

Report on Business

COMMERCIAL REAL ESTATE

Big and small find their own path to prosperity

The 3 largest real estate brokers are expanding onto the global stage, while boutiques carve out their own niche

BY TERENCE BELFORD

Canada's real estate brokerage sector has been quietly underpinning a revolution: The big are getting bigger, they are becoming international in scope and adding to or expanding a host of new client services. At the same time, small boutique brokerages - often staffed by people who cut their teeth with the big firms - are popping up across the country and have begun to carve out a lucrative niche.

Canada's Big Three commercial brokerages - CB Richard Ellis Ltd., Colliers International and Cushman & Wakefield LePage Inc. - now offer clients a wide variety of services: mortgage financing, facilities management, lease administration, as well as specialists who focus on such things as call centres.

They still wheel and deal on sales, purchases and leases. But, increasingly, they offer those services to retain clients, beef up revenue in slow markets and add to profit in boom times.

Meanwhile, the boutique brokerages focus on so-called "high-touch" customer relationships - that is, one-on-one dealings - and are driven by commissions, not fees for service.

"What is happening is brokerages are following a global trend of business consolidation," says Blake Hutcheson, president of CB Richard Ellis. "We were faced with a choice of getting big and becoming all-in-one to clients, or staying small with a focus on specialized services."

"The worst place to be now is in the middle. Too big to be small and too small to be big."

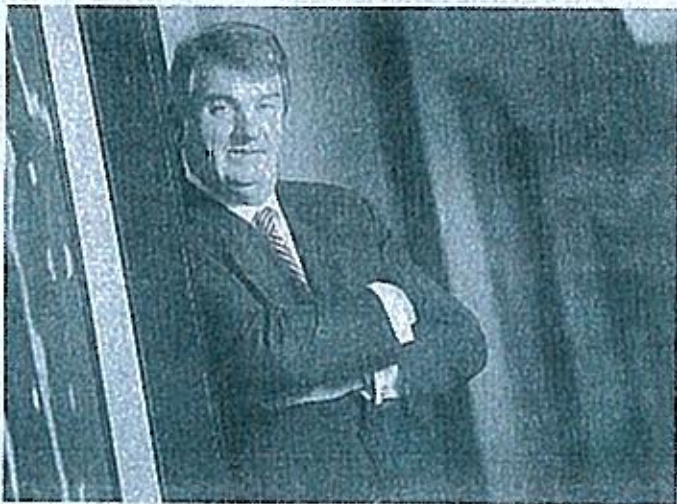
Karen Barry and Pierre Gagné are at the small end of the scale. Each left Cushman & Wakefield LePage recently to set up a boutique brokerage focused on investment properties - Ms. Barry in Calgary with KJ Barry Commercial Real Estate Corp. and Mr. Gagné in Toronto with P.G. Gagné Commercial Real Estate Corp. The business model they have chosen is to provide clients traditional brokerage services with what Ms. Barry calls "best of breed" brokers.

While Ms. Barry and Mr. Gagné run their own shops, they operate under what appears to be the same brand. The logo, look and feel of all promotional material is the same, only the names of the companies differ.

"If a client needs a retail broker, we are not restricted like big brokerages are to passing the client over to somebody in-house," Ms. Bar-



Karen Barry, who left a large firm to set up a boutique brokerage focused on investment properties, prefers that she is not restricted to working with colleagues in-house. CHRIS SOLEM FOR THE GLOBE AND MAIL



Cushman & Wakefield LePage president Colum Bastable says the firm is providing a wider array of services because of the increasingly global nature of the business. TYONNE BIRD FOR THE GLOBE AND MAIL

ry says. "We can send them to the top retail broker in the city [in which] they want to buy or sell."

The pair is now looking to create a similar relationship in Vancouver. The eventual goal is to create a national network of brokerages all independently owned, she says.

Ms. Barry says her competitive edge is in one-on-one relationships with clients and in the ability to bypass the bureaucracy that often seems to be the hallmark of large firms.

"With a big company I had to pay attention to office poli-

tics," she says. "If I referred a client, I had no control over who dealt with the client from then on. I was accountable but had no authority."

The emergence of boutique shops does not faze Colum Bastable, president of Cushman & Wakefield. "There have always been boutique shops and always will be," he says. "About three years ago, we had a group of agents break away to start their own firm, they are all back here now."

His company's bread and butter is increasingly being all things to its clients. When Le-

Page Commercial became part of Cushman & Wakefield, it was simple recognition of the increasingly global nature of commercial real estate, he says.

"As the industry became more and more professionally managed, there also developed a pressing need for more than just commission-based brokerage services," he says.

As John Arnoldi, managing director for the Toronto region of Colliers International says: "If a client has to go out of our house for an appraisal service, for example, we risk-

losing control of that client and his business. If a client needs a service we have to provide it."

The growth of those services is clear in all of the Big Three's recent expansions. Cushman & Wakefield took on about 80 new people in the past 18 months, bringing its numbers to 600 across Canada. "We have even added a new property tax management group," Mr. Bastable says. "On the brokerage side, we have created specialist groups in areas such as oil and gas, logistics and law firms."

While Mr. Arnoldi cannot provide numbers, he does say Colliers' 1,000 staff across Canada is a big increase from five years ago and expansion has come from both services and traditional brokerage activities.

CB Richard Ellis, meanwhile, now has 1,700 staff in Canada of which just 150 are brokers. "Compare that with 350 people of whom 250 were brokers when we started the company," Mr. Hutcheson says. "In the past year, one of the areas we have focused on is a new mortgage brokerage division; it now has 30 people. In facilities management, we recently added 150."

At the same time, Canada's Big Three commercial brokers appear to be playing a major role internationally that is well out of proportion to this country's size.

CB Richard Ellis's Latin American operations, for example, are headed by its Canadian president, Mr. Hutcheson. Arnd, Ray Wong, previously Canadian research director, recently moved up to head research for the Americas.

At Cushman & Wakefield, the global project management division is run out of Canada as is lease administration for all of North America.

"Having lease administration in Toronto is the perfect choice," Mr. Bastable says. "The multicultural nature of this city means we can create leases in 37 languages."

At Colliers, the company's international call centre advisory group started in Toronto and was then rolled out globally. The former head of its Montreal office, Martin Puppi, now has the same position in Los Angeles, and a sales rep in Montreal, Tom Kidoon, is new managing director in Prague.

"Canada has always been a centre for innovation in the commercial brokerage industry," Mr. Arnoldi says. "Right now, it is getting the global recognition it deserves." ■ Special to The Globe and Mail