

# Picking up the pieces

Real estate firms benefit from Trammell shakeup

Mass migrations at **Trammell Crow Co.**'s Memphis office shook the local real estate community this spring, but several months later, the company is reworking its focus within the market as other local companies have absorbed the portfolio it left behind.

"Obviously when there's that amount of change that effects a single office and particularly a company like ours, I think it takes some time for the market to really come to grips with that and to kind of understand what's taken place," says Vince Dunavant, Trammell Crow's Memphis office manager.

Focusing on the positives of the significant shakeup, Dunavant says TCC Memphis can now focus on its corporate services division and its vertical expertise in highlighted industries.

"I think it's kind of freed us in a lot of respects to focus our energies now more targeted in terms of where we want to take our business," he says.

In April, Trammell Crow managed and leased nearly 1 billion square feet of industrial space and also maintained an office portfolio with 1.5 million square feet of leasing responsibilities and an additional 780,000 square feet of management space.

Retaining a portion of the office space, the 360,000-square-foot Audubon Woods Business Park, Trammell Crow's remaining business was divided among a handful of key firms. The beneficiaries of Crow's portfolio were **Colliers Management Services**, **Commercial Alliance Management** and **CB Richard Ellis Memphis**.

Colliers came away with the overwhelming majority of the company's industrial portfolio, mainly because Colliers Management president Brad Kornegay carried it with him, but the company also landed a piece of the office action. Joe Steffner, Colliers Management CEO, says he was happy to come away with the management and leasing assignment for the 42,500-square-foot 5400 Poplar building.

Steffner says he is focusing on trying to land new management contracts because there are fewer companies in Memphis that provide management services and because it is a fee-based business that provides a recurring income.

"It was a strategic decision they (TCC) made, and we at Colliers ended up being the beneficiary of it," he says.

Mark Jenkins, president of Commercial Alliance Management, hired Kim Hinshaw, Donna West and the rest of the office leasing and management team from Trammell Crow and as a result was able to land a significant portion of Crow's office portfolio.

"That enabled us to bring on board a whole team of people that were all talented, exceptional and experienced," he says. "It was a tremendous benefit and really a blessing for us."

Commercial Alliance was awarded management and leasing for 250,000 square feet of Trammell's portfolio and was also awarded leasing responsibilities for Lenox Park and Clark Centre. While TCC's fizzle was unfortunate for the company, which was once such a powerful player, Jenkins says it has provided other local companies prime opportunities.

CB Richard Ellis Memphis also picked up some business as a result of TCC's crash, including about 2.7 million square feet of industrial management. The company also was awarded leasing and management of Lakecrest III, 6060 Primacy Parkway, when new owner **HRPT Properties Trust** re-bid the contracts. Trammell Crow managed and leased the property prior to the transitions.

But the rippling effects of losing a major player like TCC have yet to be seen. Kevin Adams, CEO and president of CB Richard Ellis Memphis, says Trammell Crow's collapse may prompt difficulty attracting institutional investors.

"Because there are fewer players, they (institutional investors) are going to ask the obvious question: Why isn't Crow there anymore? Is there something wrong with that market?" he says.

Pension funds, insurance companies and large real estate investment trusts like to see full-service national providers and hear the insight that comes from people who see the whole circle of the business, and Adams says losing a major national player like Crow could hurt market competition and attractiveness.

Hinshaw reflected Adams' thoughts on the loss of Crow and the effect it could potentially have on the Memphis market.

"You need major players for the good of the product and for the good of new REITs," she says. "What you lost with Trammell Crow you did gain with the forming of Commercial Alliance. It isn't as well known, obviously, so we need to make sure we get ourselves out there and let others know there is competition within the Memphis area."

But the competition has not disappeared, and the manpower that was with Crow is still working in this market in mostly the same capacity they were before.

Trammell Crow has not left the Memphis market and will continue doing business here as it seeks to ramp up its corporate services division, especially in the health care, higher education, financial and technology industries.

Trammell has several national health care clients, including **Baylor Health Care** in Dallas, and plans to build on those reputations in Memphis.

