their clients as partners, not viewed like the UPS person dropping off a package.

Matt Slepin:

Yeah, and half the time, my worst clients are wanting me to be the UPS guy, not their partner.

Brett White:

Right. Right.

Matt Slepin:

It's like, "Get it done. Get it done."

Brett White:

It's the frustration every broker has, which is you work on a project for five years, you find the capital partner, you design the buildings, you find all the tenants, and then your client sells the project, you deliver the escrow check to the client, and thank you very much, and then the story becomes that how you really didn't do anything.

Matt Slepin:

Exactly.

Brett White:

And we all know that we create all this value, but it's... Yeah, absolutely

Matt Slepin:

Fascinating. So let's talk a little bit more about the ecosystem, then I really want to change subjects, in the ecosystem that you described, you talked about Matthews, you talked about the three big firms, and next week's conversation is with with Berkadia. You mentioned Willie Walker a few minutes ago, so there are firms that stand in between as kind of specialist firms, Eastdil in particular, maybe Marcus and Millichap, right? Because they only do investment sales and capital markets. Walker Dunlop and some other firms that are in the middle in different ways, NorthMarq. Talk about that part of the ecosystem, if you can.

Brett White:

Sure. Well, as I said earlier, the way that the marketplace works, there is a absolutely a place for both the big global firms, but also the niche specialists, and I will tell you that on any single transaction, particularly in the capital market space and in the tenant rep space, that some of the fiercest competition comes from a single vertical, single business line player who is absolutely expert in that business line. I think of the Walker Dunlops. I think of the Eastdils. I think of the Matthews. I think of the Marcus & Millichaps. There is a certain segment of the marketplace. When we bump into that segment of the marketplace, boy, those folks are fierce competitors, and boy, are they good, and there's absolutely a place for all of them.

And certainly as a full services firm like Cushman & Wakefield, our view is that if we can bust into those relationships, we can show those clients a more comprehensive approach to their portfolio, more comprehensive partnership with them, than can a single business line firm, but I'm telling you, if I'm going out for financing requirement on multi-family, or I'm going out for a capital markets raise in institutional commercial real estate, Willie Walker's firm, Roy Marsh and Mike VK's firm at Eastdil, boy, those are tough competitors that worry me to death, and there's a great place for both.

Matt Slepin:

And it's also, if you think about the competition, meaning your people, for the people choosing to be at a Cushman & Wakefield or a CB on the one hand and choosing to be at an Eastdil or Walker & Dunlop in the other hand, it's an equal choice. So they can go to either shop. As you said, we trade, but you trade with them too, and it's a different feel to be in a more unified solo market kind of business than it is to have to be... Unless you're seeing the benefit of the large platform, it may not be somewhere you're going to be.

Brett White:

Well, it's exactly right, and so we have to make sure that the producers that we have inside, let's take our mortgage origination business. So in that business to compete for people with Willie, to compete for people with Eastdil, and Berkadia, other firms that are out there, we have to make a compelling case to our producers that the synergy of being around a business with these other business lines is going to do three things. It's going to drive business to them. It'll allow them to drive business to the other parts of the firm, which they can participate in, also protects our client relationship, and it makes them look better to the client, ultimately. We have to constantly lean into that and make sure that's true, make sure that's true, because you're absolutely right. If I'm in mortgage origination or I'm in retail, say a retailee is saying, "That pure play shop, there's a lot of attractiveness to that platform, because it only deals with one thing, and that one thing is what I do."

So our platform has to be so compelling to say, "Yeah, that's true. Think how much more you could do if we could drive from the other business lines work to you." And an example I'll give you is this, in the mortgage origination business, because we are super active in property management, in leasing, in capital market sales, in valuation, we have all those touchpoints with clients to identify where they may need financing before they go out to market and ask for financing, and we can drive that work into the system.

