

Personnel File

Tale of Three Successions in the Old Dominion State

by Matt Slepín

An old adage in the consulting world says that everyone remembers things better in groupings of three. Using that golden rule, here's an analysis of three recent CEO successions, all of which are apartment REITs based in Virginia.

Earlier this year, Avalon Bay Communities announced that Bryce Blair, who had recently been promoted to president, was taking over as CEO from Avalon's founding CEO and Trammell Crow Residential stalwart Dick Michaux. Bryce was a long-term partner of Dick's and a logical successor to the post. Following a careful candidate-review process, Bryce won out over the external pool.

Consider the dynamics of this succession. AVB had recently completed a successful merger between Avalon and Bay Apartment Communities and is one of the industry's most widely respected companies. Dick and AVB's success would be a tough act to follow. I assume that there was a strong pool of outside candidates as well as internal candidates for the job. Nevertheless, at the end, AVB chose Bryce, a well-respected and logical internal choice. Could a stronger candidate from the outside have been found? Possibly. However, AVB made a thoughtful and strategic choice that favored staying the course and maintaining the culture with a strong internal leader rather than bringing in someone from the outside.

Avalon's neighbor 100 miles to the south is United Dominion Realty Trust, one of the first-generation REITs. Headed by a dean of the REIT world, John McCann, UDRT had always been a well-respected company. But somehow the past 10 years eclipsed them. Maybe it was its sleepy Richmond location or maybe it was bad luck in its core markets, but over the past several years, UDRT's stock price stumbled. Last fall, John McCann announced his plans to retire, and our firm was hired to help find a successor.

UDRT was probably the polar opposite of AVB. The company's stock was undervalued, its reputation had drooped, and it was a big player in secondary markets versus AVB's sexy supply-constrained markets. The opportunity for their new CEO was the opposite as well--a turnaround situation (with the opportunity to put in some long, hard work and create a real stock pop) versus succession at an industry leader. From a strong pool of candidates, UDRT was able to attract Tom Toomey, the COO of Aimco. Not surprisingly, Tom has already made major changes--he has hired a new executive team and has moved the executive offices to Denver. (Will the higher altitude bring the stock to new heights as well?)

The final example is just a teaser. Charles E. Smith Realty, as the name suggests, was formerly a family-owned business and one that, until very recently, was confined to the DC area. They are now in the middle of search for a new CEO. Now that you've heard a bit of the AVB and UDRT stories, what do you think the right solution to Smith's succession should or will be? Our industry will miss Dick Michaux, John McCann, Robert Smith and the likes of Ned Speiker, Milton Cooper and other first-generation real estate entrepreneurs who created many of our public real estate companies. With more retirements and mergers coming up, we expect even bigger challenges and surprises in bringing in new CEO-level leaders to our businesses. The combination of a generational shift and continued consolidation means that many of the familiar faces in our business are changing rapidly.

Tune in to follow the outcomes of these and other transitions.

(Author Credit: Matt Slepín is an executive recruiter based in the San Francisco Bay area.)