Knowledge Leader™

COLLIERS INTERNATIONAL PROPERTY MAGAZINE

SPRING 2012

COLLIERS 360
EMPOWERING CLIENTS THROUGH TECHNOLOGY

LINKEDIN
TIPS FOR MAKING CONNECTIONS

CLOUD COMPUTING
THE RISE OF DATA CENTERS

Great Companies Need Great Spaces

FRASER MILNER CASGRAIN LLP: LEADING BY DESIGN

Colliers INTERNATIONAL

contents

COVER PHOTO BY ALESSANDRO ROETHEL

From the Editors' Desk


DAVID BOWDEN DYLAN TAYLOR

IN BETWEEN THE LINES

2011 WAS AN EXCITING YEAR for *Knowledge Leader* magazine, and for our industry as a whole. Not only are we seeing broad signs of recovery across property types in commercial real estate, we're also seeing the emergence of new markets and new opportunities. Change is inevitable—this is really the most important lesson of the past few years. Recovery is not defined by a return to what was normal in 2008; it's defined by our ability to adapt to the changes that the economic crisis has left behind.

This is why we place such importance on making *Knowledge Leader* the best publication we can. Because it's our hope, with every issue, that we advance your thinking in some way. That we can provide some new insight that opens new opportunity or ideas for you, and give you the power to adapt, grow, change and innovate.

Our first issue of 2012 contains a profile of Fraser Milner Casgrain LLP in Vancouver, B.C., the first winner of Colliers' *Great Companies and Great Spaces* award for dedication to employee-focused workplace design and culture. This unique law firm reminds us that decisions about the built environment impact far more than just the bottom line.

Also in this issue:

- New retail research shows the surprising impact that dollar stores are having on the leasing landscape. (Outlook 20/20)
- KC Conway reminds us what we learned in 2011, and gives his predictions for 2012. (Bank Notes)
- "The Cloud" looms larger every day. Tim Huffman discusses what the Cloud really is, where it lives, and what it means for your real estate decisions. (B2B)
- Coverage of paradigm-changing companies: The Rockefeller Group, Qualico and Federal Realty trust. Read the thinking behind their signature projects.

We look forward to making 2012 a groundbreaking year for *Knowledge Leader*. In addition to our upcoming retail issue this summer, we'll be rolling out new ways of connecting with the magazine and staying ahead of change.

Best wishes for a great year,

David Bowden
Chief Executive Officer | Canada
Colliers International

Dylan Taylor
Chief Executive Officer | USA
Colliers International

VOLUME 6 ▶ NUMBER 1

Knowledge Leader™ COLLIERS INTERNATIONAL PROPERTY MAGAZINE

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This magazine is published by Colliers International.

Colliers INTERNATIONAL

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TIGER OAK MEDIA

Tiger Oak Publications
1518 First Ave. S, Suite 500
Seattle, WA 98134

Knowledge Leader is published three times annually by Tiger Oak Media, Inc., with offices at 1518 First Ave. S., Suite 500, Seattle, WA 98134; 206.284.1750.

POSTMASTER: Send address changes to: *Knowledge Leader*, Colliers International, 601 Union Street, Suite 4800, Seattle, WA 98101. Publications Mail Agreement No. 40064408. Return Undeliverable Canadian Addresses to: Express Messenger International, P.O. Box 25058, London, ON N6C 6A8. PRINTED IN USA.

Dollars and Sense

A HIDDEN BOOM IN RETAIL LEASING REVEALS A SIGNIFICANT SHIFT IN CONSUMER SHOPPING HABITS. BY VICTORIA SIMPSON

THE AMERICAN CONSUMER HAS SPOKEN: Dollar stores are now part of the national shopping habit. That's according to *Dollar Days: How Dollar Stores Are Growing in a Weak Economy*, a new study released by the Colliers International's U.S. Retail Research Group.

By midyear 2011, the combined store count of the four major dollar store chains—Dollar General, Dollar Tree, Family Dollar and 99¢ Only—has surpassed that of the three largest national drugstore chains—Walgreens, CVS/pharmacy, and Rite Aid (21,500 versus 19,700). The report notes that the rapid expansion of this retail segment is part of a larger lesson learned by retailers during the recent recession: Consumers are looking for value.

"The rapid evaporation of wealth (both real and perceived), has profoundly changed the way Americans shop and how they define value," notes Ann Natunewicz, National Manager of Retail Research for Colliers International and the author of the study. "Dollar stores now serve a larger consumer base, which is fueling unprecedented growth in dollar store leasing and a significant shift in the types of retail space they take. The Colliers study offers important insights about the success of the dollar store market and its impact on commercial real estate."

Long known for the value they provide with convenience positioning, edited assortments and low prices, dollar stores' strong earnings and aggressive store expansion/remodel programs have made them extremely popular with landlords and property investors. Based on analysis of the portfolios of the four national dollar store chains, along with a review of the transactions brokered by Colliers' retail professionals, the study revealed the factors behind this current boom sector in U.S. retail leasing. Key findings from the report include:

Dollar store evolution equals a merchandising revolution

Landlords recognize that as long as trading down and pinching pennies stay fashionable, any and all merchants offering value have more cachet. Dollar stores' expanded food offerings have increased customer trip frequency, which generates positive spillover effects for the rest of the property. Dollar stores have upgraded both the look of their stores and merchandise presentation, increasing their appeal to a broader demographic.

"Dollar stores are big business now," Natunewicz says. "Their product selection and price points compete favorably with the big box stores. While the dollar stores are moving into more desirable locations, they are generally able to maintain aggressive lease terms."

Savvy site selection

In the 1990s, Walmart and Target accelerated their real estate expansions, offering a value proposition based on price and one-stop shopping. However, the real estate requirements of these superstores—which range from 120,000 to 250,000 square feet—kept them out of smaller markets and infill locations. The typical dollar store, on the other hand, occupies an average footprint of only 7,000 to 10,000 square feet; although some new prototypes exceed 20,000 square feet.

