Cushman & Wakefield Capital Markets

*Recently, **Geoffrey Dobrmann,** publisher and editor-in-chief of* The Institutional Real Estate Letter – Americas, *spoke with **Greg Vorwaller** of Cushman & Wakefield. The following is an excerpt of that conversation.*

Greg Vorwaller, Global Head of Capital Markets at Cushman & Wakefield, has nearly 30 years of experience in the financial services and real estate industries, with an emphasis on advising institutional investors on real estate investment strategies, structured finance, real estate securitization and property sales. Prior to joining Cushman & Wakefield, he ran the Investment Properties Group at CB Richard Ellis.

Tell us about Cushman & Wakefield today. What is different today versus a year ago?

There is quite a bit that is different as we have been rigorous in executing on our strategic plan. At the marketing and organizational level, we established global naming conventions for the three businesses that constitute Cushman & Wakefield Capital Markets: Investment Sales & Acquisitions; Corporate Finance and Investment Banking; and Equity, Debt & Structured Finance, which was formerly known as Cushman & Wakefield Sonnenblick Goldman. We organized all the specialists within those business divisions, and we placed the focus on the client and the opportunity. It is amazing the difference a simple move like this can have on the impressions left with our global clients. They now know that our people in the same businesses around the world are skilled and expert in the named areas of concentration. Most important, during the course of the past year we brought onto our team 50 professionals globally to fill very specific roles; we have focused on recruiting as well as retaining top talent. We now have a deeper multifamily capability in the United States, a deeper retail investment sales capability, deeper office capability, deeper industrial capability. We brought in new leadership in South America, and we brought in key players in London, Germany, Singapore, Hong Kong and Shanghai.

What is your vision for the business and your strategy to achieve it?

The overarching vision for the business is quite simple: to be pre-eminent in all we choose to do. We are not going to be in all markets. We are going to focus our efforts in the key flagship and platform markets in the United States and in the global regions within which we do business. We are going to focus on institutional-quality business. And we are going to focus on being the best — in the top three in all we choose to do.

Is there more that needs to be done?

There is a lot more to be done. I have been here at Cushman for just a little over two years, and I think it is fair to say that we have made material forward progress. We are organizing national teams within each sector to work effectively together to share information and client intelligence, and to work together in the pursuit and execution of business both within markets and across markets. At the same time, we are growing our Equity, Debt & Structured Finance platform, so the points of connection and delivery are closer to the home markets in which we do Investment Sales & Acquisitions. This growth will be measured and prudent and will focus on equipping ourselves with those skilled in working with our clients across the capital stack.

What are you doing to make Cushman & Wakefield an attractive place for people to work?

We are focusing on creating the right culture of collaboration — not only collaboration within businesses but across businesses — so we are able to leverage those capabilities to address opportunities, and also to create tie-in and leverage points with clients that can yield yet more opportunities. Firmwide, we are also investing a lot of time and resource to supporting a Future Leaders program, one designed to create the right kind of environment needed to attract the best and retain the brightest.

It is interesting that you mention collaboration, because I don't tend to think of collaboration in a brokerage environment. Are the brokers seeing advantages to collaborating with each other?

Absolutely, and a lot of that has to do with the competitive environment with which we are dealing. Many of the larger investors have resized themselves in the past two years to adjust to current operating realities. The competitive environment means many organizations are doing more with less, and therefore want to deal with people who really serve as an adjunct to their staff. They don't want to deal with multiple people, they want to deal with the right people, so they can better leverage their time. And one way to do that is through collaboration — a team of individuals surrounding a lead, who then serves as the primary point of interface with a client. It is key for us to demonstrate our ability to harness the skills we have across the business — leasing, property management and valuation businesses — that relate to the underlying fundamentals, to be able to best position, best underwrite and best execute on behalf of our clients.

Where are you focused geographically, and which sectors have you focused on?

