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Dynasties Reshaped Landscape

By Denise Kalette

As the U.S. economy confronts one of its biggest downturns in the past 50 years, with stocks sinking and banks faltering, a new generation of company leaders among the powerful family dynasties of commercial real estate are finding guidance in the principles laid down decades ago by their great-grandfathers and their fathers.

Jonathan Holtzman's grandfather, Joseph, emigrated from Russia in the early 1900s and swept floors at Henry Ford's factory in Detroit for $5 a day, the highest pay offered an unskilled laborer. With the discarded wood of factory crates, he started a successful homebuilding company. That lesson in frugality and ingenuity has stayed with Holtzman, chairman and CEO of Village Green Cos., which manages a portfolio of apartment properties valued at more than $3 billion from its headquarters in Farmington Hills, Mich.

As a young man, the late William Alter sold dresses from the trunk of his car, traveling to Tennessee and Alabama, before realizing his dream of starting a real estate company in 1955. He was a visionary who hired Olympian Jesse Owens as a spokesman decades before other companies signed African-Americans to advertise housing.

Alter created planned unit developments before most business leaders heard of them. In Skokie, Ill., his son Michael now leads The Alter Group, which has 4.5 million sq. ft. of space under development, worth $600 million.

Michael Alter knows that downturns are cyclical. Like his father, Michael looks ahead, not back, as he grows the firm. "There are always opportunities, you just have to find them and be ready to move forward when they present themselves."

In Irvine, Calif., developer Brandon Birtcher shows the drive of his great-grandfather, a Philadelphia carpenter who moved to the Golden State in 1911 and developed packing plants for the citrus industry.

The president of Birtcher Development & Investments built the 18-story Lakeshore Towers in Irvine with a 90,000 sq. ft. health club with rock climbing walls and a lake. Great amenities keep occupancy high, he says. Birtcher has created $500 million in projects in the last four years.

With 2009 shaping up to be a rocky ride for commercial real estate, the lessons passed down to these leaders take on heightened importance. Based on the boom-and-bust cycles they have witnessed and learned about, some leaders have slashed development plans and bought back company stock, while others have forged ahead with new projects.

What follows are the stories of five prominent families that have endured humble beginnings and setbacks. Each represents a different sector - office, hotel, industrial, multifamily and retail.

Hines Crafts Memorable Office Towers With Great Architecture Foremost In Mind

When Gerald Hines abandoned Gary, Ind. in the 1940s and followed his fraternity brothers to Houston, he had no idea he would traipse the halls of Congress with oilman George H.W. Bush, pressing for real estate legislation, or develop office towers in China.

Hines, a mechanical engineer, founded his company in 1957, building warehouses and signature office buildings. "I enjoyed great architecture and found ways to achieve what the architects had in mind at a reasonable cost. That's the basis of our firm," Hines says. He admired I.M. Pei, Frank Gehry and Philip Johnson, among others.

From single-story structures, he worked up to the iconic, 50-story One Shell Plaza. The company has since developed properties globally, from China and Russia to India and Brazil.

Privately owned, Hines has developed more than 215 million sq. ft. since 1957. It has offices in 16 countries and controls assets valued at $22.9 billion. When the founder reflects on the last half century, the signature architecture comes to mind. "That's been important to me, to be proud of what we've done," Hines says.

Since 1990, his son Jeff has led the company as president. He remembers when Houston was a financial ghost town in the 1980s, as the price of a barrel of oil slid to single digits and savings and loans failed. "Many of our competitors went by the wayside. We learned that in a really rough market, you've got to do whatever it takes to get your space filled." That may require reducing rents, but it also means building quality projects to drive occupancy, Jeff Hines says.

Today's credit crisis is one of the toughest father and son have witnessed. "We're seeing all kinds of distress - properties are going back [to lenders.] People can't meet their equity calls," says the elder Hines. The company is reducing new development by 50% to 75%, he says. "I mean, very drastic."