Matt Slepin:

Right. So then what that mandate requires you to do is it requires you to be strong in almost every geographic market, because I'm a producer of a loan, and I'm in Minneapolis. You better be good there. You better have the synergies there in Minneapolis. And then the second thing, if I'm a loan producer in Minneapolis, and I'm an apartment person or I'm an industrial person, then you better have all the vertical synergies in my vertical at the same time, which just continues to force you to grow in the ways that we've talked about throughout the conversation, and you have places where you're going to be weaker than others. You may be weak in Minneapolis. I'm making up Minneapolis, of course, or you may be stronger in office in a multi-family in different ways with all those different tools.

Brett White:

You're exactly right. It's kind of the old dilemma in construction. Do you want to be a GC or do you want to be a construction manager? GC takes risk because you are ultimately responsible for everything. Construction manager is easy because you're managing other people. You can blame issues on them. When you have a multi-discipline platform or you're in a geographic dispersed footprint, you better be really good in everything because being bad in one thing reflects poorly on everyone. Right? And you're exactly right about that.

Matt Slepin:

Fascinating. So talk about mid or late career pivoting from the organization you were with for 30 some odd years, and you built to this place that we're describing, and then backing in because of the DTZ deal with TPG, backing into then taking over Cushman & Wakefield. Mentally. Was that like, "Oh, cool, I'm going to now go compete with these guys," or, "It's a little bit..." What did that mean for you?

Brett White:

Quite frankly, I've never actually talked about this publicly, but quite frankly, it was really hard, and I would say to all my brethren colleagues at Cushman & Wakefield, I love them, and I bleed Cushman & Wakefield now, but I'll also always love the business we built at CBRE. And so for me, this is not the royal we, myself and TPG, we fell into this opportunity kind of through the back door, which was we were looking at landscape, and we were looking at man guarding, and we were looking at this and whatever.

And this opportunity arose and kind of fell in our lap, and we took it, but once we had DTZ, the way I began to think about this was when I was running CBRE, and when I was running Cushman, I always felt, and I still feel this today, the higher quality and better competition we have, the better for the industry, the more likely it is that people will begin to think about commercial real estate services, not as just aggressive local market brokerage, but rather as a consultative, very, very high-end business bringing high-end results to the solutions to the world's biggest and most important clients.

And so when we had this DTZs asset, and we were looking at other things that we could do, what became really interesting to me was if we could build up a great business, another really, really high quality player in the industry, I felt, and I still feel today, and I feel very proud of this, it lifted the whole industry, that having Cushman & Wakefield be a head on head competitor with Jones Lang and CBRE, which it was not when we bought it, but have it be a head on head competitor, have it be a public company, have it have all the protocols and all the great things that it has today, the wonderful brand that it has today, that lifted the industry, and it benefited everybody.

And I always felt at CBRE that if we were competing with rational players, it would be a better marketplace for our clients. It would just be better for everybody, and so at Cushman, my team, we took a view that we wanted to build something very special, something that was differentiated as much as we could, but something that we could all be very, very proud of, and the industry could be proud of as a great competitor, and I think today, if you walked over to Bob Sulentic or Christian Ulbrich, and you said, "Tell us how do you think about Cushman & Wakefield today," they would say, "That is one terrific company. They're a great head on head competitor, and we enjoy being in the marketplace with them, even though we like to beat them every time we can."

Matt Slepin:

Of course. It's interesting. A couple of observations, one is you bring a level of positivity to this world of these three or four companies, and you've had it throughout this conversation. You've been generous and positive. One could have sour grapes around this. I didn't know what to expect from the conversation when we think about you being at CBRE and then to Cushman, so I really appreciate that. The second thing is one of the things I talk about with people all the time is the institutionalization of the real estate capital markets and the real estate business, and I haven't drawn a parallel to that institutionalization on the ownership side equally and concurrently happening with this institutionalization we've been talking about at the services firms throughout this conversation.

Brett White:

Yeah. Well, first of all, you're exactly right. Right? So if you think about whether it's the way we run these companies, whether it's who owns us, right? So we are all, JLL, C&W, and CBRE are owned. By far the majority stake in these firms are all owned by institutions, big institutions like Fidelity, and T. Rowe, and Wellington, and people who really care about the way we manage our business and do what we do, but you're right. This industry, when I think about over the last 40+ years that I've been doing this, the single biggest change is this long, slow evolution from local focused businesses, almost partnerships at a local level to this institutional, very, very sustainable long-term business and be here forever doing wonderful things that these little local firms could never do on their own, and it makes me very proud, because I look at the big three in this industry, by the way, they may not be here forever, because they may merge someday.

