

# Combining Consulting and Brokerage

An Interview with  
Michael Geoghegan, Vice Chairman, CBRE Group, Inc.

**EDITORS' NOTE** Michael Geoghegan is Co-Head of the Consulting Group at CBRE Group, Inc., in Midtown Manhattan. Previously, he was a U.S. Navy pilot and subsequently a principal with the Trammell Crow Company, responsible for development, transaction structuring, sales, and financing of commercial projects in the Mid-Atlantic area of the country.



**COMPANY BRIEF** CBRE Group, Inc. (cbre.com), a Fortune 500

and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm. The company has approximately 44,000 employees (excluding affiliates), and serves real estate owners, investors, and occupiers through approximately 350 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

## Has a full recovery taken place in the New York real estate market?

A full recovery has taken place, perhaps to the point where it's even stronger than we were pre-crisis. New York has always been thought of as the financial capital of the world, but was viewed by many creative and technology companies as too expensive. However, in a search for global talent, a greater variety of industries have since concluded that there is no place better than New York to grow their businesses.

In some respects, the rising residential markets have led the commercial market recovery by fueling the popularity of New York and further broadening our talent pool.

## In a market with a number of leading real estate firms, what is the CBRE advantage?

Thirty years ago, Ed Gordon understood that real estate required a variety of skill sets and areas of expertise. Our world was comprised primarily of brokers who thrive in a competitive environment, and who have incredible market smarts, vision, and strong negotiating abilities.

Ed also realized that he needed to talk to corporate America, to sit down with CEOs and CFOs to build strategic plans and help them structure transactions that are favorable to their balance sheets. So he grew what we refer to as the Consulting Group, which when combined with brokerage has been our recipe for success.

Today, CBRE's Consulting Group employs more than 40 professionals with advanced degrees in disciplines such as business administration, architecture, finance, engineering, accounting, and law. It is this extraordinary diversity of perspective that makes it possible for the Consulting Group to drill down and holistically examine our clients' needs and priorities, providing them with a distinct and competitive advantage in the marketplace. The group's unmatched record of success is recognized in the number of regional real estate awards for creativity in deal-making that the industry has bestowed on us for our work.

Here in Consulting, we have a group of people who are all about collaboration; we share our information and our best practices, and we try to determine ways to better service our clients.

## How do you define the role of the Consulting Group?

To complement our real estate brokers, who focus on identifying market opportunities, understanding market pricing, and assisting in the creation of strategic real estate solutions, the Consulting Group focuses on empowering customers as they navigate the complex process of seeking and evaluating occupancy strategies that will address their needs. We are skilled at getting beneath and behind our customers' operational and financial needs by critically examining the impact of real estate on their income statements and balance sheets. We provide our clients with a range of strategies by customizing scenario-based financial analyses in order to help clients better understand occupancy strategies that are not only viable but compelling. Our services investigate all types of lease and ownership structures. It is this full penetration into every aspect of our clients' real estate, from initial needs analysis to scenario planning, site identification and review, to final implementation and follow-through that makes us inimitable.

## Have the deals become more complex today?

They are very complex. There are a lot of nuances in the New York marketplace that make it challenging and, given the size of the transactions, these nuances get magnified.

There are a lot of dollars at risk, so you need to have an in-depth understanding of every issue, from real estate taxes and operating expenses to creating appropriate flexibility within an organization's space envelope. Almost every area that is addressed within a lease has huge economic implications. We are adept at identifying and organizing pertinent issues and viewpoints, and can skillfully lay them out in a manner that promotes focused dialogues that facilitate consensus.

## Are you primarily focused on the larger corporations or the growth companies?

The bread and butter of our industry are the smaller transactions.

The average transaction in New York is a little less than 15,000 square feet. Every tenant is not a behemoth.

You always have to think creatively. On big deals, you can set precedent. So when you understand how to deal with the complications of a large deal, that same attention to detail goes into every deal, no matter the size.

I think CBRE is often the choice of large corporations because of the unique consulting-brokerage mix we bring. We are the industry leader in our implementation of large transactions; however, we are positioned for the everyday marketplace, and this type of activity makes us relevant in the industry.

## Is there a number at which you say the market is healthy?

We used to say the market was in equilibrium at 9 percent availability. Yet, today, we have a marketplace with an 11 or 12 percent availability rate and, at that number, we're still seeing rising rents and a tightening market. Our current market is actually very healthy. It's not a landlord- or tenant-favorable market. There is good clarity on pricing and an ability for organizations to make long-term decisions in concert with their strategic plans.

Even though there is excess space at an 11 percent availability rate, there are limited opportunities for many large space users. Therefore, we continue to explore and reinvigorate new neighborhoods within Manhattan. Our group has continually been at the forefront of structuring transactions for new development within this city. ●