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TRIPLE ISSUE

Forever Young

While middle-market firms are flailing Avison Young is on the upward trajectory—how did that happen?

From left: Mitti Liebersohn, James Nelson and Arthur Mirante.

Canada Day

Just eight years after entering the U.S. market Avison Young has been sitting pretty and the brokerage is focused on more expansion

By Larry Getlen | Photographs by Sasha Maslov

Twenty-eighteen has been a rough year for middle market firms. MHP Real Estate Services sold 60 percent of its ownership to Miami-based Banyan Street Capital in April. In May, RKF announced it was being purchased by Newmark Knight Frank. And in July, Eastern Consolidated closed up shop.

In the midst of this, middle-market focused Avison Young, a Toronto-based brokerage is, by their executives' accounts, thriving. The company's New York office has grown from 80 people to 130 people in just three years, with 35 of those coming aboard since earlier this year when James Nelson ditched Cushman & Wakefield to head Avison Young's New York metro area investment sales.

Commercial Observer sat down with Nelson, 42; Mitti Liebersohn, 60, the president of the firm's New York City office; and Arthur Mirante, 74, the president of Avison Young's Tri-State region—all three are also principals at the company—to discuss the secret of Avison Young's success.

Commercial Observer: Firms that deal in the middle market are going through challenging times right now, if they're surviving at all. How is Avison Young prospering while similar companies are not?

Arthur Mirante: We have a different model and a different culture, and the culture drives our revenue. It drives our success. It helps interest talent in saying, "Gee, I wonder if there's another environment that will let me achieve my potential and make more money."

Describe that culture.

Mirante: For me, this company still cares about people who work for it, and that's the baseline. That fuels the collaborative environment as opposed to silos, where a senior person on a brokerage team tells the juniors, "You can't talk about anything we're working on. If I hear that you've told somebody at a sales meeting what we're working on, you're out of here." I was taught early on that information is power. You hoard information because it's yours, and that's how you make money. That's no longer the case, because to have rare information you can do something with and turn it into a real estate opportunity requires collaboration. If someone's looking for an office in New York, me, Mitti and James know a lot. We can call Marc [Holliday the CEO] at SL Green, and say, "Would you sell one of your buildings?" That information is only powerful if you collaborate. That's how you make it valuable.

Let's talk about how this plays out within Avison Young. You're saying there is a more open culture. How does that manifest? What are the mechanisms for sharing all this information?

Mitti Liebersohn: I'll give you one basic example. On the landlord side—on the agency side—rather than have siloed teams working on specific buildings, we have the entire leasing group work on our agencies. Everybody's offering information about what they hear in the marketplace. One building we have, 530 Fifth Avenue, is unbelievably well leased now. That's because we have so much information going through our shop. It's not being hoarded like we've seen in other shops.

Mirante: Mitti is the managing director. He's the boss of New York City. Every Monday, 70 managing directors and some of the service line capital markets heads get on a telephone call. Our CEO, Mark Rose, [who's based in Toronto], hosts the call. It's about what's going on. And at the end of the call, everybody's jumping in with things that are happening. Any new business? New client opportunities? So the example is set from the top. And for guys like Mitti and James, it's their job to build it from the bottom up. Also, [Mitti has] a team of 30, 35 people. They all share in whatever economics result, no matter who does it.

Beyond growing the team by broker count, what plans do you have for the firm?

Liebersohn: We have all the various service lines, so it's not just brokers we're looking to grow. Last night I had dinner with a property management group we're gonna bring on board. It's a perfect fit for us. So we're growing our property management group. We're growing our valuation group. Most people think it's just about either our investment sales group or about our office leasing group. It's not about that. My job is to grow the entire enterprise in New York City.

What did you think of Eastern Consolidated closing?

