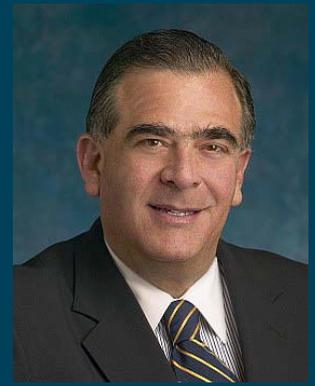


partenariat.
performance.

Stephen Leopold
Président du conseil, Avison Young
Québec

**AVISON
YOUNG**

Solutions immobilières
intelligentes



La promesse de Montréal - The Promise of Montreal

***Discours donné aux membres de l'IREM
(Institute of Real Estate Management) par
Stephen Leopold, Président du conseil – Avison Young Québec
jeudi le 14 octobre***

Un jour, il y a 50 ans, mon père m'a pris par la main. Nous sommes allés dans le centre-ville de Montréal. On marchait sur un trottoir d'acier et nous avons aperçu un énorme trou en plein cœur de la ville. La seule chose qu'on pouvait voir était des voies ferrées. Mon père m'a dit qu'il y aurait un jour dans un proche avenir, là ou on ne voyait que des voies ferrées, l'édifice le plus grand que j'aurais jamais vu. Je lui ai demandé comment c'était possible. Il m'a répondu, avec la tendresse d'un père: « Rêvez mon fils, rêvez; Mon fils, tes rêves deviendront la réalité. »

And so it was that, as a young man growing up in Montreal, I remember so well reading about the tallest building in the entire British Commonwealth. It was a building called "the miracle built on the train tracks." The building was shaped like a cruciform to mirror the cross on Montreal's mountain; a building that single-handedly shifted the centre of Canada's business community. That building was Place Ville Marie. But was it the tallest in Canada, or the second tallest? Because at the same time, another building was being completed: that building was to house the Montreal offices of the Canadian Bank of Commerce. And while all this was going on, there was a third building; designed by Chicago's Skidmore Owings and Merrill, and it would house the head offices of CIL, Canada's largest chemical company, and of the Royal Trust, the country's largest trust company.

These buildings shaped not just Montreal real estate, but Canadian real estate. In fact, they shaped real estate far beyond Canada's shores. There was excitement in the air, and tenants were on the move from the traditional financial district centered around St. James Street, or rue Saint-Jacques.

And through all of this, something else was created, something that, in the eyes of many, even rivaled Mont Royal when seen from a distance. Yes, I'm referring to a SKYLINE. Skyscrapers could be seen ... REAL SKYSCRAPERS; Buildings that to this

Toronto
Vancouver
Calgary
Edmonton
Lethbridge
Regina
Winnipeg
Mississauga
Toronto North
Ottawa
Montréal
Québec
Halifax
Chicago
Washington, DC
Tysons Corner
Atlanta
Houston
Boston



Solutions immobilières
intelligentes

very minute symbolize a city's ranking in the world business community. You could see them when crossing the Victoria Bridge, or when driving on the South Shore. And soon there came additions to the skyline: 800 René Lévesque, Standard Life, Westmount Square, Alexis Nihon, and Prudential of England were added. Soon after, more skyscrapers were added: 2020 University, 2001 University, La Cité, 1000 Sherbrooke, 500 Place d'Armes. Yes, ladies and gentlemen, we're talking here an average of more than A SKYSCRAPER A YEAR. And all the while, real estate transactions big and small were being completed. Thousands of construction workers were being employed to build these skyscrapers. Tax bases were being increased. Tenants had real choices as to how they wanted to grow.

If tenants grew out of their existing space, or didn't like it for one reason or another, they had choices, because new buildings were going up. And this meant tenants had opportunities to reconfigure their entire businesses. And developers were given the opportunity to dream of making money in the risky business known as real estate development.

And then more major buildings were added to Montreal's skyline: 1130 Sherbrooke, 1010 Sherbrooke, 680 Sherbrooke, 2000 Peel, 1001 de Maisonneuve, 1981 McGill College, 2001 McGill College, Place Montreal Trust, 1801 McGill College, 600 de Maisonneuve, 1501 McGill College, SNC Lavalin on René Lévesque, 1200 Cathcart, 500 René Lévesque, Complexe Desjardins , 1250 René Lévesque, 1100 René Lévesque, 1000 de la Gauchetiere, Place du Canada, the two towers of what used to be called the Bell Canada-Banque National Project, Place Victoria, the tallest reinforced concrete building in the world, and over a dozen others that I have not named.