I mean, that's always a possibility, but they're not going away. These are very successful firms with very powerful balance sheets, with very, very loyal customers, and I'm proud of that. I'm proud that we have in this industry that big three that lead from the front and lead well.

Matt Slepin:

Cool. So one of the things you've talked about is again and again organizations to be proud of. You've talked a lot about DEI and ESG, and our listeners are not going to see this, but I'm going to hold up. You know what this is. You only get two seconds to look at it. I'm not going to tell you which firm it is because I don't know, and you know what these faces are. So what I'm showing Brett on this is that thing that you all know from your own local city business journal, and it has, "Our top producers," on it, and it's a full page ad, and this one has, I don't know, 25 people on it, and 95% of those people are guys. So when I look at the business, and I think of it, I still think... And if I think of the word, "Cushman," there's a Cushman, and I think of it historically. I just think of guys with square jaws.

Brett White:

[inaudible 01:03:30].

Matt Slepin:

So talk about that transformation and the picture is still 95% guys.

Brett White:

Yeah. So it is such a deep issue, but let me fly over it and make a couple observations. So when I started in the business back in the mid eighties, both of my sisters at one point or another went into the business. Both of them quit, and I remember my sister, Stacy, who worked in the Coldwell Banker office in the mortgage group saying to me, she said, "I'll never forget what it was like when I came into interview, and I walked in," and back then, the floors were cubes. "And I walked into this office as a 24 year old UCLA graduate young woman, and what I saw were 61 white guys," and said, "It was the most intimidating experience my life." And she said, "It got better, but it never got great." And so she left.

And by the way, I trained under a woman, a very, very successful woman, and this industry has forever been dominated by white males, and it is a sad manifestation of the culture of these businesses 30, 40 years ago, and a manifestation of how difficult it is even when the cultures change, which they have at all the big firms, how difficult it is to create a work environment that is attractive for diversity. It's not just women. It's people of color. It's the diversity issue in this industry, make no mistake, all of the big firms are hugely focused on creating a work environment that can attract and retain diversity, but here's what we know.

We know that for a woman or perhaps for a diverse candidate, what defines a nurturing workplace for them, a place that they feel they can grow and be successful by definition is not the workplace we had 30 or 20 years ago. We have to think so differently about how we pay people. I mean, the fact of the matter is for my sister coming into the business, and she got married while she was in the business, and she was thinking about a family. There was no path for her. How in the world do I have a family and work? Because even if I intend to work full-time, I have to be out for some period of time, and if I'm a broker, what happens to my book when I'm out?

Matt Slepin:

I want to go back to your five things, the four or five attributes we talked about before. You can't put a pause on that.

Brett White:

You can't. And so what we have to do as an industry is completely rethink the way in which we define the workplace for diversity, and I would tell you that all of us are hugely focused on this right now to create an environment, create a system to do work that allows... By the way, people diversity, who may come from a different background than the prototypical broker of 40 years ago, they may come from a different life experience. They may come from different colleges than we typically recruit from, but creating a work environment where a diverse candidate can thrive is hard, hard work. And I would say that we make incremental progress every year, and by the way, all the big firms measure this, all of them, and they measure it religiously, and you watch it. Every cohort in the organization, every role, every pay grade in the organization, are we moving the needle?

The needle is slowly moving. It moves best when the top of the organization reflects the diversity you want throughout the organization, and that is what's left out there is our ability to recruit and retain incredibly talented people at the upper end of the organization who are diverse, and we're all really focused on that because when the top of the organization begins to look like the organization you want down below, now you begin to win. Cushman & Wakefield, I'm very, very proud of the fact that our board, I think, is as diverse as any board has ever been in this industry. Our senior leadership is extremely diverse. We're working really hard towards that, but, Matt, I will tell you, it is a frustratingly slow and difficult, difficult race.

