

ANALYSIS | M&A

GVA drops name but 100 gain shares as merger goes live

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After lurching from owner to owner and undergoing numerous rebranding exercises, GVA's name is finally going to disappear, at least officially.

The £200m deal, which creates a firm with 5,000 partners and staff in 20 countries, went live on 1 February. By revenue, the new company brings in a combined C\$1.3bn (£750m), placing it among the top five commercial real estate advisory businesses in the UK.

The management of Canada's Avison Young and the UK's GVA insist there was no discord in the ultimate name choice: Avison Young.

For many at GVA, access to partnership is likely a bigger priority than holding on to a brand. The firm has invited more than 100 of its people to become principals or partners in the global real estate company.

The promotions mean that GVA staff would make up nearly 20% of the 550-plus Avison Young partnership. Each principal has the right to one vote on company matters, no matter how many shares they own.

GVA will also play a critical role in supporting the UK brand as Avison Young seeks to compete at the top table in London markets, particularly on the transactional side, and bolster its residential offering.

The ultimate goal is to offer clients a global brand run by a partnership less beholden to multiple stakeholders, like some of its publicly listed competitors, says Avison Young's chair and chief executive, Mark Rose.

"There is no global [real estate advisory] partnership in the world except for us. The focus of this company is not to do what public companies are doing. All our major competitors are now public companies; they are hierarchical and take a downward approach. Their shareholders tell the board of directors what to do, the chief

executive instructs the middle management and so on."

He adds that the firm's principals will also have a real say in the direction of the business. "If you're at CBRE, you have a pay cheque and maybe a bonus. We have the same compensation and on top of that all the benefits of ownership. We are saying: 'Would you like to be an owner again? A decision-maker?' In other companies, you wake up and the company has been sold."

As if by coincidence, the merged firm's first splash hire is CBRE's Richard Williams, who has served as UK managing director of asset services since 2010. He joins as a principal and head of property management consulting.

For GVA chief executive Gerry Hughes, the deal offers the firm greater permanency than its recent incarnations under private equity firm EQT and German firm Bilfinger, which both only owned the business for a two-year period. It also sees the firm return to a partnership, a company structure it liquidated back in 2007.

"From our point of view, this is it. We are home. We are a partnership; there is no point in changing our name again," says Hughes.

"In a relatively short period of time I've had exposure to a range of different ownership models. Every one of them brings a different perspective. We became a more effective business under EQT. We have thought hard about how we operate to be more effective. We are now building a business for the long term. This brings a different mindset."

UK appointments and office cuts

In the UK, the new firm will be run by principal Jason Sibthorpe alongside Hughes. Sibthorpe has been promoted from UK managing director of Avison Young to president of the combined business's UK arm. He has



Gerry Hughes, principal and managing director



Jo Davis, MD of planning, development & regeneration

worked at both companies, having left GVA to join Avison Young in 2016 with the remit of leading its UK expansion.

Hughes has been appointed principal and managing director of the UK and managing director of the global consultancy business.

In addition, GVA chair Andy Mottram becomes a principal and managing director of the new business's European offering.

Of the 100-plus GVA promotions, there are several female appointments to the partnership. They all become principals, alongside their existing management roles. These include Jo Davis, managing director of planning, development and regeneration; Julia Penfold,

managing director of the corporate services team; Claire Paraskeva, managing director of Leeds; Alison Taylor, managing director of Glasgow; and Ros Goode, managing director of London.

In total, the business will have 18 offices in the UK. While the company is largely complementary in terms of global reach, the two firms both have offices in London and Manchester.

In London, the long-term aim is to reduce Avison Young's office count from four to two. An immediate priority will be to close its Savile Row office and transfer staff to its Ganton Street base in the West End.

The next step will be to merge the firms' two remaining West

AVISON YOUNG

GVA



Mark Rose, chief executive



Jason Sibthorpe, president of new UK arm

End offices, GVA's Berkeley Square and Avison Young's Ganton Street.

Sibthorpe says: "The Gresham Street office will continue to be the main office. We will also have a presence in the West End, larger than what GVA had historically. We need to have a dialogue over the West End space."

Equally, in Manchester, the firm is looking at combining their offices. Sibthorpe says: "It is critical we come together physically as soon as we can. We have around 12 business lines and 200 people in total in Manchester; it is a critical part of the business."

"There's an opportunity to take individual space in the GVA Manchester office. We have to

explore that. I know we can't fit everyone in the Avison Young office. The way we bring them together will be via engagement with principals and our colleagues to make sure everyone is informed and no one gets lost along the way."

There are no plans to close further offices. On the question of whether or not the merger will lead to redundancies, a spokesman said: "This merger is about growth, not contraction. The offices totally complement each other."

Eyeing up the top table

A key goal for Avison Young in the UK is bulking up in London markets.

Sibthorpe says: "London markets are a priority for the

combined businesses; there is an opportunity to strengthen our transactional side. We are strong in industrial and retail but we don't always compete with others at that top table [on the transactional London markets side]. We want to be at that top table."

The firm is also looking to sharpen up in the UK residential sector. Hughes says: "One other area we see real opportunity in is the residential sector. Our market positioning is primarily on the land and development side. About 12 months ago, we hired Richard Stonehouse from JLL [to create and lead a new residential investment team]. That's a start."

"We'll now continue to invest on the back of that, building on our access to land. We advise Homes England and we are advising on 10 new towns across the country. We have to translate this into revenue all the way through the life cycle."

Last year, Homes England added GVA to its £150m property framework. The firm also has a role advising on some of the towns being built along the Oxford-Cambridge growth corridor, which has been touted as a prospective major driver for growth in the UK.

On a global level, Rose is ambitious about scaling up across Europe and Asia. "You will see us fill in the rest of Europe and Asia. We have given ourselves five years, but it won't take that long. We have a tendency to move rather quickly."

The firm plans to continue to bulk up through acquisitions. "You find the way to bring out the best of each business. There are 30 acquisitions in this company at this point," says Rose.

Avison Young first entered the UK market in 2014, with the purchase of London-based commercial real estate services firm Haywards. Since then it has picked up niche firms such as retail specialist Wilkinson Williams and Manchester's WHR.

So will the firm be doing another GVA-style deal in the UK anytime soon? Quite possibly, says Rose.

"If someone comes to us as a team or a company and they are the right cultural fit, we will take them. Could we be announcing something of the size of this deal or bigger? Yes, and smaller deals and everything in between."

In the short term the focus may be on integration, but the key question for the newly merged firm will be long-term performance.

At a time when the UK is at a point of unprecedented political and economic uncertainty, Rose is counting in decades, not months. "I can say unequivocally that, as a partnership, we just don't care about Brexit. It is not in our minds. In 2008, we launched Avison Young in the US right into the teeth of what everyone thought was the world falling apart. We are building a company and taking a view for the next 50 years."