So folks, here it is. I left Montreal 17 years ago, and I have come back to see a city whose skyline is unchanged. Look at the skyline from Mount Royal. Look at the skyline from the Champlain Bridge, NOTHING HAS CHANGED! In fact, you could take a photo from 17 years ago and put it on the cover of a magazine titled Montreal 2010. I hear those who say, "Well there's no business, the major companies have moved out." And to this I say: **"These are the same words I heard for the 15 years before I left Montreal."** Oh sure, companies left Montreal ... many of them did! But what happened after buildings went up at 1000 de la Gauchetiere and 1250 René Lévesque? For 17 years there has been little significant change in the Montreal SKYLINE. Most new development has been on a relatively modest scale. Did Montreal die in this period? **The answer is no.** Did the Quebec population decrease in this period? **The answer is no.** Did the gross domestic product of Quebec decrease in this period, or did it grow? **The answer is ... it grew!** So folks, the city is still alive, the population increased, the GDP grew, and while net office rents either remained stagnant or declined in the last 17 years



Solutions immobilières
intelligentes

because ... what's that expression? ... **There's no business in Montreal.** Well, in that same period, houses in Westmount and Outremont more than doubled in value. The multiples increased even more in the Plateau. And the values have gone up in office buildings in Montreal's core where "there's no business" because they are deemed by our banks, financial institutions, pensions funds and managers of retirees' money as being good businesses to buy.

So then what is really happening? And I stand here, in the spirit of Émile Zola, and I say "J'ACCUSE!"

J'ACCUSE parce que j'entends parmi mes amis, parmi mes confrères dans le domaine immobilier, que Montréal a changé depuis les jours où j'étais ici. Et moi je dis : comment la ville de Montreal a-t-elle changé? Et les gens me disent : « Ahhh, mais il n'y a plus d'affaires! » Puis moi, je leur demande pourquoi il n'y a plus d'affaires dans la ville. « Bien, Stephen, c'est toi qui l'a fait. C'est toi la cause originale. Parce que, Stephen, c'est toi qui a effectivement inventé, et qui en a fait le marketing, d'un processus qui s'appelait la représentation de l'utilisateur d'espace. »

C'est toi, Stephen, qui a pressé l'orange jusqu'au point où il ne restait plus de jus! C'est toi, avec ton marketing, avec ton gardien de but, avec ta vache sacrée, c'est toi qui a fait que le monde immobilier se sente intimidé, et qui a fait adopter ton processus. Et puis maintenant, Stephen, tout le monde représente les utilisateurs d'espace. Et pour nous, les propriétaires, on fait des transactions ... mais ça ne vaut plus la peine. Et c'est certain qu'on ne gagne plus des loyers qui permettraient la construction et le développement de nouveaux immeubles dans le centre-ville de Montréal.

Et moi je dis, WOW! Ça fait un meilleur prétexte que celui de l'élève dont le chien a mangé les devoirs.

Mais sans étudier à fond les vrais raisons de la pénurie de nouveaux gratte-ciels, comprenons ensemble que, si une telle attitude persiste, cela voudra dire que Montréal, notre Montréal, va être la dernière grande ville en l'Amérique du Nord sans édifice certifiée LEED PLATINUM de deux cent cinquante mille pieds carres ou plus dans son centre ville?! Montréal ... la ville qui a connu des architectes comme Kohn Pederson Fox, Mies Van der Rohe, I.M. Pei. Est-ce qu'on parle de la même ville dont je suis tellement fier?

Mesdames et messieurs, ça n'a plus de bon sens.