As dollar stores become more accepted as tenants, they are moving into increasingly better real estate locations that were impacted by economy-driven vacancies. Landlords in smaller markets often lease to a predominantly local tenant mix, so adding a large, national credit tenant can reenergize a leasing effort and reassure lenders of a property's viability.

More aggressive real estate programs equal accelerated absorptions: Grocery stores and supercenters frequently restrict landlords from leasing space to dollar stores within centers they anchor. This trend is pushing dollar stores to locate in larger projects, lease in better-quality real estate areas, or build new locations from the ground up.

The report raises a number of questions: In light of this year's boom in online retailing, how significant is this trend and how does it relate to Internet shopping? Are Internet shoppers and discount consumers one and the same, or do they represent different demographics altogether? Will this trend survive tough economic times or is it a trend to fit today's marketplace only?

Natunewicz sees the trend as a permanent part of the new retail landscape, with the potential for even more expansion.

"In an extended period of muted retail sales growth, it's hard to argue against dollar stores' strategy. The convenience they provide—bringing better products at lower prices closer to the consumer—helps dollar stores better serve existing customers and attract new ones. When the recession began, nearly everyone traded down either out of necessity or a desire to spend more prudently. Retail is habit-forming; the longer shoppers patronize a particular store or category, the more likely it is to become a permanent shopping destination."

> **Dollar stores' strong** earnings and aggressive store expansion/remodel programs have made them extremely popular with landlords and property investors.

Dollar Days: How Dollar Stores Are Growing in a Weak Economy *is available at http://goo.gl/YwPp8 or by visiting www.colliers.com.*

spotLIGHT

THE PEOPLE, PLACES AND EVENTS SHAPING THE INDUSTRY

Two Colliers International offices combined expertise to market a 7-acre oceanfront resort in Puerto Vallarta, Mexico (pictured here) for Thomas Cook.

TRANSACTIONS OF NOTE

Puerto Vallarta Resort

TWO COLLIERS OFFICES COMBINE EXPERTISE TO MARKET PRIME OCEANFRONT PROPERTY.

THOMAS COOK CANADA INC., one of the world's leading leisure travel groups, recently retained Colliers International Hotels | Toronto and Colliers in Mexico City for the global marketing campaign of a former resort in Puerto Vallarta, Mexico.

The 7-acre, oceanfront resort located on the Bahia de Banderas in the Pacific Ocean was vacant at the time of sale and was sold as a redevelopment property. The AAA site was aggressively marketed to global real estate players, as well as to regional developers and investors.

The Colliers team, made up of Robin McLuskie, Russell Beaudry (both of Toronto), and Feliciano Garciarramos (Mexico City), used their resort and development contacts and market knowledge to maximize value for Thomas Cook. The property was sold to a local developer backed by large global capital sources, who will redevelop the property into an all-inclusive resort concept with street-front retail along Boulevard Francisco Medina Ascencio, the main thoroughfare that runs through Puerto Vallarta.

Santo Spirito (inset and circled in yellow) is the last exclusive island in Venice's lagoon.

INTERNATIONAL NEWS

Ciao, Bella!

IN THE MARKET for an Italian island? Colliers International is representing Santo Spirito, the last exclusive island in Venice's lagoon. First inhabited in 1140 by monks, the island is a short 10-minute boat ride from Venice's Piazza San Marco and conveniently located halfway between Giudecca Island and the Lido. Its rich history, strategic location and vast potential make this a once-in-a-lifetime opportunity.

The Municipality of Venice has recently approved restoration of 3,500 square meters of existing buildings and an additional construction of 4,500 square meters of new buildings, totaling 8,000 square meters of constructible area. New development offers flexibility to potential investors with several permitted uses, including residential, office, commercial/retail, as well as hospitality.

For information, visit www.colliers.com/Country/Italy/SantoSpiritoIsland.

BUSINESS DEVELOPMENT

SILICON VALLEY CONSORTIUM MEETS WITH CHINESE TECHNOLOGY FIRMS

COLLIERS INTERNATIONAL has joined with the accounting and consulting firm Deloitte, Silicon Valley Bank, the international law firm O'Melveny & Myers LLP and the City of San Jose to form a public–private consortium that would help clear the way for Chinese technology companies to establish a presence in Silicon Valley. Officially known as Silicon Valley–China Business Connect, the group's purpose is to improve Silicon Valley's economy by increasing the number of Chinese companies doing business in the area.

This past fall, members of the group traveled to Shenzhen to meet with the city's top high-tech companies. Senior Vice President Mike Rosendin, with Colliers' San Jose office, is leading the efforts for Colliers International. "Shenzhen is the high-tech capital of China; it's grown up fairly recently—in the past 25 years or so. Today, there are 14 million residents and a variety of industries. It's a very beautiful city," says Rosendin. "We went there with the goal of opening a dialogue with some of the technology companies to see if we can help them be successful in Silicon Valley."

Jeff Fredericks, Managing Partner of Colliers' Silicon Valley office, notes, "The Silicon Valley is still the world's leader in the design and advancement of new technologies. We believe this is not only an important step for Colliers, but also for the long-term economic health of our region and the country at large. I'm extremely proud of Mike's efforts in taking the lead in building business development with the technology sector in China."

Q&A

EXECUTIVE INSIGHT WITH: MARK COWIE AND MIKE COWIE

EXECUTIVE VICE PRESIDENTS WITH COLLIERS INTERNATIONAL IN TORONTO

Mark Cowie

Mike Cowie

IDENTICAL TWINS Mark and Mike Cowie have been with Colliers International for a combined 60-plus years. Mark joined initially in 1980 and Mike followed a few years later. While the brothers' expertise lies in larger office leasing and investment sale transactions, they use their seasoned skills to arrange joint ventures, lead private equity investments and arrange for limited partnership syndications on property—which, in some cases, mandate a commitment of their own equity together with their clients'. Their strength lies in the ability to combine deep market knowledge and a lengthy Rolodex to give clients what they seek: results.

