

# Montreal's boom based on faith, not numbers

BY HARVEY ENCHIN  
The Globe and Mail

## MONTREAL

From his office on the 33rd floor of the vintage 1960s skyscraper Place Ville Marie, Stephen Leopold can see 20 construction cranes towering over the city.

It's a satisfying view for the president of Montreal's largest commercial leasing company, Leopold Property Consultants Inc. His business has quintupled since 1982, with volume reaching one million square feet of office space in 1986.

Still, there's an unsettling feeling that it may be a hallucination — that Montreal's renewed economic vitality is merely an illusion.

Warning signs are abundant. Civic boosterism typically associated with a metropolis in decline is rampant. The number of awards handed out by business associations at increasingly elaborate galas has multiplied — a statistic that often bears an inverse relationship to the health of the business community.

Few economic indicators support the contention that Montreal is bouncing to the beat of a business boom. Neither do they bode well for the future.

Indeed, Quebec's economic outlook appears grim. Gross domestic product has been growing at a slower rate since 1985. According to the Conference Board of Canada, the unemployment rate has stuck at a stubborn 11 per cent and is expected to ease only slightly in 1988 despite a net loss of population. Meanwhile, in Ontario, where population growth is forecast at more than 6 per cent a year, unemployment is expected to drop to 6.8 per cent this year and 6.6 per cent in 1988.

Retail sales are likely to dry up through 1988 and housing starts will collapse, according to Confer-

ence Board estimates. In most leading economic indicators, Quebec lags behind Canada as a whole as well as its arch-rival, Ontario.

The promise of high-technology industries has not been realized. The Port of Montreal is losing money. Cargo traffic, with the exception of containers, is falling. The petrochemical industry is moribund. And traditional industries — textiles, clothing, footwear and furniture — remain critical.

In fact, Montreal has yet to recover from six years of Parti Québécois power, which prompted the flight of 100,000 anglophones. More than two dozen head offices quit Montreal between 1976 and 1982, taking 14,000 jobs with them.

With the notable exception of Ultramar Canada Inc., none of

ment, is hard pressed to conjure concrete examples of an economic momentum. "The situation is not going to reveal itself by stringing things on a wire," he says, running out of shining examples after Bombardier Inc., National Bank of Canada, three engineering consulting firms and the Montreal Exchange. "It's more a sense of spirit, a take-charge attitude and a new interest in economics and the financial world."

Board of Trade president Manon Vennat noted that Montreal's new newspaper, *Le Matin*, and plans by Quebecor Inc. president Pierre Peladeau for a second English-language daily suggest confidence in the city. A number of foreign banks have shown interest in setting up shop; there is new investment in manufacturing; and

Leopold thinks it will be snapped up quickly.

But tenants have absorbed only 800,000 square feet of office space a year since 1982 and that is twice the rate of the late 1970s.

Vacancy rates for prime commercial space hover near 12 per cent, compared with less than 8 per cent in Toronto. The rate for second-class accommodation is significantly higher, with several heritage buildings in Montreal's old financial centre standing empty.

What's more, beneath all the new office space, 400 retail outlets will be opened, enough, some say, to strangle existing merchants on Ste-Catherine Street, Montreal's main drag.

In the third quarter of 1986, the value of construction permits in

strength and stirring outside interest has revitalized the economy.

"Go out on the street," he said. "Everybody's doing well. In our business, everyone is on a high. There's lots of action."

Robert Zittner, a partner in the chartered accountancy firm Zittner Siblin Stein Levine, said: "We're in an entrepreneurial mode." Small business is developing well in services, manufacturing, real estate and retail with a move away from labor-intensive traditional industries, he said.

The business community looks to the Montreal Exchange as the catalyst of economic energy. A provincial Government plan that granted tax deductions on share purchases turned a society of conservative bond holders into stock market investors.

On the flipside, every corner grocery store owner who dreamed of wealth and power entertained the idea of floating a public issue. Still, the participation rate of Quebecers in the stock market is no more than the national average of about 11 per cent. Many new products the exchange has introduced, such as commodity futures, have been stillborn, and its international division, aimed at drawing foreign listings, has attracted little interest.

Nevertheless, economics, finance and money are the buzz words on Montrealers' lips. It's no accident that one of the town's trendy hot spots is a bar called Business.

"There's a psychology to the business environment," Mr. Leopold said. "And the psychology here is let's do business."

Belief in the miracle of Montreal's revival simply cannot be shaken.

As James Mauldin, an executive of consulting firm Secor Inc., put it: "We take it as an article of faith that that's what's going on here."

## Big construction projects abound in the downtown core but the question is whether the space will find takers

that head office business has returned. Proof of the pudding is in what might be called the luxury restaurant index, which clearly measures head office activity.

Head office executives dine out often, usually on company credit cards. But they haven't shown up lately at Les Halles, the renowned and pricey Crescent Street restaurant. If there is a resurgence of economic vitality in Montreal, said owner Jean Landurie, who is also president of the Association des Restaurateurs du Québec, it isn't reflected in receipts.

From 1972 to 1979, Les Halles served 250 patrons a day. That's dropped to 160. Now, the celebrated temple of fine food is courting convention business and offering moderate fixed-price lunches to keep the clients coming.

Even Claude Piche, Montreal's director of economic develop-

the pharmaceutical industry is expanding, she said.

In a presentation to Moody's Investors Service Inc. of New York, city officials estimated 3,000 jobs a month have been created in Metropolitan Montreal since 1983, with commercial business and personal services responsible for the lion's share of the total.

For the first nine months of 1986, they reported a 9.7 per cent increase in retail sales to nearly \$12-billion. Inexplicably, store windows along major Montreal shopping streets advertise discounts of up to 75 per cent. And Boxing Day is long gone.

To be sure, much of Montreal looks like a construction site. The major projects in the downtown core will add roughly two million square feet of top-grade office space by the end of 1988. Mr.

Montreal sank almost 4.8 per cent from a year earlier to \$220.9-million, while the index of real estate activity stood at 100.8 (January, 1984=100). Deliveries of manufactured goods were flat — at slightly less than \$15-billion — while growth in manufacturing investment in 1986 was estimated at 3.7 per cent to \$1.3-billion.

That the facts fail to reveal Montreal's economic vigor doesn't surprise Philip O'Brien, president of Devencore Inc., a broker and developer. The statistical shell game is all part of the conspiracy working against the city. "It's because researchers are not interested in seeing the place come back," he declared. "Nobody wants to believe that Montreal is coming back."

Mr. O'Brien said Montreal has been like a starved child, not allowed to grow. But local business