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AY's Mark Rose On His Quest to Create a Completely Different CRE Services Company

Why Remaining Private, Hiring the Right People and Creating the Right Culture Are Important. All Top Producers Need Not Apply

By [Randy Drummer](#)

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In the five years since beginning its international expansion, Toronto-based Avison Young has increased in size, scale and market share faster than many much older and more established [commercial real estate](#) services firms. The firm was founded in 1978 and remains a Canadian company.

Avison Young closed out 2013 with the acquisition of Dillon Corporate Services/Cresa Dallas in the Dallas/Fort Worth market and McShea & Co., Inc. in Gaithersburg, MD, just outside Washington, D.C. So far this year, this year, AY has acquired PSB Realty Advisors in Columbus, OH and The Edison Group LLC of Atlanta. In June, AY opened its first office in Connecticut (in New Canaan), the fourth office in the tri-state area.

April saw the acquisition of Commercial Texas LLC in Austin, and the firm's first acquisition outside North America -- NAI Haywards LLP of London. In early July, privately held Avison Young announced the acquisition of Montreal-based project management firm Roy et Tremblay Inc.

And just this past week it acquired Aguer Havelock to add brokerage services to its current property management and lease administration offerings in Sacramento.

In five years, the company has grown from 11 Canadian offices to 58 offices and more than 1,500 associates across Canada, the U.S., and in Europe. Next up, Avison Young CEO Mark Rose tells CoStar, is to add a hospitality service line and continue to expand internationally.

"For us, everything comes back to a strategy to create a completely different CRE services company - built in a '2 by 5 by 4' manner -- the owners and occupiers; the five service lines necessary to service them, and our four competencies in office, industrial, retail and multifamily," said Rose.

"We will add hospitality in the future. We started with 11 offices in Canada and grew it to 14. We started in the U.S. only 3 ½ years ago with zero office and now there's 42 -- we'll announce no. 43 soon," he added. "The team and principals of the company continue to grow methodically and strategically."

Here's more from CoStar's conversation with the former Grubb & Ellis CEO and longtime JLL executive:

CoStar: *Why has Avison Young elected to remain a private company when so many of your competitors are going the public route?*



Avison Young CEO Mark Rose has grown the firm from 11 to 58 offices and from 300 to more than 1,500 real estate professionals across Canada, the U.S., and in Europe.

Mark Rose: By definition, a public company's main objective every day is to increase shareholder value. I led Grubb & Ellis, and helped merge LaSalle Partners and Jones Lang Wooten to create JLL. We have been through this before and sought key differentiators. I wrote our strategy because 100% of our competitive set that's global and full-service are all public now. Even Cushman & Wakefield has to report publicly through Exor.

We want to increase the value of this company as much as anybody else. But when you stay private, you're afforded the luxury of putting your clients and people first. We believe that if you service the clients and develop your people first, the shareholder returns will come. Boards of directors and shareholders on Wall Street are not focused on client satisfaction and employee development, nor should they. They are singularly focused on returns. Right there, we have staked a differentiated ground that no one can compete against -- we take a longer-term view and take our time to put the client first.

The clients and people who work with us are seeing this. We've attracted more than 1,300 professionals in the last three years and we're now in the multi-hundreds of millions in revenue -- all from a standing start. Clients have seen it and are voting with their feet.

What type of compensation structure does Avison Young have? Does AY pay signing bonuses for new talent?

We've acquired 30 companies. We've recruited individuals with both cash and equity. But the secret sauce here is the equity. If you are working for any public company, you are in effect a day laborer and that's what you're treated like every day, because shareholders are telling boards what to do and boards are telling senior management what to do, and on down.

We've let the structure support the thesis in that the majority of our revenue is produced by the owners of the company. When you work at one of those other places, you're working really hard for a bonus, but the true value of what you produce makes its way to Wall Street, or to Bay Street, or to London or Australia.

Will the industry continue to see consolidation in the middle tier of CRE services firms?

In 2014, we've seen a wave of consolidation. There have been big mergers in the past that have received attention. But already this year, UK company Savills has bought Studley. You have Bilfinger in German buying UK-based GVA. You have TPG, a Texas-based private equity firm, buying DTZ from UGL, an Australia based company.

We were supposed to see this. It's business 101. The larger firms and the boutiques survive, but the ranks of the middle tier have to be thinned. But Avison Young, in five years, is already bigger and we have more revenue than Studley and GVA do after decades. We are one of the larger mid-tier companies, and we've just gotten started. Our strategy is to be the consolidator.

What kind of company is on your acquisition radar? Is there a template you're interested in?

It's culture, culture and culture. We have turned away literally 10,000 people because they do not fit our culture, which is principal-led. It's collaborative, safe, and it's a partnership. We actually like each other here. We don't have fee-sharing disputes.

We've told many top-revenue producers, highly productive and profitable people, that we appreciate that they called us, but there's no way that we would entertain bringing in certain 'behaviors' into our company.

Culture and behavior matter. We will recruit individuals, teams and companies to fill our 2 by 5 by 4 strategy. They take the form of family-owned companies, boutique companies,

or mid-sized companies. Everything we do is methodical, and you will continue to see us acquire and roll up companies and collaborative, high-performing individuals.

Which U.S. markets are on your priority list for building a stronger presence, both in terms of opening new offices and increasing your number of brokers?

We have activity in the hundreds of millions of dollars of continued growth in Canada, the U.S., and U.K. and in Germany. What will hit first, I can't tell you.

In the U.S. we're in almost every market. There are still two cities, Phoenix and Seattle, where we will do something and we're choosing what's best. I don't know if it will be next month, next year or five years from now. But I do know we won't do anything unless it's with the right people.

Based on current market conditions, what markets and product types are going to be really hot going forward?

I'm bullish on everything that's going on in the U.S. The government has finally gotten out of its own way and out of the way of business. There's always been capital that wanted to go to work, and now it's been able to, in every asset class. Industrial is doing very well. Office is doing well in the major markets and coastal cities. Denver, Seattle, Miami, will be unbelievable. New York always is very strong along with San Francisco, L.A. Washington, D.C. is starting to digest some of the changed behaviors of the U.S. government.

Anything between oil and tech, health care, legalized marijuana. I'm dead serious. Everyone tries to over-complicate this. Where you have job growth or some sort of economic boom, you have real estate growth. It's quite simple, really.