



Report on Business

S&P/TSX 11,936.08 +8.49	Dow 10,442.41 -8.23	Nasdaq 2,289.09 -20.71	Dollar 97.62 -0.30	Gold 1,240.70 -17.60	Oil 77.82 +0.64
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COMPETITION

Home-grown brokerage takes on multinationals

When veteran Stephen Leopold returned to Canada after two decades away, he chose to join Avison Young, which is mounting an aggressive growth campaign in a crowded market

BY STEVE LADURANTAYE
REAL ESTATE REPORTER, MONTREAL

As Stephen Leopold walks the sunny streets of Montreal, he's stopped by a barrage of old friends welcoming him back to the city.

He's as close as it comes to real estate royalty in the city even though he was gone for almost two decades, most notably developing and selling two acres worth of food courts in the World Trade Centre in New York.

A third-generation real estate executive, he has represented tenants at most of the city's significant buildings, and been deeply involved in the province's politics since the 1970s.

He even served as executive assistant to Brian Mulroney during the eventual prime minister's failed leadership bid in 1976.

It's telling, then, that when he returned to Canada this year it wasn't to work for one of the large multi-national companies that dominate the country's commercial real estate industry.

He chose instead to work for Avison Young as the chairman of its Quebec operations. It's a 32-year-old Canadian company that has aggressively expanded through the recession, essentially doubling its employees to 650 when many other businesses either cut staff or held steady.

"I never thought that I would see the day that Canada's economy and banking system would be motoring while that of our best friends and largest trading partner would be suffering," Mr. Leopold said.

It's a crowded landscape for those who broker deals between landlords and tenants, with companies such as Colliers International, CB Richard Ellis, Cushman Wakefield and DTZ Barnicke all competing for the same business.

Avison Young's pitch to prospective employees has been that each office is owned by a principal or principals, and the performance of the group has a direct tie to compensation through profit sharing. The company also provides new employees with what it calls a "transition payment," although competitors prefer to derisively call it a signing bonus.

"Our structure contrasts with international companies



'A behemoth like [Brookfield Properties] is long overdue on the commercial real estate service side, and that's why I'm here,' says Stephen Leopold, the new chairman of Quebec operations for Avison Young. JOHN MORSTAD FOR THE GLOBE AND MAIL

THE MAKING OF A BROKER

He may have spent the last 20 years in the United States, but Stephen Leopold's roots are deep in Quebec. A snapshot:

EDUCATION

Westmount High School, McGill University Faculty of Law.

CAREER

Vice-president at Marcil Trust, founder of Leopold Properties. Moved to New York in 1993, where he built nearly two acres of food courts in the World Trade Centre. He sold his interest in the projects shortly before the terrorist attacks in 2001. Now he is chair of Avison Young's Quebec operations.

that are owned by someone else far away, where you work hard because you may get a commission rather than because you want to do what's best for your client and co-workers," said Avison chief executive officer Mark Rose.

Mr. Rose said the company made money – or at least didn't lose any – through each quarter of the recession and has been able to finance its growth internally. With offices already set up in Washington, D.C., and Chicago, it expanded into Houston and Atlanta this year, hoping its stable Canadian base will help it score business in more troubled American markets.

"The big prize here is that the big global companies are wonderful, but they are headquartered elsewhere and they take on the persona of their foreign head offices," Mr. Rose said. "We think it's incredibly important to clients that they have a truly Canadian company working for them."
DTZ Barnicke – with about

500 employees in Canada – was one of the companies hit hardest by defections. New chief executive officer Alan Colquhoun's first task upon arriving from Poland earlier this year was to redraw the company's commission structure to prevent further losses.

"Our competitors have taken to throwing us under the bus lately because we had people leave last year," he said. "I'm much more confident now that we've stabilized that, and we're in inherently better shape than people may suspect."

He's wary of Avison Young's growth, suggesting they are "buying" market share by taking over smaller competitors rather than growing organically, something Mr. Rose denies.

And while being a Canadian-owned company may sound good and may have helped drum up business over the last year, he said, global companies simply offer more services.

"Globalization may have taken a rain check through the recession but Canadian

companies want to be able to phone their real estate people and ask about property in places such as China and India," he said, adding that DTZ has 10,000 employees in 43 countries.

At 650 employees, Avison Young is still dwarfed by Colliers and CBRE in Canada, with 1,600 and 1,800 Canadian employees respectively. Both have continued to expand, with Colliers focusing on non-traditional market segments and CBRE "hiring strategically."

Both are part of larger international organizations, with close to 20,000 employees each globally. They both offer services beyond the traditional buying and selling, including financing, facilities management and valuation services.

"We've seen people move, but very little attrition," Colliers' Canadian CEO David Bowden said. "Our property management business only had 90 people three years ago, now it's nearly 300. There's simply a huge amount going on right now."

CANADA VS. THE U.S.

Q&A with Stephen Leopold:

How is Canada's market different than the U.S. market right now?

Canada is in far better shape, and it pains me to see how our best friends in the United States are doing. Think of just the Canadian and North American space-leasing business generated by our banks, tech, resource and multiple other world class companies.

Why is Canada doing better?

Hydro Quebec powers the living rooms and factories of a good chunk of the northeastern U.S. Canada exports more oil and gas to the U.S. than does Saudi Arabia. Canadian brains have always had a disproportionately high level of penetration in the United States, from the arts to universities to business. In commercial real estate development the ranks of North America's biggest companies have always included Canadian companies at the very top of the ranks. Look at names like Olympia and York, Cadillac Fairview and Trizec. Look at Brookfield today. A behemoth like that is long overdue on the commercial real estate service side, and that's why I'm here.

Is there that much more activity in Canada?

Take your pick from sales, financings or leasing. In each category, there has been a huge amount of activity in Canada compared to negligible activity south of the border.

So why come back to Canada and work for one of the smaller companies?

It goes without saying that a company whose bulk of revenues comes from Canada is going to be in a growth mode versus the cutback mode that we have been seeing with the other North American players. There's nothing to gloat about here. It's not because Avison Young was smarter in the year before the financial meltdown. It's that we were luckier. We were based in Canada.

» Steve Ladurantaye