

Real Estate Titan Buys Douglas Co.

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Jon Douglas, who built his Westside company into the nation's third-largest residential real estate firm, sold the business to the owner of Coldwell Banker Residential Brokerage, the two companies said Thursday.

The deal marks the end of a 34-year career in the brokerage business for Douglas, but he will continue as a private real estate investor and developer. New Jersey-based NRT Inc. is the new owner. With the deal, the combined brokerage operations of Jon Douglas Co. and Coldwell Banker in Southern California will be run by Bob Le Fever, president and chief operating officer of Coldwell Banker Residential Brokerage-Southern California in Mission Viejo.

Douglas and his partners in the company will retire from the firm but continue on an advisory board, Le Fever said. Douglas expects most of the staff to stay with the company. Le Fever said there is little overlap between the two operations.

"The Westside is going to stay pretty much the way it is," he said. "There will be very little consolidation." Local offices will operate under the Coldwell Banker/Jon Douglas name.

Douglas is a dominant player on the Westside, along with Fred Sands Realtors, while Coldwell Banker had only a small share of the local market before the deal. Coldwell Banker is well-entrenched, however, in some other areas of Southern and Northern California and was the nation's largest brokerage firm even before the acquisition.

"This will make Coldwell Banker the No. 1 player in Los Angeles County, all of Southern California and the state of California," Le Fever said.

Douglas, who was board chairman, owned most of the stock in his company, which has 62 offices, 3,150 sales associates and sales of \$10.5 billion in 1996. He declined to disclose the sales price but said he sold only because the buyer made

a very attractive offer. "They gave me a good price and I thought it was time," said Douglas, 61. "I don't want to work for anybody."

The Bel-Air resident—who founded the company in Brentwood in 1971 and later moved the headquarters to Beverly Hills—plans to do real estate investment and development. Douglas—who was a football and tennis star at Santa Monica High School and Stanford University—started in the business as a real estate agent in 1963. Douglas was approached by the buyer and turned down its initial offer before it raised the stakes substantially, he said.

The Douglas firm was attractive because it was "the leading residential brokerage firm in California and had a commanding presence in the high end of the market," said Lloyd Greif, a Los Angeles investment banker who represented the Douglas company in the transaction.

Discussions also were held with other potential buyers, Greif said.

The new owners also found the Douglas firm attractive because of Le Fever's personal admiration for Jon Douglas and Coldwell Banker's high regard for the company, Le Fever said.

With the sale of the Douglas company to a national corporation, Fred Sands Realtors of Brentwood is the only giant independent residential real estate brokerage firm on the Westside run by its founder.

"We kind of like it," Sands said. "My feeling is that real estate agents and the public will put greater faith in a company headed by a person than a faceless company based in New Jersey."

Sands said he prefers competing against a national corporation rather than "an entrepreneur who owns his own company and is on top of things."

His company—which has 45 offices and 1,600 agents—is expanding, is not for sale and is looking for acquisitions, he said.

NRT Inc., the new owner of Douglas, is a venture of Apollo Management L.P. and

HFS Inc. of Parsippany, N.Y. HFS also controls the Century 21 and ERA residential brokerage brands.

"HFS is an extremely well-run company," said Greif, who, like Douglas, is a graduate of Santa Monica High School. "I think you will find in the future there will be a stepped-up pace of acquisitions by HFS."

He expects HFS to bring more technology to the real estate business, including electronic commerce that may include bundling various real estate services for sale to consumers.

The sale of the Douglas firm was announced one day after Douglas ended a franchise agreement with Prudential Real Estate Affiliates, but Douglas said the moves were not directly related.

Douglas and Prudential were considering parting ways before Douglas was approached by HFS, he said.

Some competing brokers think the transition to Coldwell Banker/Jon Douglas will be more difficult than when Douglas merged with a franchisee of Prudential two years ago.

"When Prudential and Douglas joined forces it was easier for the public to understand, because both names were equally well known," said John Aaroe, founder of John Aaroe & Associates of Beverly Hills. But Coldwell Banker is not as well known as Douglas on the Westside, he said.

"They have to educate people as to who and what they are about," said Aaroe, who worked for Douglas for about 20 years before forming his brokerage firm, which has five offices, in 1994.

But Douglas executives said Coldwell Banker's national and international networking and leading-edge technology will enhance service.

Aaroe expects some new brokerage firms to be formed in the wake of the Douglas merger as brokers leave.

"I am aware of two or three new firms that will open on the Westside," he said. "There's a lot of unrest and movement in the brokerage community."