



CBRE to Move Corporate Headquarters From Los Angeles to Dallas

World's Largest Commercial Brokerage to Expand in Texas City



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CoStar News
Oct 29, 2020 | 11:31 AM

CBRE Group, world's largest commercial real estate property services firm, plans to relocate its headquarters to Dallas from its Los Angeles home of more than 30 years, a move that could provide cost savings as it shifts the brokerage's center of gravity to what is already its largest office.

The company said it does not plan to relocate workers immediately from its existing corporate seat at 400 S. Hope St. in downtown Los Angeles. Instead, it plans to build its workforce in Dallas, where it has its biggest employment hub, with roughly 3,150 workers.

“We’ve largely been running the company out of Dallas,” Robert Sulentic, CBRE’s CEO, told the Dallas Morning News. “We are happy to be moving here, and we are going to give Dallas a lot of growth.”

The news of the relocation comes as the company reported lower earnings and revenue as a result of the pandemic slowing the U.S. economy, though its results were better than analysts expected and its shares rose on Thursday morning.

The company has almost 90,000 square feet of office space in its existing regional office in Dallas at 2100 McKinney Ave., which is twice the size of its Los Angeles headquarters office. The brokerage firm could expand in Dallas with the help of local and state economic incentives.

“CBRE has been an integral part of the Dallas economy for years,” Mayor Eric Johnson said in a statement, noting that the decision “reflects confidence in our city’s immense potential.”

The city of Los Angeles did not immediately respond to requests for a comment on the move, which was first reported by the Dallas Business Journal.

The brokerage, which originated in California, has been based in Los Angeles since 1989 when it became CB Commercial after employees and investors acquired the company’s operations from Sears & Roebuck.

Today, CBRE has more than 100,000 employees in more than 530 worldwide offices and the value of its market capitalization was \$16.4 billion as of Thursday morning. It is one of only two commercial property services firms to make the Fortune 500 list this year of the largest publicly traded companies by revenue. It ranked No. 128, while

Chicago-based rival JLL placed No. 179 and employs more than 94,000 people across 80 countries and has a market value of \$5.26 billion.

Its planned move is the most significant corporate address change in the commercial real estate brokerage world since 2015 when Cushman & Wakefield said it would be moving its headquarters to Chicago from New York, where it had operated for 100 years, after a \$2 billion merger with DTZ.

When the company released its third-quarter earnings Thursday morning, its accompanying statement did not mention the company's pending move. Its scheduled morning earnings call was delayed until the afternoon.

Still, Sulentic hinted at broad changes in response to the coronavirus pandemic and economic downturn.

"We expect new secular opportunities to be created in the wake of COVID and are positioning our strategy and leadership focus and allocating our capital to make the most of them as this new cycle unfolds," Sulentic said in a statement.

After CBRE reported higher-than-expected revenue and earnings, its shares increased more than 11% in early trading on Thursday. Even so, its reported revenue of \$5.6 billion for the third quarter was 4.7% lower from the same time last year, and adjusted net income slid 9.2% from third-quarter 2019 to \$245 million.

Dallas Focused

The company's headquarters move may have been influenced by the brokerage acquiring Dallas-based development business Trammell Crow Co. in 2006.

Sulentic was president and CEO of Trammell Crow when the companies merged. He took the top role at CBRE in 2012.

Sulentic already splits his time between Dallas and Los Angeles, with other senior leaders in the firm being based in Dallas, including Leah Stearns, the firm's chief financial officer, and Mike Lafitte, the global CEO of CBRE's real estate investments business segment.

Trammell Crow maintains a significant presence in Dallas, where it is still based. CBRE's relatively new coworking arm Hana got its start in Dallas, with its first location near the firm's regional office in Uptown.

CBRE has been the subject of speculation that it would move its corporate headquarters to Dallas that's been "on again and off again for 10 years," said King White, president and CEO of Dallas-based Site Selection Group who is not involved with the CBRE deal. He said he's not surprised to hear the real estate services firm appears to be making plans to follow through with such a move.

"Most of the senior-level executive team is in Dallas and the business climate in California is not ideal," White said in an interview with CoStar News. "We also often see these moves if a company is going through a right-sizing or a transformation phase of their business. We tend to see this type of movement in a recession or in a down cycle."

The brokerage's plan to move to the central United States comes as there's been a larger corporate exodus out of the Golden State, one of the most expensive states to do business in the nation.

By moving a corporate office from California to Texas, executives can often hire the same employee profile at a 20% discount in the Lone Star State compared with a West Coast peer, said White. Texas also has a business-friendly environment with no state income tax and a lower cost of living compared to California, he added.

For example, the median house sold in the Los Angeles this year was \$640,000, almost double the median price in Dallas-Fort Worth at \$322,000, according to the Urban Land Institute.

"Companies like CBRE no longer view the corporate relocation process as a way merely to shuffle their people and move their real estate, but also as way to re-calibrate their image, to remind the marketplace that the company is fiscally prudent and fiscally

disciplined,” John Boyd Jr., a principal at the consulting firm The Boyd Company in Princeton, New Jersey, told CoStar News.

Several West Coast companies have relocated or established major hubs in Texas as a way to combat California’s high salaries, high rents and high income taxes. Companies such as Uber, which is establishing a major base in Dallas, and Apple, which is opening a second campus in Austin, received lucrative incentives from the Texas Enterprise Fund, which offers “deal closing” grants when the Lone Star State is competing with other states for companies to expand.

Texas also allows companies that relocate to the state to deduct relocation and moving expenses from their taxes.

Fortune 500 companies that have relocated their official headquarters from California to Texas include Toyota North America, McKesson Corp., Jacobs and Occidental Petroleum Corp., which moved from Los Angeles to Houston in 2014. San Francisco-based Charles Schwab Corp. will join the list once its relocation to Dallas is official Jan. 1.

Officials in Dallas said CBRE would be the 11th Fortune 500 company within its limits.