"We now have a very deep organization supporting hospitals and that gives us a level of expertise up and down that industry segment that we can bring back to a market like Memphis," Dunavant says.

He hopes the company will expand its current relationship with **Hilton Hotels** and other corporate relationships Crow has nationally. TCC manages and leases Audubon Woods Business Campus, a piece of business it retained. Hilton and Crow are the park's two major tenants, and Hilton maintains a large corporate presence there.

Crow's network is so strong, and that network has obviously not gone away," says Steve Guinn, vice president of **Highwoods Properties**. "There's still business to be done in Memphis -- they just need to execute on it."

TCC has a history of shifting its concentration and went through a similar transition in the late 1980s. Al Andrews, Panattoni's Mid-South partner for Memphis and North Mississippi, worked for Trammell Crow for 15 years but left in 1987 as the company turned its focus from entrepreneurial development to management.

Andrews says management and development require different skill sets, "an administrator instead of a gun slinger," he says. "At that juncture, all of a sudden the Crow company lost its stable of gunslingers and modeled itself into a company of managers."

Though leaving the company he grew up in was extremely painful, Andrews says he wanted to continue pursuing development opportunities. His situation is not unlike the teams and individuals that left TCC in April.

Kornegay says he left to pursue new opportunities because there was an inherent disagreement on how TCC should pursue the Memphis market. The company was turning its focus toward corporate services and trying to grow in top tier markets across the country. Memphis is seen as a middle market and was not necessarily targeted as a market to heavily invest in for future growth, he says.

"There were philosophical differences and differences on how we should grow the company in Memphis," Kornegay says. "I left on good terms, and the parting was amicable."

Hinshaw, vice president of office leasing, says she and her team wanted to work for a company that maintained a singular focus on third-party management and leasing, and they found that in Commercial Alliance.

"We left because the company that was started with Commercial Alliance just did one thing, which was third-party management, and we thought we could service our clients better in that kind of environment," she says.

Guinn left Trammell prior to the mass exodus that occurred in April because Highwoods presented him an opportunity he felt he should not turn down.

He says TCC's metamorphosis from basic developer to property manager was a key point of change for the company. He also cited 1997 as a major factor in Crow's development, the year the company went public. At that time, Crow started growing its brokerage business along with the management piece it had been capitalizing on.

Kornegay and his team at Colliers Management still do work with Trammell. TCC is developing a new industrial property on behalf of Principal Development Investors and Kornegay will represent Principal in leasing and management of the Summit Distribution property.

"We're continuing the relationship, but now I'm with a different name," Kornegay says.

But Kornegay says leaving TCC was a tough decision that weighed on him for months: "Trammell Crow is where I grew up, and I'll always have blue in me," he says.

Dunavant echoes Kornegay's sentiments about the departures.

"Having been here and having been a part of that business unit for so many years, it's not always easy to see that kind of change and that magnitude of change take place," he says. "We are realigning our focus and ensuring the people we have here going forward are committed to being a part of that focus."

Also contributing to TCC's collapse in the Memphis office management and leasing arena was the loss of the Clark Tower contract. In-Rel Management, Inc., purchased the 34-story building in August 2003 and hired Trammell Crow as the building's exclusive leasing agent.

But just two months later, In-Rel moved leasing duties on all three of its Memphis properties in-house and hired TCC vice president Ron Riley to handle its Memphis holdings. Losing 1 million square feet of office space was an obvious blow to TCC's office division that contributed to its breakdown.

TCC's Memphis office may have lost the bulk of its management and leasing responsibilities, but the company still has a large network of employees in the city. Within the Trammell Crow Co., there are four accounting centers nationwide and one of those is located here. The accounting center employs about 150 people.

TCC also has several national employees including Dunavant, who is senior vice president of strategic outsourcing for TCC, and Jim Hayden, executive director of corporate services.

TCC is looking to hire additional brokers that will complement the company's corporate business division. A large network of brokers will not be required, but Kemp Conrad, vice president, corporate advisory services, will lead a new team.

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