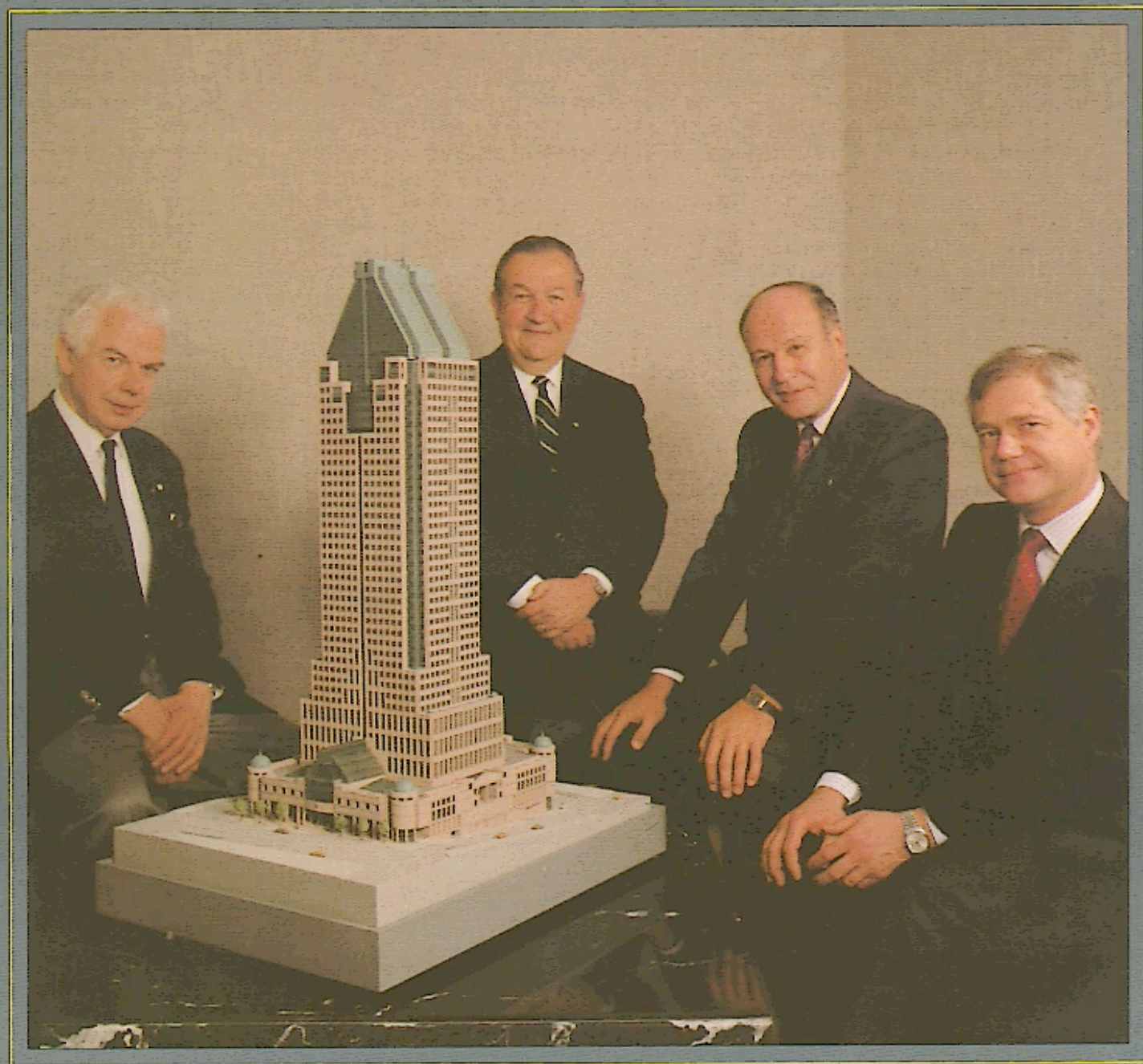


MONTREAL **BUSINESS** MAGAZINE

**LEOPOLD
PROPERTY CONSULTANTS:
COMPANY ON THE MOVE**



COVER STORY 1000 DE LA GAUCHETIÈRE

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Mr. Michel E. Saint-Cyr, Vice-President BCE Development Corporation

Leopold Property Consultants: Company on the Move

written by Martin Murray

The company owned by Stephen Leopold is in the process of negotiating leases for 4 million square feet of office and industrial space.

