

**E&Y's Distress Group: Be Wary of Glacier Effect**

# Real Estate **Forum**®

June 2010

## **Guiding Principles**

The team at Voit Real Estate Services adapts to the ever-changing market while staying true to their founder's vision

**PLUS:**

**Alternative Plays:  
No Longer Niche**

**The Public Option Returns**

**Go LOCAL In...  
Southern California**

Real Estate Forum Digital Edition: [www.reforum.com](http://www.reforum.com)

An **ALM** Publication



# Staying True To Guiding Principles

26 REAL ESTATE FORUM JUNE 2010



From left: Brian Malliet, COO and managing partner;  
John Strockis, executive managing director, asset services;  
and Robert Voit, founder, CEO and managing partner.





Photo by John Connell

## Voit Real Estate Services remains true to its founder's vision nearly 40 years ago as it pushes forward through the downturn

By Natalie Dolce

**C**hange in the midst of adversity. That seems to be the mantra for Newport Beach, CA-based Voit Real Estate Services. This last recession, during which the firm embraced a whole new direction, is only the latest iteration of that mantra. And yet, though change and growth dot its history, the firm remains focused on its founding strategy. As a result, it is committed to the Western US and has no intention of becoming national or international in scope. Voit's story lies not so much in what it has accomplished as much as what it has accomplished while remaining grounded in its root values.

In early 1971, when Robert Voit, founder, CEO and managing partner, was figuring out the path and scope of his company, he thought about all the cities, people and cultures that he had visited around the world. Would his company attempt to spread its net internationally or stretch to be built on something more personal and manageable? He picked the latter.

"At the time, I said, 'I'd better tone that down and grasp something that I can feel is part of me,'" Voit says. And so it was settled: His company would be focused on Denver and all areas west.

That's not to say that some clients haven't tried to pull the company in a national direction. Voit has had opportunities out of its market—for example, in the Midwest, where it has been asked to develop on a large scale for major clients—but turned them down. "After the exhilaration of winning the contract would come the 3 a.m. thoughts: 'Does this really fit? Can I really do this job right?'" Voit says. "The answer is, 'No, I can't. It's beyond my scope. There are others who can operate nationally or internationally, but that is not what I want to do. That's not where we belong.'"

But within that strict focus remains the need to change as market conditions dictate. So in March of last year, Voit launched the most extensive rebranding effort in its nearly 40-year history. In order to meet the realities of a market that was changing dramatically with the economic downturn, the company decided to expand its efforts into asset services. So the Voit Cos. became Voit Real Estate Services to reflect that new commitment.

But this was not the first time the company had steered a new course to



meet the market's needs. Twenty years ago, during the last downturn, Voit focused on property management because that was the level of service that appealed to the distressed market then. Voit had approximately 22 million square feet of management contracts at the time.

Now the firm has directed its energies into asset services because it sees huge potential in that sector of the market, both now and for years to come. At a time when many real estate companies were in the midst of retrenchment, Voit made major investments, hiring experienced professionals like 24-year CB Richard Ellis Inc. veteran John Strockis, executive managing director of asset services, as part of its rebranding move.

And while making those investments might have been seen as risky to some, Voit saw it as organic growth. "What's the risk if you are already in the game?" asks Brian Malliet, COO and managing partner, and former bkm Development Co. president, who was brought in to spearhead the initiative. Malliet, who originally joined Voit in 1988 and worked in both brokerage and development before his tenure with bkm, rejoined Voit in February 2009 as a partner. "If you are outside of the game and attempting to gather together the correct services through strategic alliances, you might look at it as risky, but Voit has in one form or another been providing these services to financial companies and institutions for the past 39 years."

The company also made investments—these revolving mostly around technology—in order to manage information flow in a manner more in keeping with its new direction. Its computer systems and software had focused on silos of information and on results already realized, so Voit hired Jeff Doan, formerly with Watermarke Properties, to analyze, acquire and implement an entirely new management information system and software platform. Now, the firm can aggregate information, do sensitivity analyses and mine this data to forecast future results.