But Jeff Hines' strategy of creating Houston-based Hines REIT in 2004 and raising institutional funds has kept him optimistic. "There will be some good opportunities to buy and maybe take over other people's developments," the president says. "Times like these are no fun to go through, but we've found they generally create opportunities in other areas that you weren't expecting."

Savings and Loan Crisis Paved Way For Growth of Ashford Hospitality Trust

When Monty Bennett isn't at his desk as president and CEO of Dallas-based Ashford Hospitality Trust and CEO of Remington Hotel Corp., you may find him at home on the range, where the deer and the antelope roam.

Bennett, the son of Remington chairman Archie Bennett, who paved a path in the hotel industry in 1968, owns an 800-acre ranch in east Texas where he is erecting an eight-foot game fence to import Axis and fallow deer, zebra and black buck antelope from Asia and Europe. "We won't do much hunting with them, but they're beautiful animals. People love to come out and see them," he says.

Considering the pace that Bennett and his father have set in the industry, he may need the diversion. Since launching Ashford Hospitality Trust in 2003, the REIT's assets have risen from $130 million to more than $4.3 billion, Monty Bennett says. The elder Bennett built Holiday Inn, Marriott and other hotel brands before his son joined the firm in 1989, after earning an MBA from Cornell University's hotel program.

"We became the largest buyer of hotel assets from the RTC (Resolution Trust Corp.) in the country. We bought more than anybody did," Bennett says. The RTC was a government-owned entity that liquidated assets of insolvent thrifts after the savings and loan failures.

In the early 1990s, the duo bought non-performing loans secured by hotels from the RTC. "Many times where you do well is during those tough times," Bennett says. The company's strategy attracted prominent investors including George Soros and the Fisher Brothers of New York. The Bennetts snapped up hotels from life insurance companies and pension funds, accumulating about 200 properties from all over the country, mainly through sealed bids.

Bennett recalls the anxiety he felt prior to buying the 332-room Hilton in downtown St. Petersburg in 1995. The first mortgage was priced at a reasonable $5 million, but it came with a second mortgage and a sizable lien.

"There was just a big hairy deal totaling debt of $20 to $25 million." They bought it anyway and have held onto it for 14 years. Before the credit crisis, Ashford got offers of about $50 million for the property, says Bennett. "It's been a great investment."

The Alter Group Grew Build-to-Suit Business Model To National Prominence

When he was growing up, Michael Alter had no intention of joining the family development business, which evolved from building houses and apartments to developing industrial projects. "My dad would drag me to the office with him. I really did not understand what the business was about."

After he graduated from Harvard University and earned a law degree at the University of Chicago in 1987, he clerked for a law firm for a year as his father, the late William Alter, who founded the company in 1955, began to make decisions about the Chicago-area firm's future.

By then, Alter had developed $1 billion of real estate across the country. In addition to planned unit developments - groups of compatible land uses - he used a build-to-suit approach to industrial structures that drew new clients.

"I started to understand for the first time what he was doing," his son says. At 25, Alter felt that joining the firm would give him a chance to build on the tradition his father had begun. For the first year, he tagged along. "I got to sit in with my dad at meetings and shadow him around, carry his briefcase." As the company expanded in the Southeast, he learned the ropes.

In the early 1990s, Michael Alter became president and guided the group toward a more national role. In time, he added health care properties and student housing to the product mix.

"We've become a national player. Chicago's now maybe 20% of our volume, where it used to be 100%," he says. But the firm's bread and butter is still industrial and office properties. The Alter Group ranks No. 17 on NREI's list of top industrial developers for 2008 with 5.4 million sq. ft. developed in 2007.

The group is developing 4.5 million sq. ft. of space valued at $600 million, with much of it slated for completion in 2010. "It doesn't make sense to build anything new right now," Alter says. "There's not the demand, and rents don't support it." But he's not worried about the company. "We have very deep and strong bank relationships, so we're not really going to be impacted directly."