Leopold Property Consultants Inc., represents and negotiates on behalf of clients seeking corporate lodgings. While most of their deals are done in Montreal, the company has also worked in Ontario and in parts of America. The company is on the move, preparing to expand its operations outside of Montreal.

Leopold Property Consultants Inc. came into this world twelve years ago in a shared office with a shared secretary. Xerox facilities were located down the hall and, after some negotiating, were priced at cost.

Now, with 16,000 square feet of office space on the 32nd and 33rd floors of Place Ville Marie, Leopold is a recognized force in the world of commercial real estate. With a current staff of 75, he expects to hire an additional 25 professionals by year's end. "We represent more commercial space users than any other company in Canada or on the continent," Leopold says.

Perhaps Leopold's greatest coup, so far, occurred in 1986, when after the Alexis Nihon fire, he offered to relocate for free anyone who needed to move. After 36 hours, more than 100,000 square feet of office space had been rented for Steinberg and Electrolux.

Stephen Leopold made the offer because he was worried about Steinberg's corporate art collection: "It was a heartfelt gesture. Steinberg's art collection inspired my own so I felt I should do something. When it was over, Irving Ludmer telephoned my family to find out what artists I like and then sent me a Dorothy Knowles."

The discreet advertisements which appear in newspapers and magazines bill the company as "Advisor to the Corporate Space User," and this, to the company's way of thinking, is a very important distinction. "We do not believe in the traditional approach to real estate transactions, where

Mr. Jones is introduced to Mr. Smith and that's it. We believe in representing our client's interests to the best of our ability," Leopold says.

Negotiating leases which are beneficial to his corporate clients was not Stephen Leopold's first career choice. Originally, he studied law at McGill. During his first year,

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the Watergate scandal broke and Leopold wrote letter after letter to Washington trying to get in on the action. In the end, he became the only Canadian on Senator Sam Ervin's committee investigating the break-in.

During his second year at law school, Leopold was recruited to work at a law firm, now Ogilvy Renault, by a young labour lawyer named Brian Mulroney. When his summer job finished Leopold quit school and went to work for Devencore Realities.

After 14 months with Devencore, Brian Mulroney asked Leopold to be his executive assistant during his first attempt at the Conservative Party leadership. When the campaign was over, Leopold went to work as a vice-president at Marcil Mortgage Corp., now Marcil Trust.

After six months, he left to start his own company. His business experience had encouraged him to believe that real estate was the last great field for the entrepreneur, and that when it came to leasing, too much money was being left on the table by the tenant.

"In commercial real estate the space user creates the wealth. I realized that there was a vacant niche. Developers have

professionals handling their leases. They may sign leases in Halifax, Quebec or Calgary within the same hour. The typical user of space needs the same expertise, matching man for man, talent for talent."

To prove the need for top flight negotiators, Leopold cites instances where his company has been able to reduce rental costs by 40%. Other examples of the need for skilled negotiators include tenants being unable to sublet their premises without paying substantial penalties, and of hidden charges contained in leases so that the developer can charge administrative costs if the tenant has new carpets installed.

When asked why his company is a success, Leopold doesn't hesitate: "We've put the right business principles to work in tandem with the right concept — principles that one can learn from the most successful companies like the Xeroxes, the IBMs and the McDonalds of this world."

The four principles which have driven Leopold to the top are a systematic approach, quality control, education and hard work. "Not only do we have controls and systems but we have also said that we must invest in the education of our people."

One of the ways in which Leopold Property Consultants differs from other real estate consulting firms is that they don't hire from within the industry. They prefer to take top flight people from outside the industry and train them to their own exacting standards.