Matt Slepin:

Is it different in different... I know the answer to this. It's different, so I'll say this as a statement. It's different in different disciplines within the business, and this is going to sound like everyone is going to go, "Oh, Matt, we know that." Property management, different. Real estate service is probably different. The brokerage, the traditional brokerage part, less different. Mortgage banking may be a little different, so you have different percentages of people who've grown that way. How true is that, and what drives that?

Brett White:

True. Compensation.

Matt Slepin:

Compensation.

Brett White:

So in property management, in a lot of the mortgage work, in a lot of the services work it's salary bonus, and I can tell you that having grown up with two sisters and asking them, "Think about the industry and what are those impediments to you in the industry," the first thing that my sister came back to me with is, "Look, for whatever reason, a salary bonus compensation program for me would make me feel a lot more comfortable about my ability to raise a family, to do the things I need to do, and you don't offer it." So I think in those areas of the business, the salary bonus compensation structure helps. It helps both on the socioeconomic scale, right? Because some people we hire into the business, they cannot afford to be on commission, right? So that helps.

I also think I will say this, Matt, it is absolutely true that... I'll just take women as an example, but I'll bet this is true across diversity. Women in our industry excel. Once we get them, we women in, and we're able to make that stick, and I just point to Tara Stacum, Mary Ann Todd, Darla Longo, Barbara... I can go right down the list. These are the most successful brokers or practitioners we have in these companies. I remember at CBRE, this would've been back in 2005 or 2006, we every year would look at our top 100 brokers and kind of look at what the profile was. We had one year where the top ten, seven were women. So we know. We know that women and diverse candidates can be very successful here, but we got to figure out a way to better attract them and retain them through those development years.

Matt Slepin:

And it's the early career years. So my wife is in commercial real estate, and so this is through the eighties and nineties, and it was brutal for a young woman, and she was on the transaction side of the business, and you get left behind if you don't play the game, if you don't... It's the after hours stuff. It's drinking. It was strip clubs. She went to a couple. She just thought, "I'm going to go show up." It wasn't pleasant, but it was all kinds of stuff from the old days, but maybe if you're saying if you make it through your twenties and thirties and your first kid or your second kid, then you can make it, and you can really succeed well.

Brett White:

Well, I think it's a combination of things. First of all, I talked about some of the benefits of being a large company and being... You don't have to be public to do this, but in today's world, a public company certainly, or just a large company with institutional investors that back at all that nonsense is gone.

Matt Slepin:

Gone.

Brett White:

And it's long gone. And you can use that as a hammer. You can use whether it's a private company that's doing 2 billion a year or you're a public company, you can bust through that calcification of bad behavior and say, "Listen, folks, I don't care what you think. It's over, and it has to be over because we cannot survive with this continuing." Now, that nonsense still occurs out there, I think, in perhaps smaller businesses that don't have the type of governance that we all have, but that stuff is over.

So now I think for women and diverse candidates coming into the organization there's much less of the bad behavior, but there's still the, "Hey, Blackstone is going to have a broker event, and it's going to be a golf event." Right? Well, golf is 75% men, so by definition, you're going to have women in the company that say, "Well, you know what? Gosh, that's great, but I don't play golf. Right? So I feel excluded. I feel I'm not part of that club." And every day, Matt, those are the things we have to break down and blow up so that your wife and my sister feel that the commercial real estate services industry is the best industry for them to excel in, not when they have to fight to excel in.

Matt Slepin:

And especially because they may be your counterparty at the institutional investment advisor, which is a more friendly business for people of color and for women, and they're going to do business with you, so they want to see it drive that way.

Brett White:

Oh, absolutely. And you raised that's a great example, right? Whether it's CalPERS, or it's another institutional advisor, or it's a large corporate user space, one of the things that we're very cognizant of is we better look a lot like our clients if we expect to win their business, and when we don't look a lot like our clients, you can almost guarantee you're going to lose that business. So there's 1,000 reasons why this industry needs to lean harder, and harder, and harder into creating platforms that nurture, and celebrate, and advocate diversity. And part of it is just good business.