Buying their first house (which they rented out) while attending university in London, Ontario, the Cowie twins got an early start in real estate—and their momentum and passion for it have not let up. Throughout their tenures with Colliers, Mark and Mike have played integral roles in the company's development and expansion, both in Canada and the U.S.—much as they have grown their own practice. Mark looked back on the first deal he completed for Colliers, an 800-square-foot law firm project that concluded a mere three weeks after he had joined the firm. Fast forward three decades and the Cowie brothers have transacted more than 300 million square feet of space for clients such as Royal Bank of Canada, State Farm Insurance and Canadian Tire.

What was your first job?

Mark: Pumping gas, landscaping and painting. We started a business doing this, which employed 10 students at its peak, and we ended up selling it when we graduated. In addition, we both worked on oil rigs as roughnecks for a summer in different parts of Alberta. That was an eye-opener.

Mike: Mark and I were mechanics and "gas jockeys" at a local garage close to our home in Thornhill. We worked on our cars in high school, recognizing they were our most expensive assets at the time. It was great working at the garage. We met some great people, learned lots and got spare parts for our cars at discounted costs.

How did you get your start in the business?

Mike: Our father, Paul, got into real estate in the early '70s and was an early founding partner of Leasco Realty, which merged with Macaulay Nicolls (Colliers) in the mid-1980s. We saw that our father gained a certain freedom after his career change from the family business to real estate, and it was inspirational to see this freedom create a better lifestyle for him and his family. He seemed more positively charged by deals, their structure and success, so we became interested in the industry. In addition, we both wanted to work in a high-energy environment where compensation is positively correlated with effort and results.

What was your first job at Colliers?

Mark: Sales—I was an unpaid salesperson, working strictly on commission.

Mike: I was a sales assistant for a competing firm in Calgary, Alberta, having moved there after graduation from business school.

What advice would you give to someone entering the business?

Mark: That the secret to the business is that there is no secret. Success is earned through dedicated effort and client service. I have always believed that constant pressure yields results.

Mike: Start early, finish late, make lots of calls, get out to see the people.

What are your favourite business books?

Mark: Michael Lewis' *Liar's Poker* and *The Big Short*, and Malcolm Gladwell's *Outliers: The Story of Success*. Just finished *Boomerang*, an easy and quick read by Michael Lewis, which is really a commentary on the European debt crisis, contagion and the continued lack of individual accountability prevalent in many European countries and parts of the U.S.

Mike: *Barbarians at the Gate: The Fall of RJR Nabisco* by Bryan Burrough and John Helyar. I just finished a book on Steve Jobs. It was fascinating. The man drove perfection but was not necessarily a positive motivator for many of his employees.

What do you see as new industry trends that clients or brokers should be aware of?

Mark: Fee compression and clients' interpretation of lack of differentiation.

Mike: Brokerage services are becoming commoditized as more and more market information becomes available for free through various sources. Therefore, you need to differentiate yourself. Knowledge, strategy and execution are what clients are paying for. It's how you apply the information that matters.

Head in the Cloud

WITH SO MUCH TALK ABOUT CLOUD COMPUTING, WHERE, EXACTLY, DOES THE INTERNET LIVE? BY TIM HUFFMAN

CLOUD COMPUTING seems to be the technology buzzword of the day. Amazon helped popularize the term through its Amazon Web Services (AWS), and Google, Apple and others have also introduced their versions of cloud platform services. But what exactly is the cloud?

Essentially, *the cloud* is the Internet. It's tangible; it's not an ethereal fog. It is a network, and the content that rides that network lives in data centers—purpose-built facilities connected to highly reliable power and fiber sources.

Cisco Systems—a global leader in networking—predicts that Internet traffic will grow by 33 percent each year between now and 2015. With 5 billion devices connected to the Internet today and 20 billion devices projected to be connected by 2020, it's easy to understand why the data center industry is a hotbed of development and services activity. More Internet traffic means more brick-and-mortar buildings. In fact, industry analysts at the technology research firm Gartner forecast that approximately $106 billion will be spent equipping data centers globally in 2012 (up from $88 billion in 2010), growing to $126 billion by 2015.

Cisco Systems predicts that Internet traffic will grow by 33 percent each year between now and 2015.

Where will all these data centers go?

Traditional tier-one U.S. data center markets include New York, Northern Virginia, Chicago, Dallas, Silicon Valley and Los Angeles. Although these markets continue to see strong demand, over the past two years there has been an explosion of growth in the rural development of data centers, including several large-scale projects in North Carolina and Oregon.

In 2010, Apple spent $1 billion on a 500,000-square-foot data center in Catawba County, just outside of Charlotte, North Carolina. Nearby, several large data centers have been built by Google, Facebook, Disney and Time Warner, resulting in the largest rural data center corridor in the United States.

In Oregon, the rural communities of Hillsboro and Prineville are also becoming hot spots as Apple, Facebook, Google, Amazon and NetApp have all initiated major data center projects. Locations for these megacenters are driven by three primary factors: tax incentives, the relatively low cost of power, and the ability to leverage cold outdoor temperatures to cool the buildings.

The old becomes new

In some cases, data centers evolve from the adaptive reuse of existing buildings in dense urban areas.

At 1.1 million square feet, the former Donnelly printing plant, built in 1929 in Chicago, is now the largest repository of computers in the world. It's owned and operated by Digital Realty Trust, a data center real estate investment trust (REIT). In December 2010, Google paid $1.8 billion for the former Port Authority building in New York because of the building's strategic fiber connectivity and data center capabilities. In June 2011, Sabey Data Centers bought the Verizon Tower at 375 Pearl Street in lower Manhattan. Built in 1975, this 1.1 million-square-foot building is being developed into the largest available block of data center space and power in New York City, representing the growing demand for low-latency urban data center environments.

Build versus lease

With data expected to grow 800 percent over the next five years, most companies are looking at the scalability and cost structure of their existing data center environments. This analysis is driving the great real estate debate of owning versus leasing.

To decide, a company must consider several factors: its corporate philosophy on capital expenditures; how quickly the company needs the space; and, in many cases, how skillful its information technology (IT) and facilities teams are at empire building.