James Nelson: I was surprised, and I wasn't surprised. They have a lot of talented brokers that they had many successful years with. Yes, there was the overhead, and yes, it was the market dropping, but what I've been hearing is that those brokers were, in essence, in competition with each other... That can lead to a lot of overlap and friction.

Liebersohn: I think everybody was a bit taken aback. Now, it's a really interesting dynamic for me because I'm talking to a lot of those people, now it's my job to figure out which of those people make sense here. There [were] a lot of really great brokers over there.

James, tell us what deals you've closed since starting at Avison Young.

Nelson: Aug. 5 was my six-month anniversary with Avison Young. The typical sales cycle from start to finish is six months. That being said, we've closed two transactions, both in the same building. We sold three full-floor office condominiums at 420 Fifth Avenue, in a co-listed deal with Cushman & Wakefield, for a total of $54 million. We were the seller's broker, representing AM Property Holding and Quality Capital USA. We sold one floor to Marist College for $18 million, and two floors to Luxotica for $36 million, for a deal that closed in early June.

Right now, we have 40 exclusive listings for about $1.4 billion. It's a nice range of listings—multifamily, retail, and office.

How many of your Cushman & Wakefield team members did you bring with you to Avison Young?

Nelson: Technically I didn't bring any. Unfortunately, with the way these things work, they were unaware of what my plans were. So when I came to Avison Young, I was just speaking for myself. Then, after the fact, I had several team members reach out who have since joined me.

How many?

Nelson: Seven.

Mitti, other than hiring James, what is the most exciting thing that's happened at Avison Young in 2018?

Liebersohn: We just recently hired Rick Marek, he's a bit of an icon, he's been responsible for some of the most prolific law firm deals. When you're in the leasing world, and you speak about the biggest law firm deals, his name is usually synonymous with that. We just hired Todd Korren, another well-respected deal maker. He's more on the landlord agency side, and extremely well-respected.

In our agency business, we are [close to] 95 percent leased in our agencies, and that's a pretty spectacular metric. We represent Scott Rechler at 530 Fifth Avenue, and we have a lease out that's ready to be signed and that will bring us over to 95 percent leased. We represent Steve Levy over at Tower 45; we have a few leases that should be signed by end of this week. We represent Thor, and we have tremendous leasing activity on the landlord side in our Thor portfolio. Arthur represents 1501 Broadway and they have tremendous activity. The market is good but our activity is outpacing the market and that's really gratifying. We're about to be awarded a 1-million-square-foot Class A building. That's part and parcel of our success with our agency business.

Given the current changes happening at Avison Young, what percentage of the company business is leasing versus investment sales?

Liebersohn: It's changed. I would say prior to James coming on board, it was probably 80/20, leasing to investment sales. Now it's shifted to 65/35.

Let's go back to the market and the issues in the middle market. Are you finding that middle-market territory as challenging as other firms are?

Liebersohn: Middle market is a relative term. For a shop like ours, the middle market is at least 20,000- to 100,000-square-foot deals. Right now, we're working on over 10 deals of that size, and most of them are in that 100,000-square-foot range. So we're very active in that middle-market range. That's on the tenant rep side. On the landlord side, we don't even have vacancies right now in our agencies.

Nelson: I'll speak to investment sales. The New York City market is massive. At its peak, the volume of all property sales in Manhattan below 96th Street was $55 billion. Now it's $20 billion. That's still a lot of trades, especially when you include all of New York City, which at its peak was $70 billion. There is a tremendous amount of trades, and yet there's a tremendous amount of inefficiency. A third of the transactions in New York City happened without a major brokerage firm. This is insanity, and a lot of this inefficiency happens in the boroughs. I think it's because you have brokers who may be focused in one area, or they're a jack-of-all-trades and chase leads all over the city. No one is systematically going after every transaction in New York City by asset class in a unified way. This goes back to how we collaborate—how we do brokerage differently.

