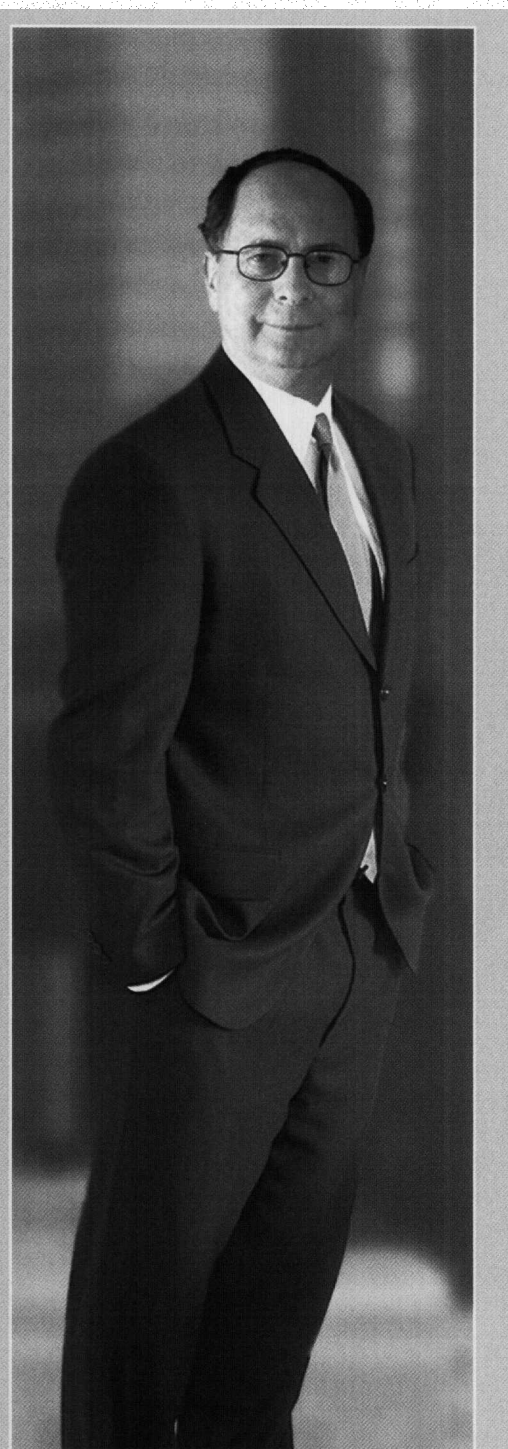


COVER STORY

New Moves For



Uncertain environment forces tenant reps to do more than just price space

It was 1954 and Julien J. Studley had been working as a real estate broker in New York City for several years. Although he had mostly been handling secondary or loft space, he wanted to crack the prime office market and saw negotiating on behalf of tenants as a virtually uncharted path to starting his own company. So was born Julien J. Studley Inc., now almost 50 years old and one of the country's top-tier national commercial real estate services firms.

"Back then, office leasing was very much an owner-directed business, with landlords calling most of the shots and tenants having relatively little to say," recalls Studley, the organization's chairman and CEO. "But I noticed that while owners often considered me a comparative novice in the industry, to tenants I was an expert and they listened to me. I can't say that specializing in tenant representation happened all at once. It just developed."

Over the years the specialty has changed markedly, with the firm among those widely credited with introducing many innovations. Often the work

involves in-depth consulting on everything from financial and tax issues to human resources, technology and even how a tenant firm is perceived in the marketplace. Going as far beyond the actual cost of footage as a client wants its real estate broker to go is an approach that has probably never been of greater importance than right now. The twin