Matt Slepin:

Sure is. So we're coming to the end of the conversation. What have we missed in this conversation on the subjects that we've talked about that you say, "Hey, I wish Matt asked me that question about how this business has evolved?"

Brett White:

Well, I think that the one thing we didn't talk about is the current market, and what I will say, and I'll just say it unprompted, is one of the great dynamics that underpins commercial real estate is there will always, always, always be a need for high quality commercial real estate. That will never go away. So we're not making hard drives. We're not making buggy webs. We're not making a technology application that can be eliminated by a better application tomorrow. We are experts in helping clients manage their commercial real estate business and portfolio, and that product never goes. And so when I think about a marketplace like today, and how people think about commercial real estate services firms, I would remind everybody that in my life in this industry, I've gone through, I believe, six cycles, four tough ones, two brutal ones, and what I know about this industry is it always comes out the other side better.

A down cycle, I'll say this, Matt. Down cycles in this industry are very, very healthy for the industry because it makes all of us really do a bottoms up examination of our businesses to identify what's working and what isn't, and what isn't we get rid of, whether it's underperforming people, whether it's underperforming businesses, whether it's investments we made in technology that are never going to pay off. These down cycles make us healthier and better, and this industry is an industry that through every down cycle in my 40 years has come out the other side within two years doing better than it was doing before it entered the down cycle, and this cycle will be no different. As unique as it feels, it's not unique, and we've been here before.

Matt Slepin:

All true. And thank you for going there. Actually, this was supposed to be the first question in the discussion, but we got so wrapped up in everything else, but let me challenge a part of that, because I don't know the definition of high quality real estate when I'm talking about a downtown anymore and when I'm talking about office. I'm confused. Maybe you're not confused, and maybe everything does revert to the norm, but those obsolete office buildings downtown I don't think are going anywhere, or they're going to have to go somewhere, better way to say it. Comments about that?

Brett White:

I'll take you back to 2009 and 2010, and as we entered the GFC, and let's just think about New York. When we entered the GFC, we all looked at New York, and what we saw happen was that there was this... and this happens in every down cycle. There was a flight away from B and C and into class A for two reasons. One was that you could get into class A cheaper than you could have a year before, so it was opportunistic. The second was that you had an elimination of employment, which meant that those firms that were not very profitable had to take the B and C space. Those were the first ones to go away. You're seeing the same thing today, driven both by what feels to me like a recession, but also the whole question about the future of office, and the fact that absolutely companies are looking at their footprints differently.

And if they can, they're taking less space than they took before, and working on some sort of a hybrid environment, or four days a week, whatever it may be, but the thing to remember is if you and I go into the market right now, and we go to 1 Vanderbilt, or we go over to Hudson Yards, and we look at class A space, we're going to find very tight buildings with great tenants paying record rents in those buildings, and that flight in every downturn, Matt, we've had, you see this flight to quality, and that is exactly what's happening in today's market. And then when the market gets healthy again and those buildings are too pricey or they're all filled, then you see the movement back into the B and C, and that's exactly what's going to happen here.

Matt Slepin:

It's interesting. Two comments, one is 1 Vanderbilt, because you mentioned. I was about to as you're talking about it, because I'm thinking of twin articles in the New York Times, like one about two, three years ago that talked about 1 Vanderbilt, they're going to pay whatever it costs to get there, and then there was an article about three weeks ago that talked about it's almost being obsolete because it no longer up complies with the current environmental stuff. So when it was built and designed four years ago or whatever, it was the best of the best, and now it's below the standard. You couldn't build it today the way they build it just now.

Brett White:

Well, I can tell you this, having I just spoke to a very, very well-healed private equity firm two weeks ago that is going to 1 Vanderbilt, and I can assure you that 1 Vanderbilt is feeling no pain right now in today's market.

Matt Slepin:

Oh, I bet. It's just interesting because the rate of change on the climate issues is going to be something that we have to reconcile ourselves to, and I embedding that your firm and others, the big three firms, are going to bring a level of expertise to climate change or de-carbonization of the built environment. It's something that you'll get to lead the way on.