To take care of the educational aspect of the firm, the former head of Xerox Learning Systems in eastern Canada was hired. The educational bullpen resembles the library corrals of post graduate students. New staffers study for exams based on the top twenty commercial leases in the city, and intensively learn all the working parts of a commercial building. The initial training period takes six months.

When negotiating a lease, the lead negotiator is supported on average by eight specialists covering the various legal, financial, quality control, negotiation,

management and research aspects of the deal. Senior personnel routinely start the day with an eight a.m., round table discussion and pack up for home twelve hours later.

One key word in Leopold's operation is confidentiality. Another is unbiased. "First and foremost, the one thing that I won't talk about is anything that has to do with our clients. We are their servants and they deserve confidentiality. They also deserve to know that there will be no conflict of interest. Everyone working here has to sign an agreement that they will not own or manage any commercial real estate."

On every desk there is a red folder. Into it goes all the papers and notes accumulated over the course of a day which are not worth keeping. At the end of the day the contents of the red folder go into a paper shredder. Files which are to be kept are locked up. "There's no way that an office cleaner or anyone else can find out what we are doing on behalf of our clients."

All these efforts are designed to: "Obtain the maximum product for the lowest total cost." When it comes to dealing with landlords, the master negotiator has these words of advice:

"If a tenant is large enough, they should have a building built for them. That's the way they'll probably obtain their best deal. There are hundreds of points which might not appear on the surface, but which should be looked at closely. There are all types of allowances. The tenant should have the ability to expand. The lease should not hamper him if in the future he needs to sublet the premises. But most of all, the tenant should look towards making the landlord competitive. The tenant should be ready to take his business elsewhere.

"The tenant may be an expert at his own business but that doesn't mean he is an expert at leasing. The tenant should never feel that he is equal to the developer at the negotiating table. Owning, developing and leasing buildings is the sole business of the developer. The tenant needs expert advice to obtain his best deal."

Leopold feels that Montreal is in better economic shape than it has been for more than two decades. "In the 1960's, we had two buildings built by widely acclaimed architects of the international school - Place Ville Marie and Westmount Square, built by

I.M. Pei and Mies van der Rohe. Now we have the Marathon IBM tower designed by Kohn Pedersen Fox, an internationally acclaimed firm of architects, and we haven't seen that in some time."

Leopold believes that the Montreal office market is being underserved. This can best be illustrated by the fact that Montreal has the second lowest office vacancy rate among the 35 largest cities in North America. Only Toronto has a lower vacancy rate.

The Montreal core, he says, has the ability to absorb 1.5 million square feet of office space a year, yet in the next three years, only 3 million square feet is slated for delivery.

He blames the lack of office space construction on the uncertainty generated by City Hall in its development of the master plan for downtown. Leopold believes that in the near future, this situation could be responsible for creating higher office prices in Montreal than in Toronto.

The development boom in Toronto, he points out, at least has the chance of stabilizing commercial real estate prices. In Montreal, he states, there has been an

economic boom without an accompanying growth in office construction.

Leopold plans to expand from his Montreal base. He is now considering the eastern American seaboard, Toronto or perhaps Europe. When he does move he will build a team that closely resembles his Montreal one. The spirit of that team can best be described by the fact that during the last Canadian Olympics, ten Leopold employees were official torch bearers.

To make sure that they had the best possible chance to run in the relay, Leopold staffers filed thousands of applications to carry the torch in Rivière du Loup, reasoning that more people would be applying in major urban areas, and that applying to run in a small town would increase their prospects.

"We did it in a spirit of fun. We rented a bus and forty-three people got a chance to carry the torch. It's a memory that none of us will ever forget. A lot of what we are trying to do is in many ways embodied by the Olympic spirit. You compete hard and you compete to be the best. We believe that it is imperative to work exceedingly hard to become the best." **MBM**



AS PER THE ARTICLE PUBLISHED IN MONTREAL BUSINESS MAGAZINE.



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A SACRED COW.**

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we've turned things upside down.

That is why we have become
the largest company in all of North America
representing only the users of
office and industrial space.

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Advisor to the Corporate Space User.