BY HAROLD KELMAN

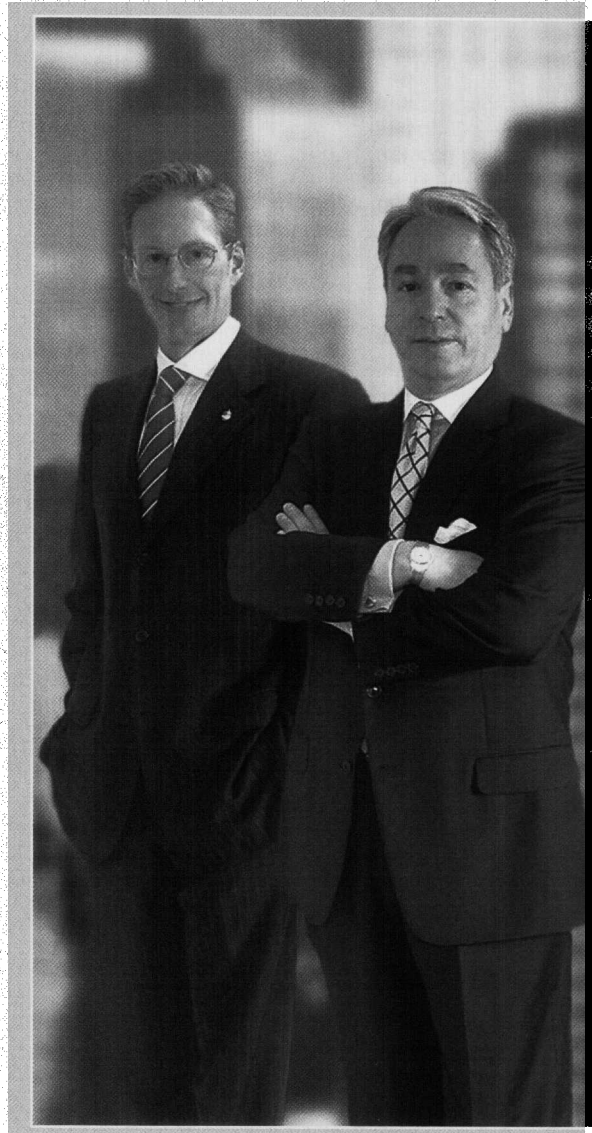
specters of a national recession and the terrorism attacks of Sept. 11 have created a challenging new environment for space-users.

This could be the ideal time for tenants to negotiate new leases or renewals as vacancies rise and rents fall in many markets. Meanwhile, for downsizing businesses, shedding surplus facilities may be no easy task in the face of what is frequently a sublease space glut. And what about tightened building security, disaster recovery and decentralization issues? No wonder Studley people report a high level of activity.

Although tenant representation in all

At New York City-based services firm Julien J. Studley Inc., top executives (from left) Jacque Ducharme, president; executive vice presidents Lois A. Zambo, and John J. Goodman; Mitchell S. Steir, vice chairman; and Stephen B. Goldstein, senior vice president, keep a hand in the deal-making process.

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of its various forms comprises a significant portion of the company's revenue stream, its increasingly sophisticated array of services has also come to encompass sales, investment/acquisition advice and strategic consulting for *Fortune* 500 corporations, high-tech companies, major law firms, financial institutions, nonprofit organizations and government agencies.

In addition to headquarters and metropolitan New York offices in Midtown Manhattan, today there are Studley operations in Atlanta; Chicago; Dallas; Denver; Ft. Lauderdale, FL; Houston; Los Angeles; New Jersey; Orange County, CA; Philadelphia; San Francisco; and

Washington, DC—staffed by more than 500 professionals and support personnel. This is a far cry from when Jacque Ducharme, now company president, joined up in 1972.

Fresh out of college, new to Chicago and with no real estate background, Ducharme talked his way into a job at Studley's Windy City office, which had been open about 10 years but was still considered a smallish shop. "They agreed to pay me \$100 a week, but I would have to give it back if I didn't make any deals," he says with a laugh. Not only did he make deals, he became manager of the Chicago office in 1976 and later Midwest regional manager, a post he held until 2000

when he was named to his present position. He is now based in the San Francisco office.

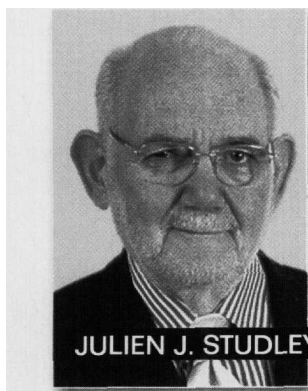
Ducharme is also one of three members of the company's strategic planning group, known as the office of the chairman. The others are Julien Studley and Stephen B. Goldstein, senior executive VP and director. Goldstein also co-manages the Washington office and functions as regional manager for the Capital District market that includes a suburban branch in Northern Virginia. But don't be misled by titles and administrative jargon, Ducharme cautions. "Everybody here does deals," he explains. "That's our strategic plan. Most of our management structure revolves around an organization that first and foremost is designed to service clients. Everyone is involved in the servicing aspect of the business. Top executives are front-line managers, not armchair generals."

Another distinguishing characteristic of the Studley operation is that there is minimal job-hopping. Goldstein is also a 30-year veteran with the firm and has operated in the Greater Washington market all that time. One reason Studley holds onto personnel, Goldstein believes, is that it is very entrepreneurial and staffers get to do their own thing—although primarily in teams that are carefully structured to play to specific member strengths. "We hire people who have a variety of competencies and disciplines," he says, "and then allow them to develop into the best kind of problem solvers."