This final factor is especially crucial. Data centers are essentially the intersection of real estate and technology, so a company's internal IT and real estate teams must be able to work together. At stake is more than the funding associated with the project: there is also the downtime risk, as all of the business's core systems and applications live in the data center.

Construction costs for a 10,000-square-foot data center with 1 megawatt of power can be in the $15 million range. Although there is an economy of scale that brings that cost down as the size of the project grows, many companies have chosen to outsource their data centers rather than incur the capital expense of building and operating these highly specialized buildings. Retail mixed tenancy data center operators can see rents as high as $600 per foot on an annual basis; wholesale facilities will rent for 50 to 60 percent of that amount. In either case, the primary appeal of outsourcing a company's data center requirements is that data center landlords increase the speed of delivery, and have the capital and expertise required to build and operate this kind of building.

If running highly specialized facilities isn't your core business, you have to ask, "Why am I risking the capital to own and operate this type of building?" Essential data center technology is always improving, and projects completed four to five years ago are already becoming outdated and inefficient. Hence the appeal of leveraging the landlord of a purpose-built building that can provide solid service-level agreements that include financial penalties for outages related to power, cooling, connectivity and many other metrics.

Despite the obvious benefits of outsourcing, a recent study by CoreNet revealed that 50 percent of companies polled are planning for, and investing in, expansions of their owned and operated corporate data centers.

Regardless of who owns the data center, we have all become reliant on the services that are delivered from these buildings. The next time you read an email on your cell phone or upload a photo to your Facebook page, think about the cloud as a real place. It lives in brick-and-mortar buildings called data centers, which may be sitting in the rolling countryside or in a dense urban area.

Tim Huffman (tim.huffman@colliers.com) is Executive Vice President and Global Director of Colliers International Technology Solutions Group.

High-Tech Tools

COLLIERS 360 EMPOWERS CLIENTS TO CHANGE THE WAY THEY DO BUSINESS. BY CHERYL REID-SIMONS

WHAT IF YOU HAD a customizable tool that could empower you to improve the performance of your company? A tool that linked complex business data and created a virtual roadmap of how change in one area of your company would, in turn, influence change in other areas? A tool that would bring all key decision makers to the table—regardless of where they are located—without waiting for costly analyses of different scenarios or even, for that matter, having to leave your office?

Now you can, with Colliers International's extraordinarily intuitive and versatile dashboard technology, Colliers 360. The technology is changing the way Colliers' clients think about managing their businesses in a real-time setting that leverages virtual meeting environments.

"We believe this is a cutting-edge approach to helping solve real estate management problems," says Chris Zlocki, Managing Director of Strategy and Innovation for Colliers Corporate Solutions. "We've leapfrogged our competition: Colliers 360 provides an Internet portal for clients to manage their entire global real estate portfolio—from an iPad or a desktop anywhere in the world."

When the Corporate Solutions team deployed Colliers 360 at BT (formerly British Telecom), they leveraged Cisco Systems' high-definition (HD) TelePresence technology to facilitate productive and collaborative meetings focused on real estate portfolio decisions across continents. BT is Cisco's global partner in deploying and managing TelePrescence across multiple regions, and provides Cisco Certified Wide Area Network (WAN) connectivity worldwide.

"The HD TelePresence screen enables you to see everyone as if they're sitting across the conference table," Zlocki explains. "You can see the change in someone's emotions, really get a sense of body language." And thanks to the superior technology, participants quickly stop noticing the screens and start focusing on the work at hand. Coupled with Colliers 360 business intelligence dashboards, the global leadership team can seamlessly review and discuss the current status of important key performance indicators—such as occupancy, human resource forecasted impacts and global cost allocation strategies—as if all participants are in the same room.

> The genius of the Colliers 360 dashboard is its simplicity and flexibility.

The genius of the Colliers 360 dashboard is its simplicity and flexibility. You don't need a six-week—or even a six-minute—training course to learn how to use it. Colliers also didn't develop new software that would require clients to convert their existing systems. Instead, Colliers 360 pulls a company's human resources, commercial real estate and financial database platforms all together onto one environment, allowing users to see how changes in one or several business areas impact others.

"The key is flexibility," Zlocki says. "If you want to switch out a financial module and override with a different piece of software or update to a newer version, we can link to that new or different data source almost instantaneously. Other proprietary software companies and real estate service providers don't afford even a fraction of that flexibility."

The process is familiar to anyone who has played a simulation videogame or searched online for a product or service. A client can immediately see how an increase in employees at a specific location would impact real estate needs and costs, without having to send the data to analysts or consultants. Colliers 360 provides the three-dimensional information instantly and allows users to be creative with solutions, because they can freely iterate alternatives in a real-time data environment and immediately understand the impact of the results.

The Colliers 360 dashboard can be used to look at a company's assets globally, regionally or at the individual location. "It provides a compelling graphic representation of data," Zlocki explains. "It allows you to quickly visualize information in a format that's understandable and see the results as you analyze alternative scenarios."

Before the development of the Colliers 360 dashboard, companies traditionally relied on

separate analysts to perform ad hoc analyses for management or planning purposes. They would then take that information, combine and post it in PowerPoint decks to be distributed to decision-makers.

"My goal is to get rid of PowerPoint decks in commercial real estate management," Zlocki says. "There's no need for static information, given the evolutionary path of analytics and technology." That's not true of the analysts who produce them now, however. Instead of eliminating analysts, Zlocki says, Colliers 360 frees them up to do more substantive work that is core to their company's business needs.

Zlocki also says the dashboard works well with the trend toward more flexible workspaces. "Twenty years ago, 30 percent of work was based on collaboration," Zlocki says. "Today, more than 60 percent is based on either virtual or live collaboration in the workplace."

This calls for different types of workspaces. "Most offices were designed 20 years ago where you sat in your cube or office and you did your work," he says. "Today we need several layers of virtual and physical collaborative space to facilitate effective business teams—huddle rooms, team rooms, different kinds of space than just the desk and the conference room."

That's about as close as you'll get to hearing Zlocki talk in traditional real estate terms—and with good reason: He's not a real estate broker. Having a position like his focused so heavily on something other than closing a transaction is part of what sets Colliers apart from other real estate companies.