We ultimately want to be able to respond to our client requirements across all property sectors — office, industrial, retail, multifamily and hospitality — so, depending on the marketplace, we will be focusing our recruiting efforts within those sectors. In Europe, we are focusing on the key markets that drive the vast majority of the transaction marketplace — London, Paris and Germany. In Asia Pacific, we are focusing on the key investment destinations — Sydney, Hong Kong, Singapore, Delhi, Mumbai, Beijing, Shanghai, Tokyo and Seoul. In the United States, we are focusing on Chicago, Denver, New York City, San Francisco, South Florida, Texas and Washington, D.C. In Canada, we are primarily focusing on Toronto. We have a very strong capability within structured finance, and we are seeking to diversify that business to make inroads into the senior finance business. To be effective in this business today, you have to be able to respond to each opportunity and address every aspect of the capital stack.

Looking at the platform today, where do you see your competitive advantages?

We offer scale across service offerings that allows us to tie together what is happening in the markets at the property management/leasing level with the capital markets to be able to provide a very thoughtful underwriting of transactions. While we have a global footprint, we are not focused on being the biggest but on being the best, and there is a nimbleness to this organization that allows us to operate smartly, effectively and quickly on behalf of our clients. That provides us with an edge that we hope will translate into a more compelling, competitive proposition going forward.

Could you give an example of where you exhibited that nimbleness?

We were asked to value and then come up with a marketing presentation on an office property that was developed by a well-known global investor/developer in Moscow. We were asked on a Thursday, and we were to meet with them on the next Monday. Between that Thursday and the global telepresence that we had on Monday, we were able to assemble the underwriting team to underwrite the transaction in Moscow with feedback from New York and Singapore. We were able to assemble the pitch team, as well as the team that assembled the deliverables that were used on the presentation telepresence the following Monday. We won the assignment and the feedback we got from the owner/developer was that while they may have put us "behind the eight ball" in terms of timing and working over the weekend, we gave them a thoughtful, well-rounded, compelling pitch that equaled what they would have expected from one created with more lead time.

Looking out across your global platform, where do you see the opportunities now and in the next two to three years?

There will continue to be opportunities in the recapitalization of assets, in keeping with the loan maturities that are peaking this year and will continue at 2013 levels for the foreseeable future. Fundamentals have generally improved albeit slowly in the United States, and values of high-quality assets in some markets have come to within striking distance of or, in a few cases, exceeded peak pricing in 2007. We are going to continue to see increased levels of transparency in the marketplace that will serve as a basis for fueling additional pricing discovery and, as a result, transaction activity going forward. This is a global phenomenon. Lastly, there is going to continue to be consolidation between public companies, as well as between public and private companies.

There has been a lot of money printed by central banks to try to stabilize the bond markets and keep financial markets intact, and rather than stimulating economic growth, it has led to an inflationary cycle in asset pricing. Is this frothiness in the market something to be concerned about?

When you look at the pricing for existing class A core assets, such as in New York in the first half of the year, mega deals are back exceeding the past peak at over $1,000 per square foot, while cap rates were relatively similar at 4.0 percent to 4.5 percent. On the other hand, there is a relative yield advantage that is still available even at compressed pricing for real estate versus the alternatives. And people are able to manufacture yields that are attractive given the low interest rate environment. How long will those low interest rates persist relative to the quantitative easing measures that have been taken by the federal government? The good news is that the industry is having a discussion about whether we are getting into a frothy pricing environment for quality assets in quality markets, which does suggest there is a transparency in the marketplace that may prevent us from getting too far ahead of ourselves.

Do you see us moving into another development cycle?

Depending on the market, there may be situations where development is economically justified relative to the underlying demand factors, whether in San Francisco or New York, and even in some cases in Dallas, Houston, Chicago and Austin. Again, the good news is that the heightened levels of transparency that exist today enable disciplined investors to evaluate the potential risks associated with new development. ❖

CORPORATE OVERVIEW

Cushman & Wakefield Capital Markets provides advisory and placement services to clients engaged in buying, selling, investing in, financing or building real estate. These services typically are provided to private and institutional owners and investors, as well as to corporate owners and occupiers. In the past 18 months, Cushman & Wakefield Capital Markets completed sales and financing transactions valued at more than $49 billion globally. Cushman & Wakefield maintains 253 offices in 60 countries.

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