Although they work in teams and share commissions, many in the company have become well-known performers in the hotly competitive commercial property marketplace. For example, since Mitchell S. Steir came aboard in the late 1980s, he has ranked as the firm's top producing broker nationally. But he is also vice chairman of the Studley board of directors and a branch manager in Manhattan—the company's largest single office with approximately 50 professionals.

Steir leads a team that has put together some of New York City's largest space deals in recent years, including the more than 1.5-million-sf lease restructuring and extension for the Time Inc. unit of what is now AOL Time Warner at 1271 Ave. of the Americas in Rockefeller Center.

"Each team member brought something different and complementary to the process," relates Joseph Mayfield, Time's VP of administrative services. "As a result, the sum of the parts was greater than the whole."



JULIEN J. STUDLEY

Chairman and CEO

"I can't say that specializing in tenant representation happened all at once. It just developed."

The assignment arose from Time's desire to be housed in a more efficient work environment while reducing its overall occupancy costs. This was not an easy task to achieve in the late 1990s boom with 10 years remaining on its lease.

"Much of the work," as Steir details it, "grew out of a strategic planning study on which we were retained by Time Warner. It involved some 3.5 million sf of metro New York facilities for Time's publishing operations, as well as Warner Music and Studios, HBO,

Turner Broadcasting and Time Warner corporate." Such an assignment is not unusual at Studley, he points out. "Our culture is not based on the showing and selling of space. It's about tailoring a real estate plan that will optimize the client's overall business strategy." Later, Steir and his colleagues would also handle the million-sf



JACQUE DUCHARME

President

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AOL Time Warner world headquarters deal in a complex being developed in Manhattan's Columbus Circle. They also remain involved as Time's development advisor.

Many local deals arise from Studley's coast-to-coast locations, with one office generating assignments for one or more of the others. That's how the Steir team got to work for international consulting giant Accenture, which last fall agreed to take five contiguous floors comprising some 200,000 sf at 1345 Ave. of the Americas for its New York regional headquarters.

"We have represented Accenture and its predecessor firm on a national basis for the past three years," notes executive VP John J. Goodman. He had co-managed Studley's rapidly growing Chicago office with Jacque Ducharme since 1988, and after the latter was named company president became co-manager with Joe Learner, also an executive VP. Additionally, Goodman and Learner are both members of the firm's board of directors.

It is from Chicago that Studley directs all of the real estate activities for Accenture. As part of that assignment, more than 130,000 sf of Chicago space, plus expansion options, was negotiated at 180 N. LaSalle St.

Studley won the account, according to John M. Hogan, Accenture's director of real estate, after the firm and five other national competitors were invited to submit proposals for servicing the business. Each of the real estate organizations was pre-qualified as having the necessary geographical coverage to accommodate a client with some 100 offices in this country alone. "We chose Studley," Hogan says, "based on the commitment that their very senior people would work on our transactions, and it has played out exactly that way. We still deal with other brokers where appropriate, and the Studley people work well with them."

Joe Learner is the Studley point person for the Accenture activity, which besides the New York and Chicago leases has involved negotiation of major space commitments in such locations as Dallas and St. Petersburg, FL. "We have only three people in our in-house real estate department," Hogan discloses, "which would not be possible if we didn't rely on Studley for a variety of services, including the financial analysis they did of space utilization in all our offices."

Among the types of clients that Studley frequently services, major law firms rank high. Goodman recently estimated that of the country's 100 largest law firms, the company has worked with more than 80 of them. In addition, Goodman led a Studley team that in 2001 negotiated 225,000 sf of headquarters space for the American Bar Association at 321 N. Clark St., which was among

Downtown Chicago's largest leases of the year. "It was one of the quickest major deals that I have ever worked on," Goodman says. "It took just one year from start to finish."

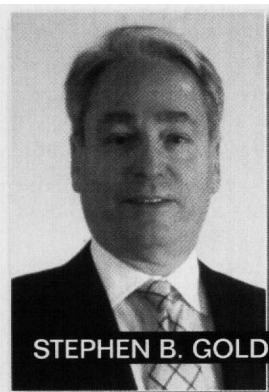
Other more recent sizeable space commitments for law firms negotiated by Studley brokers included the 230,000-sf relocation of Jones Day to 222 E. 41st St. and a 60,000-sf lease for Goodwin Procter at 599 Lexington Ave., both closed by Steir and his team in Manhattan.

Perhaps nowhere do law firms fuel the business of a local Studley branch more than in the nation's capital. A team led by Lois A. Zambo, executive VP and co-manager of the DC office as well as a member of the Studley board of directors, has completed a number of these transactions.