"What we're doing in Corporate Solutions is elevating the conversation to impact not only real estate, but dramatically affect the performance of the entire company we are advising."

A growing list of clients use Colliers 360. "It's resonating really well with many industry sectors, including financial services, technology, telecommunications and industrial-based companies," Zlocki says. But any company that recognizes the value of being nimble in the marketplace and is undergoing rapid change will quickly be sold on the Colliers 360 value proposition.

For more information on how Colliers 360 can assist your company, contact Chris Zlocki at chris.zlocki@colliers.com. KL

Hope and Anxiety

KC CONWAY TAKES A LOOK AT WHAT'S AHEAD FOR COMMERCIAL REAL ESTATE IN 2012.

2012 IS BEGINNING in much the same way as 2011: hopeful yet anxious. At the beginning of 2011, U-3 unemployment—defined as unemployed individuals actively seeking jobs in the past four weeks—was at 9.4 percent. The four-week moving average for weekly jobless claims was above 400,000. The price of oil hovered around $90 per barrel (up sharply from $77 per barrel in mid-2010). Inflation was on the rise due to the spike in energy costs. And we were seeing record annual home foreclosures: 1.0 million in 2010 compared to 918,000 in 2009.

On the flip side of the coin, manufacturing expanded every month in 2011, and proved to be the "little engine that could" in the U.S. economy. The purchasing manufacturers index (PMI) closed out 2011 with its 17th consecutive month of expansion and readings above 50 (the threshold level for growth).

The "hope" for commercial real estate at the onset of 2011 was the capital and commercial mortgage-backed securities (CMBS) markets. Although delinquencies continued to rise above 9 percent, interest in new issuance was bullish.

Capital was returning to commercial real estate, particularly for multifamily properties.

At the onset of 2011, Colliers International Valuation & Advisory Services (CIVAS) proffered through its *Weekly Market Recap* that "bifurcation" would be the buzzword of the year, and that the forecast for gross domestic product (GDP) would be light growth—or less than 2 percent GDP—as we cut big government debt.

Bifurcation would emanate from job growth in education-center markets—such as Boston, Washington, D.C., Madison, Wis., and Raleigh, N.C.—as well as capital flight to core metropolitan statistical areas (MSAs), rather than secondary and tertiary markets. In addition, the light growth would result from contraction in spending by state and local governments struggling to balance their budgets with less revenue from property and sales taxes.

CIVAS also forecasted that agricultural properties—or AG-land—would be the star property performer for 2011, followed by multifamily; and that CMBS issuance would not achieve the euphoric estimates of $50 billion, due to elevated delinquency and deteriorating underwriting that concerned the marketplace as early as February 2011 at the Mortgage Bankers Association Commercial Real Estate Finance Conference.

The 2011 forecasts proved accurate. GDP for the year concluded below 2.0 percent (1.2 percent through the third quarter), AG-land outperformed all real estate as commodity prices rose, and bifurcation defined CRE transaction activity. In addition, the top 20 MSAs accounted for more than two-thirds of all commercial property sales.

The 2012 Prospective

Before we consider what 2012 might have in store for commercial real estate, let's set the stage.

2011 saw each quarter bring a new dynamic to the market, starting with the earthquake in Sendai, Japan, that disrupted global manufacturing, particularly in the automobile industry. Over the summer, the world observed Congress's inability to address its debt crisis, followed by a downgrade to the U.S. AAA debt rating. Then, the fall of 2011 saw the European debt crisis. Thanks to this cycle of one crisis after another, "volatility" turned out to be the actual buzzword of the year.

And the anxiety over this lingering volatility remains. At the beginning of this year, we are seeing:

- Skepticism of U.S. government data relating to employment. I believe that much of the improvement in unemployment numbers is thanks to "magic math," with lower unemployment numbers resulting from editing the formula as to who is counted in the workforce.
- Uncertainty surrounding the European (EU) debt crisis and how EU austerity will impact the U.S. economy. After all, Europe is our largest trading partner.
- Frustration with U.S. leaders' inability to address our own debt crisis—a crisis that has seen U.S. gross debt to the GDP grow to 93 percent, second only to Japan.
- A lack of debt capital for U.S. real estate as commercial real estate debt maturities rise. CMBS remain semi-comatose, and banks are undergoing another round of stress tests.

However, 2012 began with hope, thanks to progress on the labor front and reports that suggested U.S. consumers were back spending again.

The 2012 True North Forecast

2012 will likely be characterized as another year of volatility, or what I like to call "brake and throttle." Failure by both EU and U.S. leaders to act on their respective debt crises will result in the brakes being applied to economic growth and GDP, resulting in little (less than 1 percent) to no GDP growth, as long as the government can't act on deficit spending.

Another round of state and local job cuts, as well as the actual loss of the tens of thousands of financial service sector jobs already announced, will put the brakes on improvement to the unemployment rate in the first half of 2012. Magic government math can't hide these cuts. Just as government and financial services were the two leading sectors for job loss in 2011, they will lead the job losses in 2012, as well.

Throttle to the economy will come from agricultural, processed food and energy exports. In 2011, the U.S. became a net exporter of energy for the first time in 62 years. Why? We're a global leader in coal and liquefied petroleum gas exports.

U.S. auto manufacturing will also provide throttle to the U.S. economy in 2012. Replacement of an aging fleet (the average age of a car in the U.S. exceeds 10 years) and demand for fuel-efficient vehicles that Japanese brands can't fill will accelerate auto manufacturing in 2012.

With respect to commercial real estate, multifamily will lead in new construction activity (throttle), retail will likely disappoint as margin erosion in those banner holiday sales figures results in another wave of store closings (brake), and warehouses will be the shining star among commercial properties (throttle). Capital is rotating out of multifamily, where capitalization rate (cap rate) compression has gone too far—sub-4 percent—in favor of the warehouse property sector, which has fewer distressed assets, limited new construction, and cap rates exceeding 6 percent.