The oldest of Michael Alter's three children is a freshman in college, who doesn't know if he wants to enter the family business. Déjà vu. Alter won't pressure him. "He's where I was at that point. I don't think he really gets what we do here."

Sold On Multifamily Demographic Trends,Village Green Targets Young Professionals

Long before Houston, Dallas or Atlanta grew into big, modern cities, Detroit was churning out cars and building houses to shelter the workers who manned assembly lines. Young Joseph Holtzman's homebuilding company flourished in his neighborhood, a colorful district teeming with immigrants like him, where residents could catch conversations in Russian, Polish or German.

The young founder never graduated from high school, but his son Irwin graduated from the University of Michigan, while third-generation Jonathan Holtzman earned a master's degree. In 1978, he joined the family business, which then included a homebuilding partnership with the family of Nathan Silverman, and an apartment firm, Village Green, created in 1966.

By the 1990s, Jonathan Holtzman had bought out other family members and was chairman and CEO of Village Green Cos. based in Farmington Hills, Mich. Today, the company manages properties with a total value of $3 billion. Village Green owns about 12,000 apartment units valued at $1 billion. It has expanded into 12 states and has five offices in the Midwest with 1,200 employees.

Focused not only on new construction but also on renovation, Holtzman converted Chicago's historic Fisher Building offices to apartments. Some of Village Green's Chicago properties rent for $250 per sq. ft.

Targeting the 78 million children of baby boomers, Village Green is developing new apartments in Minneapolis, St. Louis, Chicago and Ann Arbor, Mich. "All of these developments will be urban, green building, and designed for this young professional that graduates college and rents before becoming an owner," Holtzman says.

Village Green provides more than a basic residence, emphasizing the importance of amenities and customer satisfaction. The company offers to allocate a percentage of a long-term tenant's rent toward the purchase of a home, and it also offers group discounts on consumer goods, as well as volunteer opportunities. Holtzman says that the approach helps Village Green achieve high rents and occupancies in its markets.

Atlanta's Ben Carter Expands Envelope with Innovative Mall, Mixed-Use Projects

If it hadn't been for an anti-nepotism policy, Ben Carter might have spent more time developing properties alongside his father at the Atlanta company Frank Carter ran with his partners. But the partners had instituted a rule preventing family members from becoming involved in activities beyond brokerage.

The Carter family had created a blueprint for commercial real estate in the city. In the 1930s, Ben Carter's grandfather, an attorney, drew up sale contracts that became the industry standard. In the 1940s, his father started the first commercial real estate brokerage and the Atlanta Board of Realtors as he developed offices, warehouses and land.

The company became Carter and Associates, developing the Cumberland Mall and other centers. Ben was a top broker, but he was stymied from developing projects by the nepotism policy. When Texas-based Vantage Properties offered a partnership in Atlanta in 1986, he accepted after his father said it would teach him the development game.

In just three years, he developed 2 million sq. ft. of office space and more than 1 million sq. ft. of industrial properties. "I developed a reputation as a successful office developer," Carter says.

He started his own development company, but rejoined Carter and Associates in 1989 as a partner after it ditched the nepotism policy.

At last, he could develop properties with his father. "My dad and I with his company developed a mall called Carolina Place together, up in Charlotte, N.C., and then unfortunately, he got leukemia in 1991 and passed away."

Ben was 39. When he left to form Ben Carter Properties in 1993, he took a group of executives with him.

Ben Carter created his own legend, building the 1.7 million sq. ft. $350 million Mall of Georgia in 1999 with Corporate Property Investors. "It was widely recognized ... as reinventing the mall prototype," for its mix of stores.

He built other malls and striking office towers, and now is developing the $1.5 billion Streets of Buckhead, a four-city-block mixed-use project that he says will bring Madison Avenue to Atlanta.

The dynasty continues, with no anti-nepotism rule. Carter doesn't believe in stifling talent. A son or daughter needs only to be qualified.