Brett White:

Well, these are big, big consulting lines for us right now. I wouldn't describe as business lines because we've had a more difficult time converting this into real revenue opportunities, but the consulting line around sustainability is huge, and for us at the moment, it is a piece of the puzzle when we are working with institutional owners or tenants, both sides now. This is now a determinant on how they think about assets either to purchase, to sell, or to lease, right? That is now on that top 10 things I need to know about the building. It's right there, and you're right. This is an area that we've all had to get very good at very quickly, and it's a rapidly evolving area, and it's something that we all spend a ton of time on.

Matt Slepin:

Yeah, I was at a ULI party four years ago and then two years ago, same party, or six years ago and last year in Dallas at ULI, and it was at Dallas six years ago too. And I went to a room of people dealing with climate change. So it was a climate change party, and six years ago it was an empty party, and last year, it was a group of young people, and the room was packed. And I talked to someone. Was he Cushman? I forget which of the firms the person was with. He said, "Look, you're a head hunter. Help us. We're dying. We can't find people for our group, and we're expanding so quickly we need to get into it."

Brett White:

Yeah, it's a... Wild West is a wrong description because it's a very organized vertical in that sense, but it's become so important so fast that it's been very difficult for the industry to keep pace with the demands of the institutional, particularly the institutional clients and big tenants. So many of them, if you go to Blackstone or Brookfield, they have their own practice inside their businesses focused on this for their buildings because we're all having a hard time keeping up. And so there's a lot of energy in there, there's a lot of opportunity to do much, much better in that space than we all have done to date, and we're all working really hard to get there.

Matt Slepin:

Yeah. Well, near to your benefit, because the level of consolidation that you have and the level of intellectual capital that you have, you can afford to get up to speed on this better than a small firm can.

Brett White:

Right. You're right, and these are some of the areas where you do really have an advantage being part of a bigger firm because we do have the capital and the investment in these things that clients either need right now or are going to need.

Matt Slepin:

Absolutely true. Okay, we've taken enough time. The last question on Leading Voices is always advice for a young person getting into the real estate business.

Brett White:

So I think that I get asked this question all the time, and my answer is pretty simple, which is in the real estate industry, there are dozens and dozens of practices within that industry that are everything from property management where you manage asset on behalf of another owner to tenant rep brokerage where you are out there beating the bushes, finding tenants to represent in the marketplace, to investment management where you're managing capital on behalf of big institutions and everything in between. And so in the real estate industry, first of all, what I would tell to people in college or recent college graduates is you can find something in this industry for everybody and everyone's aptitude.

We have places for analysts who, frankly, have no interest in ever meeting a client, and we've got a place for people who have no interest in doing anything but working with clients. So I'd start with this is a super attractive industry for young people. It's a growing industry, and as I said earlier, it will never go away. Second is in this industry, hard work matters, and so when you come into the business, what I always tell young people is, "You need to differentiate yourself," right? Maybe you're the smartest person on the floor. That's great. Maybe you've got a lot of relationships that you bring to the business. That's great, but at the end of the day, what's going to differentiate you first as your work ethic.

Work hard, focus on those things that you think you're going to be good at, and you think you can excel in, and then I'll give you the piece advice that Vicki Winters gave to me the first day I worked for her as a pre-sales training in San Diego. She said, "Brett, you're going to be defined in this industry by your clients, not by the greatest deal you ever brought to them, but the deal you tell them not to do." And I've never forgotten it, and I think that's very important.

Matt Slepin:

Great, great advice, great story. And it is totally true. It's interesting. When you say, "No," to a client, when you say, "Don't do this," I want to work in an extra month. Many stories for that, really great advice.

Brett White:

Yeah, well, that's how you end up... She goes, "You can bring a great deal to a client or a deal that's okay to a client. They're going to get the deal done, and they never work for you again. You tell a client not to work on a deal, you may do every deal they ever do in the future over and over again."

Matt Slepin:

Totally true. Great advice. Hey, Brett, thank you so much. This was a blast conversation. I really appreciate it, and our listeners will get a lot out of it.

Brett White:

Yeah, my pleasure.

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, or 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.