The demand for warehouse CRE will be strongest in key port and inland distribution cities, including Los Angeles/Long Beach, Houston, Miami, Tampa, Fla., Charleston, S.C., Atlanta, Chicago, Dallas and Denver. Capital for commercial real estate will come largely from life companies and institutional sources searching for yield.

CMBS and the capital markets are hobbled until Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 is defined. The section requires, in part, that systemically important financial institutions (SIFIs) establish mandatory risk committees.

Both institutional and international capital are willing to forgo a liquidity premium to hold commercial real estate in return for yield and less exposure to sovereign debt. The wrinkle in this flow of capital that wasn't present in 2011 is greater inventory from which to choose.

As the U.S. confronts the two-year peak period for CRE debt maturities—currently at more than $300 billion—European banks and mutual funds need to shed trillions in assets to raise capital. Many of these assets are "trophy" caliber. This increased inventory of assets could undermine the cap rate compression theme that aided U.S. property values in 2011. This later item is the primary "braking" risk that is on the horizon for U.S. commercial real estate in 2012. KL

KC Conway, MAI, CRE, is Executive Managing Director of Real Estate Analytics for Colliers International.

The impressive double-helix, wood-and-steel staircase in FMC's new Vancouver, B.C., offices is as functional as it is impressive.

FMC appears in the next series of Colliers' *Great Companies Need Great Spaces*. To view their firm, please visit www.collierscanada.com/greatspaces.

LEADING by DESIGN

NATIONAL CANADIAN LAW FIRM USES OFFICE SPACE AS A COMPETITIVE ADVANTAGE.

By John Wolcott and Sarah Eadie

Photographs by Alessandro Roethel

Last year, Colliers International | Canada went in search of a national winner for its *Great Companies and Great Spaces* contest. The award honors companies that put their employees first, and look at real estate decisions not just as bricks and mortar, but as potential environments for innovation and collaboration—companies that use their spaces to represent their corporate brands and cultures effectively. Colliers found just what it was looking for in the Vancouver, British Columbia, offices of Fraser Milner Casgrain LLP (FMC), a leading Canadian business and litigation law firm.

When FMC Vancouver began looking for a new address in 2008, the challenge was finding any space at all—let alone an award-winning one. The firm had a specific vision for its offices, and Vancouver was experiencing a very low vacancy rate. At first, there were no viable properties available.

As luck would have it, however, just as FMC was in the market for new offices, another Colliers client—computer games creator Electronic Arts—wanted to surrender its lease of AAA space on the top four floors of Cadillac Fairview's Waterfront Properties building in the downtown core. Once an agreement was made, planning the interior layout features began in earnest.

After moving into the renovated offices in December 2010, the new space and amenities surpassed even FMC's expectations, says David Thistle, Senior Sales and Leasing Vice President at Colliers in Vancouver with more than 20 years of experience.

"Originally, the space was improved for a high-tech company, customized to their own needs. Mostly, the environment fit well with FMC's goals," he says. "A prominent feature is a double-helix, wood-and-steel, circular staircase connecting all the floors, and an overhead skylight serving the entire core. Also, there is onsite access to a gym, shower facilities and bike lockers in the building."

In addition, the offices are ideally located in the city's downtown commercial district with easy access to Vancouver's SkyTrain light rail system, SeaBus service to North Vancouver, the brand-new Canada Line direct access to the

Vancouver airport, and the West Coast Express train network for commuters. The location also provides opportunities for the staff to bike to work, or take lunch-time rides, runs or walks along the spectacular seawall and through nearby Stanley Park.

An outdoor patio and deck area is available for use by employees, but it's also proven to be in demand for client meetings and receptions, making it a popular feature for everyone. On all floors, windows provide water and mountain views. Cruise ships regularly dock nearby, and there are two trade and convention centers, as well as hotels, adjacent to the building.

In the conference room area, Thistle says, there are specially treated, high-tech smart-glass walls that can be transformed into translucent walls with the flick of a switch when meeting groups want more privacy, while still allowing light into the core.

In keeping with the environmental sensibilities of its landlord, Cadillac Fairview, FMC has also applied for—and anticipates receiving—Leadership in Energy and Environmental Design (LEED®) Commercial Interiors certification for its build-out of the four-story space.

In their Vancouver, B.C., offices, FMC incorporated numerous spaces for employees to relax and collaborate.

STRONG CORPORATE CULTURE

With six offices across Canada, FMC has become recognized as a leading national law firm not only in its excellent law practice, but also by creating a corporate culture that focuses on satisfying its employees as much as its clients.

Developing that culture received a boost in 2007 with the arrival of Orest Szot as the firm's new chief operating officer.

"My passion has always been to differentiate FMC by the people who come in every day. Personally, that approach has been ingrained in me for a long time, particularly from my earlier business experiences," Szot says.

His prior experiences with market research firm Ipsos Reid, as chief financial officer, and his client service and management roles at the tax advisory firm KPMG, as director of finance and administration, provided deep insight into the advantages of creating an environment for engaging employees. At FMC, he's a member of the firm's National Management Committee and an ex officio member of the National Partnership Board. As COO, he's also responsible for directing the firm's finance, information systems, human resources, marketing and operations teams.

"We continue to improve because we value our employees as much as we do our clients. You can have all the organizational systems you want, the best facilities to work in and great clients, but in the end, it's the people, the lawyers and staff who make all the difference," Szot notes. "If you continually empower and motivate people, you'll have a better team that will work hard for you, enjoy what they're doing and be proactive every time a problem arises."

Szot knows it's common for leading companies across industries to set similar goals for growth, productivity and corporate culture. That's not what's unusual about FMC. What's unusual is making those goals a priority.

"We don't just articulate our goals as a checklist. To really differentiate ourselves, we need to implement those goals daily to ingrain them in our employees as part of our everyday culture," says Szot. The organization does that by conducting client surveys to learn what is expected of them, as well as regular individual reviews with staff to emphasize that quality service is paramount.

"We constantly keep our goals top of mind

The Vancouver office of Fraser Milner Casgrain LLP was founded as Mawhinney & Kellough in 1980. The late Donald Mawhinney and Howard Kellough were both very successful corporate lawyers and founded a corporate and tax boutique law firm when they left what was then Ladner Downs. The initial focus of the firm was on specialized corporate and tax transaction work, which later grew into a more well-rounded and diverse business law firm.