When two multi-city law firms merged in 1999 to form Nixon Peabody, Zambo and her associates played a key role in negotiating better than 75,000 sf of space at 401 Ninth St. NW to consolidate what had been separate DC offices into a single location.

Tina Wilcox, managing partner of the newly merged law firm's outpost in the capital, was most impressed with the way the negotiations proceeded. "The Studley people are strong, dedicated and knowledgeable," she says. "That, along with their energy and professionalism, makes them a joy to work with."

Apparently the feeling is mutual. When Zambo and her team began handling the Freedom Forum, an international media foundation seeking to relocate from the DC suburbs to a much larger Downtown facility, Nixon Peabody was invited to provide legal assistance on the complex real estate transaction. By educating the community and local government about Freedom Forum and its media museum, or "Newseum" as it is known, Studley helped develop wide support. This eventually led to governmental acceptance of an all-cash \$100-million offer for a site at Pennsylvania



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STEPHEN B. GOLDSTEIN

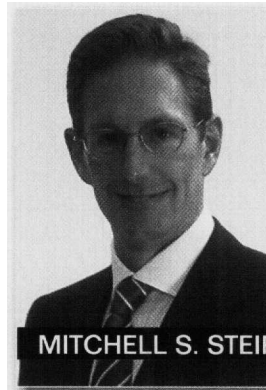
Senior Vice President

Avenue and Sixth Street. The 476,000-sf project, which will allow the Newseum to more than double its size, will include the foundation's headquarters offices, international conference center, restaurant, retail facilities and around 100 condominiums.

That purchase, Zambo points out, is a perfect illustration of how the firm often forges the type of relationship that leads to repeat transactions with the same client or one of its offshoots. More than 20 years ago, her team negotiated facilities in Northern Virginia for the Gannett Co.'s launch of its national newspaper *USA Today*. More recently, the Zambo group relocated the newspaper and Gannett's corporate headquarters to an 800,000-sf building erected for them in Tysons Corner, VA. After Al Neuharth retired as chairman of Gannett, he became head of the nonprofit Gannett Foundation that had been endowed with Gannett stock, changed the name to the Freedom Forum and opened the Newseum. When the foundation sought to expand in a higher-profile location, not surprisingly Studley got the call to help.

Similarly, a long-term relationship with a client may even posi-

tion the firm for owner representation, of which it does relatively little. That, according to Stephen Goldstein, is how Studley became the leasing agent for the new 10-story, 500,000-sf DC office building at 101 Constitution Ave. on behalf of the owner, the United



MITCHELL S. STEIR

Vice Chairman

"Our culture is about tailoring a real estate plan to optimize the client's business strategy."

Brotherhood of Carpenters and Joiners of America. The assignment flowed from a decade-long contact with the union during which the Studley people convinced the client that its Constitution Avenue parcel, improved with a 35,000-sf facility, was vastly under-built and should be redeveloped. While the union occupies the new building's top floor, the balance of the space is being successfully leased out through the agent at just about the highest office rents in the market.

Studley, however, will not manage 101 Constitution, Goldstein emphasizes. "We don't do any property management," he explains. "It's too people intensive, only profitable if you do lots of it and is a business we just don't care to be in. Those in our investment sales division might obtain more deal opportunities if we did, but they also recognize the benefits of working on a continuing basis with major tenants that we represent, many of them owning real estate or needing to own it. Having seen the success of bringing together our investment sales people with our leasing people to serve the needs of our clients, it's the kind of thing we expect to pursue more aggressively."

There are a number of other avenues keeping the firm on a steady growth course, Julien Studley maintains. Acting on behalf of tenants in a down market can sometimes be the best situation there is for the firm, he stresses. Bringing a good-credit tenant to a building, for example, can greatly assist an owner in obtaining low-interest-rate refinancing, thus monetizing a property investment to the max. Another opportunity fostered by recession is that more large corporations considering outsourcing real estate work to specialist firms. Last but not least, says Studley, a business downturn softens the labor market and makes it possible for organizations like his to hire personnel not as readily available in boom times.

The firm continues to be in a position to add uniquely qualified people because during commercial real estate's wildly expansive years of 1999 and 2000, internal growth was held in check. "We added offices in Dallas, Denver and South Florida to round out our national coverage," notes Jacque Ducharme, "but we never bulked up just to have more people. We have always sought to be right-sized and, as a result, have avoided substantial layoffs in the past year."

Studley not only seeks to attract highly experienced brokers and analysts, it also recruits entry-level talent right out of college—sometimes by way of an active intern program.

"Women represent an increasing complement of the hires in our DC office," says Lois Zambo. She was the firm's first female salesperson and has risen through the ranks to executive status. Today, women account for nearly one-third of the sales staff in

Washington. "A woman looking for a job in commercial real estate in this area will often contact us first," she observes. "I guess there's a comfort level for them here."

