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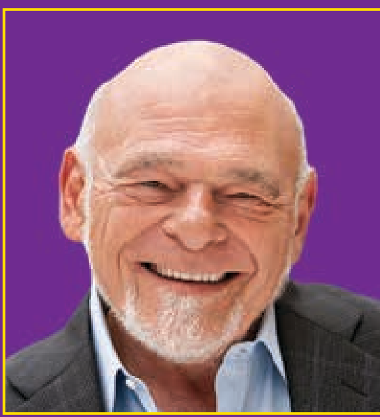





AVISON YOUNG

Structured for Success

An Interview with Mark E. Rose,
Chair and Chief Executive Officer, Avison Young

Mark E. Rose

EDITORS' NOTE *Mark Rose is also the Chair of the Board of Directors of Avison Young (Canada) Inc. He joined Avison Young after serving as Chief Executive Officer of Grubb & Ellis Company (NYSE:GBE) from early 2005 to December 2007 and was previously Chief Operating Officer and Chief Financial Officer of the Americas for Jones Lang LaSalle. Prior to his 12 years at Jones Lang LaSalle (NYSE:JLL), Rose ran Metropolitan Realty Advisors, the brokerage and investment firm that he founded in 1993. Previously, he was Chair, Chief Executive and Chief Financial Officer of the U.S. Real Estate Investment Trust of British Coal Corporation Pension Funds. Rose holds a B.A. in accounting from Queens College.*

COMPANY BRIEF *Avison Young (avisonyoung.com) is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises more than 2,400 real estate professionals in 80 offices, providing value-added, client-centric services including capital solutions (investment sales, structured finance, and mortgage placement services), leasing, advisory, and facility, property and project management to owners and occupiers of office, retail, industrial, multi-family, and hospitality properties. The firm also advises its clients through its investment management subsidiary.*

Avison Young describes itself as a different kind of commercial real estate company. What are the drivers behind this strategy?

Avison Young had a deep history of servicing our Canadian commercial real estate services clients through four companies that were owned individually. Graeme Young & Associates opened in Edmonton, Alberta, in 1978 and then expanded into Calgary. In 1989, Avison & Associates opened in Ontario and joined up with partners in British Columbia in 1994. In 1996, these firms agreed to trade under one brand, Avison Young. The Montreal office opened in 2002. By the mid 2000s, the firm had a healthy top-10 market share throughout Canada, and a global affiliation via the U.S.-based Grubb & Ellis Company.

In 2007, as I was preparing to move on after the sale of Grubb & Ellis, I started to think about what the real estate services firm of the future would look like. During this transition, I had a chance to take 17 trips and meet with approximately 250 investor and occupier clients, advisors, leaders in the industry, bankers, and friends to talk about what a present-day, leading-edge company should look like, and a clear vision began to form.

Every company in our industry has great people and can serve client needs, but clients were telling me that they needed the real estate services industry to refocus on clients' long-term objectives. Clients were feeling that those in the industry were more interested in meeting enterprise objectives for their own companies rather than for the client's firm.

This revelation was important to the eventual formation, strategy, and success of Avison Young, and I felt confident that what we could offer was new and different and desperately needed.

The entire peer group at the time was public or carried public debt; the competitive global full-service peer group had to report to public shareholders on a quarterly basis. Being a public company required a certain structure, and clients took a back seat to the providers' own earnings per share.

We decided that one of the key differentiators would come from being a private company. The governance of a private company would incorporate a much longer-term view for a client. As long as we delivered solutions to a client over a long period of time, we could be comfortable investing, because "long term" is ultimately more profitable, and those quarterly earnings reports are not as critical.

For the competitive set, having to make numbers work on a quarterly basis doesn't align with the fact that most real estate services assignments can take anywhere from three to 24 months to come to fruition. It is very difficult for companies that are focused on the short term when there isn't an effective matchup of the gestation period for the transaction or a management or consulting assignment. The public peers need to report quarterly and, therefore, govern quarter to quarter.

As we contemplated the strategy and formation of today's Avison Young, and our ultimate desire to build something special in terms of a differentiated, global company, we knew it was critical to manage cultural issues and different perceptions among the different cultures around the world.

We were going to do the things that weren't just symbolic, but that were real. Therefore, this strategy involved locating our headquarters outside of the U.S. My background includes experience in North America, South America, the U.K., and Europe, and after looking at different factors – many of them macro as well as some micro – it fit like a hockey glove to headquarter this company in Canada, where culture and family are very meaningful. Having grown up in New York, but having lived in Maryland and Chicago, I learned to appreciate the Midwestern culture and appreciated its similarity to Canadian culture.

At the time, the four provincial companies of Avison Young had 52 partners, and many of the partners had cut their teeth at a company called Knowlton Realty, which was one of the leading real estate services companies in Canada. They left when the owner refused to share equity with those who built the company. Those partners were living examples of what happens when equity is withheld from those who build the value of the enterprise. We wanted the drivers of our new organization to include being private, having a headquarters outside of the U.S., and a governance model that was driven by a principal-led partnership guiding a collaborative effort.

This operating thesis was confirmed by the clients I interviewed. I wanted our partners to care about our clients and our cultural objectives for the long term, to deliver solutions differently, to take a global view, and think in terms of having partners, not bosses. I wanted to invest in resources, but not hierarchical infrastructure; to have maximum resources, without having to add the layers of management that exist in old-school public structures.

