

T3 Advisors adds to hot competition in valley leasing market

Silicon Valley/San Jose Business Journal -
October 13, 2006 by Sharon Simonson

A New England-based commercial real estate brokerage that specializes in representing startups and mid-stage high-tech companies is looking to transfer its success and expertise to Silicon Valley.

T3 Advisors, which boasts a client roster of 150 companies in the life sciences, venture capital and financial services sectors, has opened a small Palo Alto office and has begun work in the region on behalf of several of its East Coast customers.

It also has retained the former director of real estate and facilities planning for Macromedia Inc., Jim Morgensen, to lead its effort. San Francisco's Macromedia was acquired by San Jose's Adobe Systems Inc. last year. The company creates software to design and display Web sites, among other things.

Before Macromedia, Mr. Morgensen worked for the valley's Silicon Graphics Inc. and Citibank, handling their real estate needs.

But local brokers, some of whom also represent tenants only, say the regional field is a crowded one with the likes of Studley Inc., Cresa Partners and a division of Trammell Crow Co. already occupying the "tenant-rep" niche. Both Trammell Crow and Studley have pushed hard into the Silicon Valley market in the past several years.

Beyond that, NAI BT Commercial Real Estate, an established Bay Area brokerage, is renewing its commitment to the valley, opening new, upgraded offices in Palo Alto. They are to be joined in Palo Alto shortly by global real estate services behemoth Jones Lang LaSalle, which is also opening a new

office in what is arguably the valley's most prestigious corporate address.

Los Angeles-based CB Richard Ellis opened a new office in downtown San Jose following its merger with Insignia Financial Group Inc. in 2003. That office, led by Silicon Valley veteran Mark Schmidt, also has pursued local business with intensity, succeeding particularly well in the investment-sales arena.

Based on their own experience cracking the Silicon Valley nut, brokerage executives say that existing relationships often held by the region's long-term players can sometimes supersede ability when firms go about selecting a real-estate advocate. While wishing T3 luck, George Fox, an executive vice president for Studley, who opened that company's Silicon Valley office a little over three years ago, says he has found breaking into the valley a challenge.

"It's not easy," he says. "The local brokers like CPS and Cornish & Carey have been here a long time and are well entrenched. They have relationships that many times will trump us, even when we think we are better qualified for a job."

He also notes that Studley, too, has strong ties to the technology, biotech and venture capital industries, and, like T3, also picks up recommendations from VCs to advise their start-up firms.

His observations are echoed by Scott Kinder, Cresa Partners principal in San Jose. Cresa also specializes in life science and high-tech companies.

"At the end of the day, people want to work with other people that they can trust," Mr. Kinder says, sometimes leading executives to chose brokers based on a long-standing relationship as much as on expertise.

But T3 cofounder and managing partner Roy Hirshland says landing Mr. Morgensen gives substantial impetus to his firm's decision to enter the Northern California marketplace.

The move is an obvious extension for the firm, which has its roots in one of the country's most recognizable high-tech clusters, Mr. Hirshland says. Silicon Valley, however, represents a much larger potential business base and therefore greater opportunity. T3 is financing the expansion, he said. He declined to quantify the investment thus far or to release his company's annual sales.

"We are obviously excited about getting into the largest technology market in the world," Mr. Hirshland says. "But we are more excited about Jim and what he brings to the table."

That includes a steep understanding of real estate concerns from the corporate perspective, including issues such as accounting for lease liability under Sarbanes-Oxley, the nexus between office space and employee retention and productivity, and using space efficiently to limit expensive, unnecessary expansion.

Three T3 clients based in the Boston area speak glowingly of its services. While Mr. Hirshland forwarded the companies' names to the Business Journal, none of those contacted said they had been screened to receive a reporter's call.

Dan Ryan, real estate director for RSA Security, has done business with Mr. Hirshland and his partners for over a decade, both during his three years at RSA and before then. T3 was founded in 2001, though its principals were active in the

Boston commercial real estate market before then.

RSA was recently acquired by EMC, a New England company with a substantial Silicon Valley presence.

"They don't just call you when you are a year out from lease renewal. They call regularly to ask, 'Can I help?'" Mr. Ryan says. "It's a partnership as opposed to an arms-length transaction."

Mr. Ryan oversees 900,000 square feet of real estate in 60 locations, but many high-tech companies don't have his counterpart, particularly smaller firms, he says. T3 understands the nuance of each company's needs.

Beyond that, he and other T3 clients say, the company has extensive lists of third-party service providers from attorneys to furniture sellers, all of whom it has vetted. That stable of providers is also incredibly valuable to him.

SHARON SIMONSON covers real estate for the Business Journal. Reach her at (408) 299-1853.