In 1990, Mawhinney & Kellough merged with what was then Fraser & Beatty, founded in 1839 and based in Toronto. It was one of the first national mergers of the day in Canada.

Over the next 22 years, the Fraser & Beatty office in Vancouver expanded to become more diversified. It merged nationally with law firms in Alberta and Quebec in the late 1990s to form Fraser Milner Casgrain LLP.

"Our move to our current location occurred in December 2010. The reaction of every member of the organization has been overwhelmingly positive, a real success story in these challenging times. Our clients have also viewed it positively. They see it as representing a 'firm on the move,' signifying a bold step forward," says Managing Partner John Sandrelli.

in everything we do. Implementing our beliefs makes the difference in our success," he says.

The firm also strives to embrace diversity and promote accessibility throughout the firm.

"I'm a true believer in being approachable and working well with a variety of client and staff backgrounds. Our diversity gives us a different viewpoint in considering approaches for each client. That wouldn't be there without our diversity," Szot says. "As a growing law firm, we wanted to get away from just being sort of an old-boys club. We wanted to be more innovative."

One of the office's most notable features—that impressive spiral staircase—became a natural avenue for that accessibility, encouraging employee engagement throughout the workday.

"When our Vancouver team moved into the new offices, one of the huge attractions to the space was the ability to really improve the connection of our four floors in the 20-story building—a very expensive option if built from scratch. I asked John Sandrelli, the managing partner there, the importance of the staircase to their people strategy. He said that the open and bright design of the curved stairs with seating areas on the landings was a real opportunity for interaction as employees passed each other, leading to impromptu meetings and general supportive interaction," he explains.

Sandrelli says the new space has created an ideal employee-focused environment that also intrigues and pleases the firm's clients.

"Our culture is inclusive and non-hierarchical," Sandrelli explains. "We have a collegial atmosphere that is highly team-oriented. We are very much engagement- and consensus-driven. We have a strategy that values the people side of the equation as much as we do the client side; that's a differentiator. It's not that we simply value people more; we recognize you can build a number of initiatives around people; and, as a result, people will thrive and clients benefit as well. We don't just talk about it. It's something that we do, it drives what we do."

The move to new offices was part of a vision for a 20-year plan, Sandrelli says, not just a five-year plan, and growth was already impacting the former, smaller quarters.

"We needed an outstanding environment for people to thrive and enjoy coming to work. Part of that strategy was linked to recruitment and retention. I think Colliers did a great job in identifying the opportunity, and our vision for building it out was also tremendously important," he says.

RICH HISTORY, PROMISING FUTURE

In the 173 years since the business law firm was formed in Toronto in 1839, it has evolved into a prominent national Canadian firm with more than 500 lawyers, serving global clients beyond Canada's borders.

Today, the firm employs 1,500 in six cities—Toronto, Montreal, Ottawa, Edmonton, Calgary and Vancouver—yet there is no designated head office. Szot is pleased that an equal number of employees staff offices in both eastern and western Canada, creating a balance from coast to coast.

"We're a growing, pioneering, national firm in Canada. Much of our success has come from sitting back four to five years ago and discussing a strategic plan that included where we wanted to be in the future and what our strengths are," Szot says. "One thing we decided is that we wanted to be different than our competitors."

The firm itself has a long history, but its present profile focuses on innovation, teamwork and energy.

"We have a young demographic at FMC," Sandrelli says. "A number of our managing partners and other members of the leadership teams are in their mid-40s, which provides incentive for others who want to move up in the firm. Part of the reason for our expansion in Vancouver, too, is the tremendous potential of being the gateway to the Pacific, which we can capitalize on as we create a bigger brand and presence in the market. Canada continues to be more top of mind with international business and international investment opportunities, and western Canada in particular is an area of interest for many."

By organizing the firm around teams, he says, it's easier to "think outside of the box, more than we did years ago, in providing services that can be efficient, exceptional and cost-effective. We're relying more and more on technology, so we've invested a lot more in it, to drive efficiencies, develop skill sets and build a flexible innovative legal service to meet and exceed the demands of our clients."

Already, the firm is increasing its use of Web-based conferences, instead of holding events in ballrooms or other meeting venues. Its technology shift provides benefits for clients and staff alike at the same time as it reduces costs. When FMC hosted a recent program on privacy laws and changes in employment and labor arenas for its clients across Canada, the firm was able to track the number of participants, locations, information exchanged and other data.

The firm also participates in the community, contributing support to the Heart & Stroke Foundation, United Way, the B.C. Cancer Foundation, various Canadian law schools, and other charities, as well as hosting town hall meetings regularly to communicate what's going on with the firm and trends in the legal world in general.

Another innovative outreach venture sponsored by the firm is the "Leave for Change" program, which supports staff and lawyers who go abroad to help developing communities by matching vacation time and sponsoring employees' travel costs. The program involves opportunities for returning employees to share their stories with colleagues over lunch-and-learns afterwards.