As Arthur was saying, you go to any other firm and you're competing with the broker down the hall. So I said, "What if we had one unified sales team where we all not just work together, but share commissions on every transaction." That has not been done before. This is really more like an investment bank, where we have everyone participating in every transaction to a certain extent. They do get bonuses, because you still have to motivate salespeople to bring in business. But when we meet with clients we say, "you're not just getting myself and this asset specialist in the team, you're getting 30 people behind this transaction."

IN THE MIDDLE: James Nelson, left, Mitti Liebersohn, middle, and Arthur Mirante, right, credit their company culture with making Avison Young a success.

Avison Young is a Canadian firm. Tell us how it entered the U.S.

Mirante: Eight years ago, you had these four or five partnerships in Canada that said, "we better come together, because all of these big international firms are coming into Canada, and they're out-competing us. We are an un-owned alliance. We better form one company." That was Avison Young eight years ago. They came together, formed a partnership, and then they said, "could we enter the United States and start doing business?" So they started searching for a CEO of their new partnership, and one of the people was Mark Rose, who had resigned a year earlier as the CEO of Grubb & Ellis [now part of Newmark Knight Frank]. So they interview Mark and ask him the question: "If we make you our CEO, could we go into the United States?" He put together a business plan, and the essence of his plan was, "I want to try and put together a different model to retain people and have a healthier brokerage environment than the one I've been at." Part of his plan was the essence of our core values, which is collaboration, information sharing, caring for people. Clients first.

New York City real estate brokers are aggressive, competitive people. They're hungry. I have to wonder how receptive they are to the collaborative, all-sharing model. How are you making it work?

Mirante: You have to manage it day-to-day. [I spent] 40 years at Cushman & Wakefield. Mitti spent 15. I built the culture that I'm now saying is siloed and bifurcated. And the silos are not just in brokerage. In my last days at Cushman & Wakefield, if I called my project management group and said, "I want you to attend a pitch for a tenant representation assignment," the first question I would be asked was, "What's going to be my share of that commission if we don't get hired as project manager?" I was so disillusioned. I sat back and said, "What the hell have I built?" So I understand it.

So what's changed?

Liebersohn: Brokers in the shops are getting the shit kicked out of them all the time internally. They're getting killed by all of their compatriots. It's simply not what we have going on here. People want to make a living in an environment where you're not fighting harder against people in your own shop than you are with people outside.

Mirante: There comes a point where it's not just about money. People who have risen, who are making between $3 million and $6 million a year in revenue, they get to that point where they're not happy coming into work every day.

Liebersohn: Ask James about the guitar he gave me, and what it says on the frets. [Liebersohn has an extensive guitar collection.]

Nelson: There's one guitar that every new member of the tri-state investment sales team has signed as they come on board. On the neck of the guitar is Mitti's moniker—it's also on the back of his watch, if I'm not mistaken—WARE: Warmth, Appreciation, Respect, Empathy. You can't fake it. The clients sense it. The fact that our new investment sales team has been up and running now really for only three, four months, and we have over 30 exclusive assignments. Look, there are deep relationships that go back 20, 30 years. You're not going to win everything. But the clients sense that what we're doing is different. You cannot fake collaboration.

How many people do you hope to take on in the next year?

Liebersohn: It's not about numbers. It's about how the people are, how they come across.

Mirante: The way we plan and budget, he doesn't say, "I wanna hire 15 people next year." He's just got the mandate to continue to grow and improve this office, and when he tees the opportunities up, he moves on it.

From the way you're describing it, it sounds like you're saying that because of the company culture, you have almost completely inoculated yourself from the problems of the market.

Mirante: From the problems you mentioned, yes. I think that's a fair statement.

So it's almost a matter of, the traditional business model always had problems, and you're figuring that out before other companies.

Mirante: I would submit to you that a real estate service company should be more like a Mackenzie, an investment bank, or a top-tier accounting firm. It should be a partnership. And the minute you alienate the people working with your clients from the ownership of the firm, you've got an issue.