"It is one thing to say that you are innovating," Strockis says, "but you have to have the bucks and the courage to do it. Bob believed that a lot of commercial properties were going to go into default and lenders, financial institutions and special servicers would need to create value. He wanted to have a team ready to handle the real estate needs that the pent-up demand was generating."

Strockis was hired in May 2009 to integrate Voit's various services. In order to figure out what Voit's clients' needs would be, Strockis and his team started "creating relationships with the lenders by talking to them in a very non-transactional way," he says.

From that, the company built the asset platform that exists today, which is really the sum of its individual services, so it can bring value back to foreclosed properties. The company provides a single point of contact for properties and portfolios, including

## Voit at a Glance

Founded in 1971, Voit Real Estate Services started out in the San Fernando Valley near Los Angeles and originally had a development mindset. The company launched a property management arm in 1973 and a construction arm in 1975, based in Sacramento. Its Orange County, CA-based brokerage firm started in 1987, as ancillary services to its primary development activity. One of Voit's best-known developments is the 2.9-million-square-foot Warner Center Plaza and Warner Center Business Park in Woodland Hills, CA, which helped to transition the West Valley in Los Angeles into a thriving upscale business workplace. Another large accomplishment was in Van Nuys, CA, where the company transformed vacant land into a state-of-the-art entertainment and retail center and an 800,000-square-foot industrial park.

A privately owned and operated company, Voit now employs approximately 170 people; has owned, developed and managed more than 45 million square feet of commercial real estate; has participated in \$1.3 billion of construction projects; and has completed more than \$32 billion in brokerage transaction volume.

asset services, brokerage, construction management, development services, property management and strategic planning, as well as financial modeling, entitlement work, financial reporting and development of exit strategies.

To help round out the team, in August 2009, Voit brought in former Grubb & Ellis Co. EVP and managing director Kurt Strasmann to head its Orange County and Inland Empire operations. The firm also added former Buchanan Street Partners VP Matthew Stephenson as an asset manager; former Opus West and Trammell Crow Co. real estate professional Christopher Wood as its managing director for San Diego; Barb Rea as marketing director; and former CBRE senior vice president Kevin Sheehan as managing director in Sacramento.

The strategy for the asset services platform, Strockis says, "was to cast a wide net because each financial institution and special servicer has different needs." Some banks, for example, are ready to sell now, he says, whereas others are ready to foreclose on assets and hold them until their values increase.

Bob Voit points out that many of the entities that now own or control real estate are populated by people who have an analytical or financial orientation but little or no experience in real estate. His belief, when dealing with banks, financial service companies and Wall Street firms, is that "Our opportunity is to be their surrogate owner."

That means, "We don't want to meet them with the quick-fix answers," Voit says, noting that his company analyzes its clients' assets just as it would its own. "We want to peel the layers off the onion and discover the inherent economic potential."

On this point, Strockis says that Voit isn't trying to up-sell the property manager into an asset services role. "That doesn't give clients what they need," he explains. "An asset manager is essentially the responsible party for overseeing all the elements that will create value for a property," he says. This includes overseeing the property management and leasing teams and devising a strategy for positioning an asset in the marketplace, as well as identifying capital and operating expenses to help formulate the asset business plan, especially if it is distressed real estate.

What's thrilling, Voit says, is to walk into the office of a client who may have just foreclosed on an asset. "They are so entrenched in a variety of things, and the property is basically in cardboard



boxes along the wall," he says. "We get into those boxes, root around and examine documents. We can take on the challenges of this economic crisis and create opportunities for our clients to prosper."

Voit points out that the company's headquarters is the place where the real strategizing and analysis takes place, "but it goes hand-in-hand with having boots on the ground." And the company will take assignments only where it can put boots on the ground. "We don't think we could do a very good job on a property in Alabama. We would be thrilled to be called upon to analyze a selection of properties there. We can deliver the brainwork, but brainwork doesn't go far if you don't have the delivery system." It is one thing to get the contract, the CEO says, but another matter entirely to deliver.

Yet Voit executives concede that while this hands-on approach is the company's strength, at times it can seem like a limiting factor. "Our style," he says, "is more intensive and hands-on, so it will be more limited in scope. We are choosing quality over quantity."