I had actually looked at a dozen companies that could fit that mold, and the one company that ticked every box was in Canada. Avison Young Canada – the four provincial companies combined – had around C$40 million in revenue. It was private and had the right culture; it was principal-led, but it was four separately owned provincial companies trading under one name. They were all run by top-notch professionals and great individuals, and almost all of those people are still here today. It was clear that we had to convince the 52 partners in the four companies that they needed to become one organization.

At that point, the leaders of each of the provincial companies had been trying to merge for nine years. The hardest part would be to divvy up the final five percent. It took an outsider like me to express that the last five percent was meaningless against the opportunity to grow the company by multiples.

I agreed to present to the provincial companies in May 2008 and, if everyone agreed, I would join in June. The partners agreed to merge the four companies in July, and we closed the merger on October 1, 2008. With the Canadian currency trading at a premium, we wanted to take some risks. The Avison Young partners were excited about this strategy and were eager to grow rapidly and felt that 2008 was the time to do that with the financial world falling apart. The investment in Canada was immediate, and then we started our global expansion in 2009.

We first had to grow market share in Canada. We tripled the size of the business before moving into the U.S. In 2009, we opened up our first U.S. office, in Chicago, with four people. We have since added 50-plus offices in the U.S. We also moved into the U.K., Germany, Mexico, and, most recently, Romania. We have taken a Canadian company with C$40 million in revenue from its four provincial roots, made it a truly Canadian company, and expanded into five more countries.

What started as 11 offices in Canada with 290 people is now 80 offices with more than 2,400 people, and our revenues are approaching C$600 million. In addition, in October 2011, British Columbia-based Tricor Pacific Capital, Inc. made a C$40-million investment in Avison Young's common stock, which was used to fund the firm's aggressive growth and expansion plan. This plan was not just about growth in terms of locations but also about building out our service lines. Avison Young's core strategy is laid out in our 2x5x5 core services model, whereby two client groups (user/occupiers and owner/investors) utilize five core services (tenant representation or landlord representation; facility management or property management; corporate finance or capital markets/sales and debt; project management; and consulting/advisory or appraisal/tax) across five primary asset types (office, retail, industrial, multi-family, hospitality).

When you're dealing with growing at that speed, how hard is it to maintain culture?

Maintaining culture is almost the only thing that matters to me. The financial side of this growth isn't the whole story. It's all about the culture. We believe that culture drives revenue and profits, not the other way around.

I meet with every partner, and there is never a discussion about revenue generation. I just want to know what they're about. I want to know what is going on in their heads and hearts. We have something called the NAR, which folks joke about but is real, and we have abided by it. It's the "No Asshole Rule." It's printed on all of our documents.

The only thing that can undermine enterprise building, particularly in a private principal-led setting, is bad behavior. In our short, almost nine-year history of expansion, we have, unlike perhaps any other company in this industry, already removed top producers because they behaved badly. Real estate services companies, especially the public verticals, have often lost their souls.

At 2,400-plus people, I can, city by city, point out someone who might have lost a relative, whose parent may be suffering with cancer, or who is getting married, having babies, or receiving recognition. This past year in Toronto, there was a young man engaged in a battle with cancer. We had a company meeting where our 700 leading producers all stopped celebrating and gathered on stage to give him an instant message on social media, letting him know that we were all with him. There was real meaning to this gesture. We followed through by working as a company to support him and his family through his treatments, even though, sadly, we eventually lost him.

There is nothing more important than what we have been able to achieve in terms of getting people to remember that there is a higher purpose than real estate services. That is not to mean that we don't service our clients. We're a private partnership that is collaborative and does nothing but solve issues and deliver for its clients. But when all is said and done, there are other meaningful issues in life that we shouldn't forget about.

Every year in October, we shut down all of our offices around the world for our Day of Giving. Our young professionals lead the company in giving back to their communities. This isn't about writing checks. It is about community outreach – physical and personal contributions. When we care about our people and commit to behavior as a driver equal to their ability to produce revenue, then it makes sense that we would achieve great success.

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How critical is diversity and inclusion within the firm?

Diversity of opinion is critical to our company. The industry is disproportionately older, white males. We have nearly 40 percent women in our company; we have a number of principals who are women; but the one place where we could do better is our board of directors. The board composition is a result of the 2008 merger, and the owners had a right to govern their investment, but as we continue to grow and change our capital structure, we will make changes because diversity at the board level is the one glaring piece that is missing. If we build a diverse, safe environment, then collaboration in a safe place can continue to drive success throughout the company, no matter how much we expand.

Offerings can sound similar within real estate services. How hard is it to show differentiation?

I would point to our growth. Both recruits and clients are attracted to what we offer. There are wonderful people at most companies, but starting with the principal-led governance structure, we can have the same service lines but approach growth very differently.

We can afford to invest in our clients and leverage business development, recruiting and M&A activity from principals who can make decisions at the client level. There is no need to seek central approvals in order to deliver for clients. We're highly profitable, but we have no need for layers of management, because our partnership structure puts clients in the middle and puts concentric circles of resources around them without the need for layers of administrators. ●