Given his many years in the industry, Julien Studley had seen all sorts of real estate cycles come and go and was confident that the company had learned how to prosper in just about any business climate. Then came Sept. 11, which had an unparalleled impact generally and, in an especially personal way, on the Studley organization.

Its Downtown Manhattan office was on the 86th floor of the World Trade Center's North tower. Eight brokers and four support staff worked out of the branch and two people were lost. Within a matter of days the company had established a memorial fund for the families of the victims. Meanwhile, surviving personnel began working out of the Studley office in New Jersey and at company headquarters in Midtown Manhattan, which was also utilized temporarily by some Studley clients displaced by the destruction.

Over the next several weeks, either Julien Studley or Jacques Ducharme visited each of the firm's offices around the country. Ducharme feels that this shared grieving helped facilitate the healing process and brought everyone in the company closer together. Actually, both of them point out, much had already been done over the years to instill a feeling of unity in the organization through an annual trip (this year to Yosemite National Park in California), summer outings and other regular get-togethers. As a result, team members in different offices have gotten to know one another and frequently work together on joint efforts.



"Women represent an increasing complement of the hires in our DC office."

LOIS A. ZAMBO

Executive Vice President

Similarly, collegiality is the rule at individual offices where not only does each team function as a unit but often in cooperation with others. "In the case of my own team in Chicago, about 60% of the business we've done in the past several years was in conjunction with other teams," says Goodman.

Company gatherings also provide learning opportunities, some focusing on developments in technology and its impact on how deals are transacted. At training sessions run by chief technology officer Jeff Hipschman, attendees are briefed on the company's full range of cutting-edge, tech-related resources that they and their clients can utilize to streamline the process. Available web tools include a secure intranet system as well as a more general site at www.studley.com. National and market-by-market office space data are available there, as well as in quarterly published reports.

"One of my responsibilities," Hipschman says, "is to move the organization forward in technology, which not only helps us but also those we work for to be more effective and productive. Even though many of our clients have their own information technology departments, we want to make sure that everything operates seamlessly." Studley's IT unit has grown from an essentially one-person department when Hipschman arrived seven years ago to seven staffers based in the New York headquarters and one person in

each of the other 14 offices that devotes at least some time to local tech support.

Despite its size and operational scope, Studley has remained privately owned by people who work there. Awhile back when several of its major competitors were going public to raise expansion



JOHN J. GOODMAN

Executive Vice President

"In Chicago, about 60% of the business we've done was in conjunction with other teams."

capital, management considered a similar step. The firm also considered going overseas via the acquisition route. "Ultimately we decided not to do it," says Julien Studley, "which turned out to be the best thing we could have done."

Instead, in early 2000 Studley and Britain's Lambert Smith Hampton founded the Global Property Alliance. Since then, seven additional member firms have joined a partnership that provides cross-border real estate servicing in much of North and Latin America, Europe, Asia Pacific and the Middle East. Thus when Lambert Smith Hampton client Brookam Technology sought US space, Studley was available to assist in locating the UK-based tenant at a 150,000-sf facility in Columbia, MD.

Assessing the future, Jacques Ducharme lists among the firm's top priorities "keeping very close to past clients because these are your best prospects." Meanwhile, systematic internal research proceeds on potential new business opportunities. As for being president of a firm headquartered on the East Coast while operating from San Francisco where he is also West Coast regional manager, Ducharme sees this as being entirely compatible with the anticipated servicing upsurge in his part of the country.

Even as key Studley executives continue to define what the firm does in tenant representation, they are quick to emphasize that in a new century this may often extend well beyond leasing space. As noted, the firm's Washington, DC branch is working with owners of several new projects and so is the Manhattan office, where Mitchell Steir's team has been representing Argent Ventures on the redevelopment of much of Manhattan Mall at 100 West 33rd St. from retail to office usage. Bank of America has already signed for two full floors aggregating 180,000 sf, some of it to replace facilities lost at the World Trade Center.

"The skills that our firm has developed in its tenant representation business, coupled with our recent involvement as development advisor on some of the city's important development and redevelopment projects, will be in growing demand," Steir predicts.

The Washington office has secured more federal government-related business, such as representing the Department of Transportation during the past four years on various real estate issues relating to the agency's new 1.4-million-sf headquarters. Other Studley offices have handled state and local government assignments.

For Stephen Goldstein, today's highly uncertain real estate market environment has required everyone in the Studley organization to "dig in our heels. We're long-term players," he adds. "We don't make deals and disappear." ■