Voit's hands-on approach starts as soon as the company gets the initial assignments from major financial institutions and banks to take on their distressed assets. The first course of action is to create an asset business plan by first collecting the sales and leasing comps, working with the best brokers in a local marketplace to collect data. "Since there are very few properties trading, we have a rigorous collection process," Strockis points out.

Once Voit is comfortable understanding the current market conditions, it will use its construction company, Valley Commercial Contractors LP, to conduct a property-condition assessment. The construction arm will look for any type of capital expenditures required, such as a new roof or renewed lobbies, Strockis explains. Oftentimes, he says, "These properties were taken back through a foreclosure sale, so the note amount is higher than market value. We'll try to lease up the property as best we can for a three- to four-year period and make sure there are options to renew at a fair market value."

Sheehan says the firm's approach boils down to just doing the due diligence that these assets require. "Through the due diligence, we determine where the issues are with tenants, where the issues are with construction and make sure the property is current on all its payments—basically, advise them on what's best to do."

One principle that differentiates Voit from its competitors, say Voit and Malliet, is that rather than being a collection of unre-

operator with the breadth and depth of services we needed to manage and operate a portfolio of commercial properties in the midst of a foreclosure and beyond," says Larry Chapman, executive vice president and group head of commercial real estate for Wells Fargo. The firms have had a longstanding relationship spanning more than 35 years.

Sheehan points out that Voit talks to its clients at least a couple of times a week. "We have more of a partnership," he says. Voit's asset business plans are usually one, three or five years, Sheehan says. "This is a long-term deal, so we aren't so concerned if they sell a property today or tomorrow or five years from now, as long as they sell it and get the best value for it."

The lender relationships that Voit spent time building also seem to be paying off; the company was recently named asset manager on a \$150-million distressed commercial real estate portfolio in the greater Sacramento area, and was also named project manager and property manager on a portfolio across five western states worth \$100 million. (Both stories broke on *GlobeSt.com* last month.)

The \$150-million package consists of 12 assets totaling 500,000 square feet of retail, office, industrial and multifamily, including a 339-unit class-A apartment community, a 150,000-square-foot retail community center, a retail strip center and several office and industrial properties. "Distressed properties are distressed for a reason," Strockis says. "Our charter is clear: create value in the assets while minimizing risk to our client."

The other portfolio has a notional value of \$100 million and totals approximately 450,000 square feet in 12 industrial and office/flex assets. Voit will partner with the project receivers, TriMont Real Estate Advisors. "In this role, we will devise an orchestrated disposition strategy focused on repositioning the assets and reintroducing them to the marketplace," says Strockis.

Those contracts are just the beginning, Voit believes. With its rebranding and its focus on asset services, the company sees plenty of potential to expand while remaining true to its geographic focus. In addition to its headquarters, it already has California offices in San Diego, Anaheim, Irvine, and Sacramento, as well as an outpost in Las Vegas. And it might not be too long before the firm starts eyeing expansion opportunities in Western states where it does not yet have a presence, such as Utah, Oregon and Washington.

"We are growing rapidly," says Strockis, who can see the asset services division doubling in size over the next 18 months from 25 to 50 people. Part of that, he says might be a capital markets component. Whatever it turns out to be, one thing is certain: Regardless of Voit's evolution and transformation, it will remain true to its original vision. Bigger isn't always better. ♦



**"Distressed properties are distressed for a reason. Our charter is clear: create value in the assets while minimizing risk to our client."**

**JOHN STROCKIS**  
Executive Managing Director, Asset Services



**"If you're outside of the game and attempting to gather together the correct services through strategic alliances, you might look at it as risky. But what's the risk if you're already in the game?"**

**BRIAN MALLIET**  
COO and Managing Partner

lated service providers, it is a single company that can implement an integrated variety of real estate services as an integrated team.

Just ask the folks at Wells Fargo, who have enlisted Voit's expertise on a number of assignments. "Voit is an integrated real estate

Reprint orders: [www.remreprints.com](http://www.remreprints.com)