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Flexibility in development: Moghadan, AMB Property Corp.'s CEO, cites strategy for success

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MIT has long sought creative ways to apply engineering principles to other fields, and the MIT Center for Real Estate is no exception. Lately the Center has been exploring how systems engineering approaches that add flexibility to product platforms such as automobiles and aircraft can also be applied to real estate development (the Center-hosted Cambridge-Maastricht conference in October explored many "options-based" approaches).

MIT graduate Hamid Moghadan, founder of AMB Property Corp., an MIT/CRE industry partner, has been applying the principles of flexibility to real estate development for many years. He cites their use as an important driver in the phenomenal success of his company.

Though Moghadam's work at AMB keeps him as busy as a chairman of the board and CEO should be, he keeps his schedule flexible enough to ensure he can regularly present for MIT professor Gloria Schuck's "Leadership in Real Estate" class. On December 5th, via MIT/CRE's Learning from Leaders series, all area graduate students in real estate were able to benefit from Moghadam's insights into flexibility. At an 8:00 a.m. breakfast talk, he spoke candidly to students about his company's history and strategy.

Moghadam cofounded AMB in 1983 and led the company through its initial public offering in 1997, "my toughest business decision," he admitted in a recent San Francisco Business Times article. Since then the company has become an industry powerhouse, with \$13 billion of assets under management, \$15.5 billion with committed capital, and a property portfolio of 137 million s/f in 44 markets in 15 countries, with 2800 customers. The company has a strong presence in Asia, Europe, and North America, and most of AMB's facilities are located in port cities.

AMB's product is industrial - warehouses and distribution centers around the world. But while many companies focus on industrial properties, AMB specializes in a particular kind. "We have a unique strategy," Moghadam shared recently in a [nareit.com](#) interview. "We focus on high throughput distribution properties, or properties built primarily for speed as opposed to storage. Geographically, we focus on large metropolitan areas and infill sub-markets in these areas. Other REITs own high throughput distribution properties, but none focuses solely on this segment."

Moghadam expanded on the thought for his student audience, explaining that AMB places a great deal of importance on flexibility "optionality" in real estate. He explained two different ways that his company approaches it. First, AMB makes spaces as flexible as possible, so that the needs of a variety of tenants can be served "tenant optionality." But the company also considers "development optionality" the impact of increased land value on AMB facilities. As the value of locations increases (due to logistics demand, for example), alternative uses with greater value become more viable, and therefore more attractive. AMB then has the option of selling and/or developing.

While AMB's products are industrial, the company thinks of them as "logistics facilities." This

important distinction suggests a better alignment with, and understanding of, the business needs of the companies using the facilities. AMB customers are trying to manage their supply chain - get things from point A to point B as efficiently as possible. Moghadam noted that the two biggest modes of transportation for logistics are air and sea; but while more goods are moved by sea, the value of the items moved by air is greater.

Moghadam closed with two points further related to his company's successful use of flexibility. First, most people prefer any type of use over industrial use, so an alternative development is almost always preferred to the existing one. Second, the green development movement is also an "anti sprawl" movement, which encourages more infill development. Because AMB specializes in infill, the company's sites have become more attractive.

Moghadam has presented "leader to leader" talks every year for over 15 years in Professor Schuck's leadership classes. "It would be difficult - if not impossible - to find a more respected person in the real estate industry than Hamid," Schuck said. "He is an inspirational role model for our students, and for most people who meet him. The heart of the leadership course is leaders like Hamid who share their time, their passion, and their insights with us."

Recent speakers in the Learning from Leaders series include: Michael Topham, executive VP for Europe/Middle East, Hines; Bryce Blair, chairman and CEO, AvalonBay Communities; and Stephen Samuels, principal, Samuels and Associates.

Michael Mack is an affiliate writer for the MIT Center for Real Estate, Cambridge, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540