Solutions immobilières
intelligentes

YES, I started, and YES, I created the concept of tenant representation in this city. But while that concept was being put to work, Montreal managed to prosper. At the height of my company's success, major skyline landmarks were built ... skyscrapers that in fact dominate the skyline today. And I refer here to buildings like 1000 de la Gauchetière, 1250 René Lévesque, 600 de Maisonneuve, the Bell Bank Project on Beaver Hall and La Gauchetière., SNC-Lavalin on René Levesque.....to name a few. As I settle back in Montreal, I'm seeing something that has taken place through an attitudinal shift. It is a mindset that has stolen opportunity from both landlord and tenant. It is a concept that has got to the point where there is a consensus that landlord and tenant should sit at the dinner table and both parties should starve, with no food except a small bowl of white rice. I would rather see both parties at a sumptuous buffet feast, enough food to feed everyone and make everybody happy. And that's the choice we have before us.

Well, I've just spent 17 years in the city of New York, where competition among landlords is greater than anywhere else in the world, where competition among companies is greater than anywhere else in the world; A city where companies want to drive down their costs as tenants. Companies in New York are no different from companies in Montreal. Each and every tenant in the office caverns of New York is singularly focused on driving down costs, and he or she is very well represented by the most competitive, hard-driving and knowledgeable tenant reps in North America. So then what is the reason, when everything is said and done, in New York City, an environment where YOU GOTTA BE THE BEST to succeed – the best as a landlord, the smartest as a tenant, the best as a marketer of space, the best as a tenant rep, the best as a developer – why is it that, in that market, when the final signatures have been put on a lease, people sit down and enjoy that sumptuous feast, and not just a bowl of white rice? **But New York is not alone. In fact, New York is the rule.** Why is it that the final economic rents in a lease are workable in New York, are workable in Atlanta, are workable in Chicago or Seattle or Houston or Boston or Vancouver or Regina or Quebec City or Ottawa! Workable in all those cities, **WORKABLE ENOUGH** to cause it to be economically feasible to develop new LEED certified environment saving buildings in their urban centers, but not in Montreal? And I use the expression environment saving both in terms of the environment itself and in terms of major tenant savings in operating costs.

The answer to my question as to why Ottawa or New York or dozens of other urban centers have economically workable rents while Montreal does not is because the real estate industry in this city has decided to lie down and die. It has decided to just take it on the chin from all corners. Symptomatic of this, it has fooled itself into thinking that, by doing nothing in terms of long-term maintenance to its buildings that its buildings will just be worth more because, after all, "the cap rates have



Solutions immobilières
intelligentes

gone down.” Symptomatic of this is that it has developed a general consensus that, to win business, Montreal must become the Dollarama of real estate and cannot be Holt Renfrew? Why is it that the words marketing of office space have disappeared from the lexicon of the Montreal commercial real estate industry? Marketing does not mean that a landlord who owns a company called “a building” should say, “I will do business with you, but you don’t have to pay me on time.” Now any good tenant lease negotiator knows that anything other than timely payment of rent is unacceptable. And yet even this point has become a point to argue about at that table with its bowl of white rice.

I was in the bathroom of a so-called triple A office building in this city, and I saw not one, not two, not three, but over 10 pieces of paper towel on the floor! The bathroom floor looked dirtier than a public washroom at the football stadium. I don’t believe that is what a Montreal tenant wants. And this is part of what I’m referring to with my rice bowl analogy.

The deferred long-term maintenance of a building is not in the landlord’s interest. The short-term cutting of corners is not in the tenant’s interest. What do they say?...a picture is worth a thousand words. Think, for a moment, about the picture that a business guest in our city gets from the Montreal Company he is visiting and thinking of doing business with. A mental picture is taken when he walks on the plaza, a plaza whose granite is cracked in disrepair or filthy with cigarette butts. And another mental picture is taken in the main lobby, and again in the bathrooms. Those mental pictures, each worth a thousand words, superimpose themselves on the mind of an out-of-towner who is deciding about doing business with a first class world competitive Montreal company in a so-called first-class Montreal building. These could be the mental pictures causing the Montreal Company to lose out on business from the out-of-towner or to lose an existing contract. We are often judged by the company we keep and the way we keep our front garden. Well, you might say that dirty bathrooms or building plazas are simple little things. And the answer is ... **well, yes and no. Somebody once taught me that you can gauge a city’s can-do spirit by looking at the upkeep of its plazas.** When I turn to people and say we need to create an environment in this city where people want to build again, where they see opportunity in Montreal, then everybody here has to understand that it is only by working together and taking one little step at a time that we will create change. Because it’s actually in our hands, in the hands of each person in this room.

I spoke previously about marketing. I said that marketing does not mean becoming the Dollarama of real estate. Nor does it mean saying that rent does not have to be paid on time.



Solutions immobilières
intelligentes

Quand j'étais propriétaire de Leopold Consultants Immobiliers, j'ai fait beaucoup d'affaires avec Gene Riesman, le fondateur et propriétaire de First Québec Corporation. C'était First Québec qui était promoteur de nombreux édifices à bureaux dans le centre-ville de Montréal. Mais regardez ce qu'ils ont construit! Leurs premiers édifices étaient des édifices comme le 625 Président Kennedy, le 2075 Université. On pourrait dire qu'ils sont des édifices utilitaires. Et après ces édifices, M. Riesman a augmenté la qualité des édifices de First Québec avec le 1001 de Maisonneuve, suivi de l'édifice qu'on appelle aujourd'hui le 600 de Maisonneuve ou la Tour KPMG. Chacun de ces édifices a été construit avec une qualité supérieure à celui qui était construit avant. Et le dernier de ces édifices, construit en 1989, quand tout le monde disait : « Ah, Montréal, ce n'est plus ce qu'il était. Montreal n'est plus la ville des sièges sociaux du Canada. » Je parle de l'année 1989, soit 13 ans après le début de la vague de départs de sièges sociaux vers Toronto ou Calgary. Pourtant, la qualité des édifices à bureaux est montée. Elle est montée, et cela a bénéficié au locataire. Après ça, on a eu le 1000 de la Gauchetière et le 1250 René Lévesque : deux édifices de classe mondiale et vraiment de qualité triple A. Puis encore une fois, je me demande: qu'est ce qui a changé depuis la construction de ces édifices? **Ce n'est que l'attitude des individus et de la collectivité.** Y-avait t-il un événement catastrophique après 1990? Pas à ma connaissance. Y-avait t-il un départ massif des sièges sociaux après 1990? Moi je n'en ai pas entendu parler. **NON, le seul départ que je vois, c'est le départ de la volonté! C'est le départ de l'innovation.** Une innovation qui dit que nous sommes une industrie, pas simplement une communauté! Une innovation de pensée qui dit que chacun des édifices est une compagnie ... une compagnie qui doit faire le marketing de son produit ... **ici à Montreal, ici au Québec!** Il s'agit d'un **marketing qui touche les cordes sensibles des locataires, un marketing qui les attire.** Il faut un marketing équivalent à la présentation d'une photo encadrée, dans un cadre argenté! Parce que, le marketing de l'espace qu'on voit aujourd'hui, le marketing de NOTRE industrie, est présentement l'équivalent d'une photo SANS COULEUR encadrée chez Dollarama!!

But remember, ladies and gentlemen, marketing does not mean lowering prices to the point that there's nothing left for either the tenant or the landlord but a bowl of white rice.

Montreal is a city that has created some of the very best. We have plenty to be proud of. We created real estate concepts in Montreal. We created North America's first food courts in office buildings, here in Montreal. This concept has been replicated in shopping centers all across North America. And yes, as a Montrealer, I proudly copied Montreal's own home-grown creativity when, as the actual developer, I created the marketing program for more than two acres of food courts, beverage and reception facilities in the greatest real estate project in the



Solutions immobilières
intelligentes

world, the World Trade Center in New York. And yes, marketing, the marketing of real estate, led to the development of this project, with a total all-in cost of \$18.5 million that was valued at \$150 million. I have been involved in no project where marketing was more valuable. **Marketing means adding value to buildings. Marketing means value for building owners. Many millions of this increased value can be shared with tenants and can contribute to a city's vital tax base so that everyone sits down to a sumptuous feast and not just to a bowl of rice.**

But marketing means much more than just attaching a couple of leasing agents to a building and having them send out paper and electronic brochures to prospective tenants and brokers. Let's all just think for a moment: Imagine a lease of 5 000 square feet at \$40 per square foot for ten years. That's a 2 million dollar commitment. Now think of this ladies and gentlemen!: imagine walking into the local Ferrari dealer and showing the dealer a cheque for \$2 million and saying that you were interested in buying 8 Ferraris but that you were also thinking of instead buying 8 Maseratis and that you just didn't know which to choose. Well, ladies and gentlemen, you can be sure that you would receive more than one hour of that Ferrari dealer's attention. In fact, he'd probably fly you to Italy to meet Enzo Ferrari himself! And he'd probably go to the expense and effort to have you drive a Ferrari on a real Italian race course. Now that's marketing!

For decades, Montreal had the tallest reinforced concrete building in the world, at Place Victoria. Montreal has created the highest university population per capita for any city in North America, including Boston. I'll be the first to recognize that the real estate industry is not as easy in Montreal, and has not been as easy in Montreal in the last 40 years, as it has been in other North American cities. When I created and then marketed the concept of Leopold Property Consultants, everybody said it couldn't be done. And yet it was done! We have a resource in this city which is as good as it gets anywhere. We have keen minds, working in different languages, coming out of some of the finest universities in the entire world. We have some of the smartest minds, because when the going gets tough, you have to be better and smarter. And in being smarter, we can also learn from outside. Just as high-tech companies can learn from Silicon Valley, and as Quebec film companies can learn from Hollywood, and as our Quebec based financial institutions can learn from JP Morgan Chase, so too, can our industry learn from examples elsewhere. Tough times or tough markets force people to be smarter. Instead of lying down and giving up, Montreal's real estate industry needs to reinvigorate itself and become the North American champions of the marketing of space. But you can't take a beautifully wrapped package called marketing and then sell a pig's ear. No, folks, we have the brainpower, the skill-sets, the circumstances in this city that says that those who are successful will take that beautifully gift-wrapped box and put something besides a half used tube of toothpaste inside it. For starters, that means

restoring the shine to our existing building inventory. Again, I don't want to hear that it can't be done!



Solutions immobilières
intelligentes

J'ai parlé d'une industrie, j'ai parlé du marketing, j'ai parlé de concurrences et de qualité, des intérêts des utilisateurs d'espace, des intérêts des Montréalais. À cet égard, je veux parler de la plus grande industrie à Montreal et au Québec. Une industrie qui est une des plus grandes au Canada.

And I'm speaking here of an industry that often is not perceived as an industry: the real estate industry. It is time for the real estate industry to start acting like an industry. What do I mean? What I mean is this: When I sat in New York and read about Quebec's economy, I read about the aerospace industry, I read about high-tech industry, I read about the pulp and paper industry, I read about the animation industry, I read about the mining industry. But NOT ONCE in my reading, did I read about Montreal's real estate industry! In New York, they talk about New York's real estate industry, but in Montreal we do not, And yet, Montreal's commercial real estate industry is bigger in terms of assets, in terms of revenues, in terms of taxes paid, and in terms of physical presence in population centers, than ANY OTHER industry! Think about it, folks: add up the value of the buildings just in downtown Montreal. They add up to WAY MORE than the total assets of the entire aerospace industry! And the list goes on.

Je dois dévouer une minute à nos autorités politiques. Encore une fois, en faisant référence à New York, où les infrastructures sont plus vieilles que celles de Montréal, je vois de la folie qui apparemment est acceptée par tout le monde. Mais cela ne fait pas de bon sens! À New York, on répare des systèmes souterrains. Mais pour le faire, on ne ferme pas des pans entiers de rues. Je ne dis pas que New York n'a aucun problème. Mais il y aurait une révolution à New York si une section d'une artère majeure était barrée pendant plus que 24 heures! Non, à New York les réparations aux infrastructures les plus âgées se passent entre 22h et 5h. Mesdames et messieurs, les infrastructures à Montréal sont relativement jeunes. Mais à New York, même s'ils ont une infrastructure plus vieille, une infrastructure qui a besoin de plus de réparations, aucun maire n'oserait faire du mal à la ville de New York comme la désorganisation et le désordre produit par notre administration municipale ici à Montreal. Je n'accepte pas l'argument que les infrastructures sont âgées! À New York, on s'efforce de créer le moins d'interruptions possible. Et quand il y a une interruption, on s'accorde avec les syndicats, tout aussi puissant que les syndicats ici. On travaille la nuit et les fins de semaine pour que les commerces ne fassent pas faillite! Imaginez à New York si le quart des grandes rues était fermé pour n'importe quelle raison. C'est inimaginable! A ce sujet, je vais lire les mots de Stephen Jarislowski, cité dans le journal Les Affaires la semaine dernière :



Solutions immobilières
intelligentes

« L'état du réseau routier montréalais m'enrage. Montréal est la locomotive du Québec. Or, ses rues sont probablement le plus défoncées du Québec, voire du Canada. Les taxes foncières y sont sans doute les plus élevées de la province. (...) Mais ce qui me fait encore plus rager, c'est l'apathie de la population montréalaise qui, résignée, en est venue à trouver la situation actuelle « normale ». Ne devrions nous pas aspirer à mieux? »

And, in a further reflection on the depths of our apathy, I see an article from last weekend in The Gazette about stores actually being put out of business due to City Hall's organizational anarchy and disrespect for each of us as citizens. Here are a few lines from Josh Freed's column:

"Ste. Catherine has been under assault for almost a year. A staggering three quarter-kilometer stretch of the street is now shut to traffic –from east of St. Laurent to west of Bleury St. It's a vast construction zone turned destruction zone, filled with bulldozers and mud, gravel pits and garbage, Johnny-on-the-Spots and enough wire fencing to build our own Berlin Wall."

Local merchants are tearing out their hair, like genteel Jacques Haflalo of Indiana Jeans on St. Laurent at Ste. Catherine, whose store is surrounded by bulldozers and debris. He points down Ste. Catherine to St. Urbain St., where merchants were told work would take three months to complete.

It's been almost a year and the street's still closed," he said. "How long does it take to finish a 100-metre stretch? I've already lost a third of my business."

I'm hearing too often, "Stephen, you have no idea what the obstacles are. Stephen, the city has changed. Stephen we can't get economic rents."

In 1974, my great uncle, who was a world renowned surgeon, was mugged in the theater district of New York. That was the norm in New York at the time. Everybody said that it would never change. Street crime reigned supreme. Prostitutes and their pimps owned the streets. Filth was everywhere, poverty was everywhere. People were afraid to take a walk. People didn't take the subway. Many did not dare go to Central Park.

Today, the crime rate in Manhattan is lower than that in Boston. Lower than that in Chicago. In fact, it's lower than that of any large American city. But this all happened **one step at a time.**

And in the same sense, we, the proud Montrealers that we are, must make changes. It is up to us to start the process one step at a time. Crime was reduced in



Solutions immobilières
intelligentes

New York one squeegee at a time, one example of graffiti at a time. It's exactly like this that we need to start the process of change in Montreal.

It is a process that will benefit the space user. It is a process that will benefit the real estate industry. It is a process that will benefit our city, our pride, our tax base, and all of us.

And as I read that we are helpless as citizens, and as I hear that the real estate industry is helpless in making buildings an economically sound business that will warrant the investment and creation of new LEED certified buildings, I stand before you, ladies and gentleman, and I say: "We are not helpless! We are not helpless as citizens; we are not helpless as an industry. One step at a time, we can help ourselves and leave our children with the pride of being Montrealers that was left with me by my father. And a young child will say, "Daddy, can you tell me about the people who built all those beautiful LEED skyscrapers. Why was it them, and not somebody else? What kind of person does it take to build buildings like that?"

Thank you very much for being such a warm and gracious audience. MERCI beaucoup!

Stephen Leopold est le président du conseil d'Avison Young Québec. Avison Young est la plus importante société canadienne indépendante proposant des services immobiliers commerciaux et la seule société nationale de courtage immobilier gérée par ses directeurs et détenue par des Canadiens au pays. La société se classe parmi les entreprises immobilières commerciales nationales les plus importantes au Canada. Offrant des services immobiliers commerciaux complets, Avison Young compte plus de 700 professionnels de l'immobilier dans 22 bureaux situés partout au Canada et aux États-Unis. La société fournit des services à valeur ajoutée de vente de placements, de location, de services-conseils, de gestion et de finances axés sur le client aux propriétaires et aux utilisateurs d'immeubles de bureaux et de propriétés immobilières commerciales, industrielles et multi-résidentielles.

Stephen Leopold is Chairman Avison Young Quebec. Avison Young is Canada's largest independently-owned commercial real estate services company and the only national, Canadian-owned, principal-managed real estate brokerage firm in the country. Ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 700 real estate professionals in 22 offices across Canada and in the U.S. The company provides value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-residential properties.