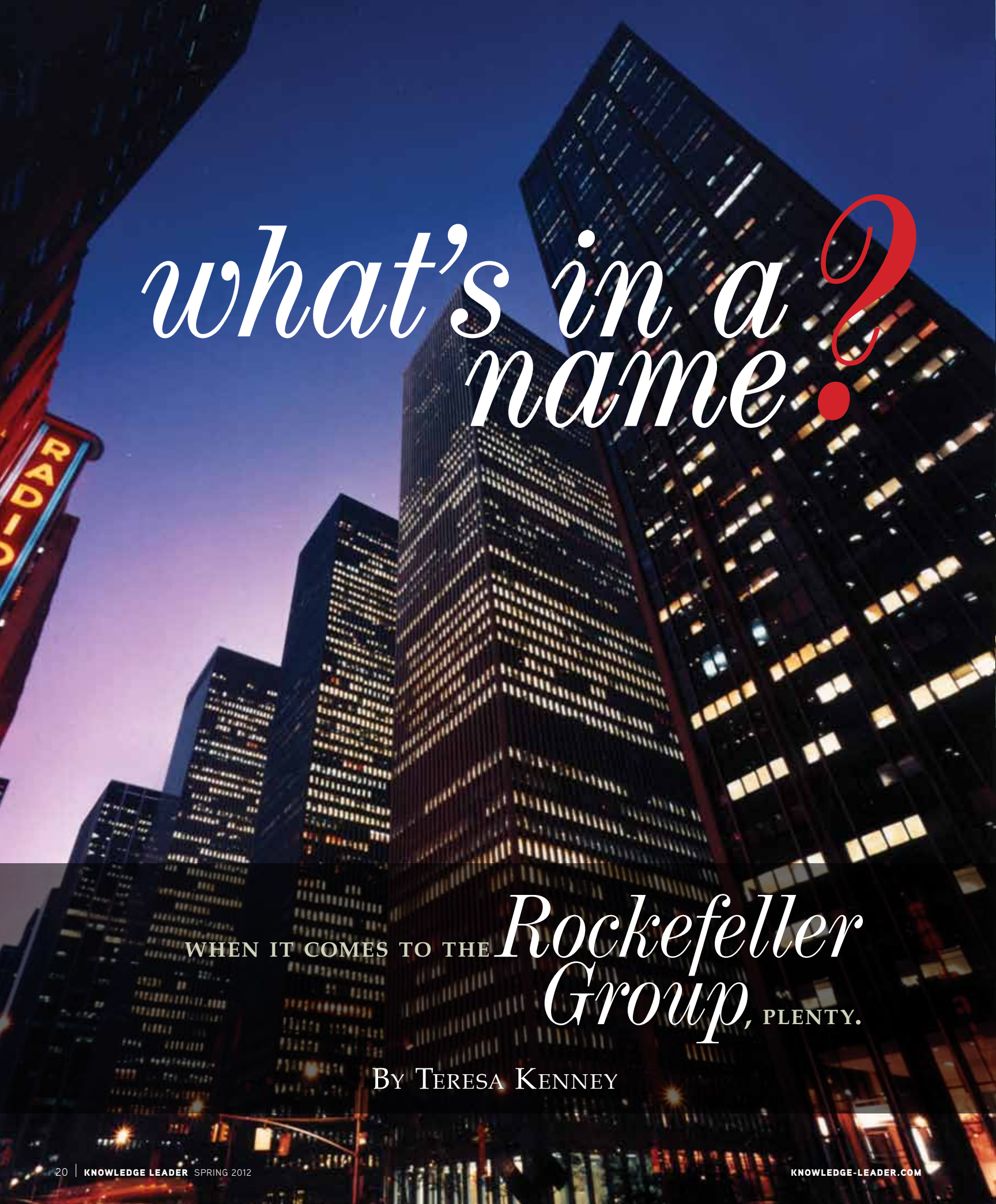
Over the next decade, Sandrelli predicts there will be a global consolidation into Canada as U.K., U.S. and international firms merge or combine with Canadian firms. FMC as a leader and innovator is watching the development closely, as it intends to participate if the right opportunity presents itself and the result is better for its people and its clients.

Szot agrees. Speaking of the firm's future, aside from maintaining its high employee and client satisfaction levels, Szot says, "One of our main goals is to be a leader in the profession. We want to become a truly international law firm."

FMC RECOGNITION

In October 2011, *Who's Who Legal*, published by London's global Law Business Research Ltd., praised FMC for "providing clients with high quality, innovative solutions...[with] particularly strong showings in the insolvency and restructuring, mining and oil and gas" areas of law practice. "[FMC] is a truly pioneering firm committed to offering excellent advice across a variety of sectors."

Also in 2011, FMC was named one of the Top 40 Best Employers for new Canadians and honored as one of Canada's Best Diversity Employers in 2011.



what's in a name?

When it comes to the *Rockefeller Group*, plenty.

By Teresa Kenney

Today, Rockefeller Group's portfolio includes Rockefeller Center's west side properties (above), including the Time & Life Building (opposite page).

The Rockefeller Group. The name is larger than life; its history intrinsically linked to the rise of the country's skyline. But the people behind this real estate powerhouse? Refreshingly down to earth.

Incorporated on December 6, 1928 by John D. Rockefeller Jr. as the Metropolitan Square Corporation, the company first made its mark with New York City's renowned Rockefeller Center, doing so in economically turbulent times that were not unlike the challenges we're facing today. The land was originally purchased to build a new opera house, but a year later, the Great Depression forced Rockefeller to scrap his plans. He chose to build rather than abandon the land, erecting the center's original 14 buildings between 1931 and 1940.

Fast forward more than 80 years. The company now has projects across the U.S. and in China. In 1990, the Rockefeller family sold a majority stake in the company to the Mitsubishi Estate Company, with the balance of the company being purchased by Mitsubishi in 1996. Today, it comprises these subsidiaries: Rockefeller Group Development Corporation (RGDC), Rockefeller Group Investment Management Corporation, Rockefeller Group Business Centers, and Rockefeller Group Technology Solutions. Although the ownership behind The Rockefeller Group may have changed, the philosophy has not.

"Our company definitely maintains a tradition of doing things quietly yet effectively. We don't like to boast about our intentions. We prefer to talk about our accomplishments," says Kevin R. Hackett, President and CEO of Rockefeller Group International, Inc.

They also carry on a tradition of economic stability. Thanks to its corporate philosophy and strong finances, The Rockefeller Group enjoys a high-performing portfolio, with developments planned throughout the country. Headquartered in New York City, with satellite offices in Arizona, Florida, New Jersey, Maryland, Virginia, California and Washington, D.C., the projects in RGDC's pipeline are valued at more than $3 billion.

"One of the advantages of working with The Rockefeller Group—and why we've managed to be one of the few development companies in America that are active throughout these difficult economic times—is that we have access to capital and essentially have no debt," Hackett explains. "That puts us in an excellent position to enter into partnerships with other companies and develop projects for Fortune 500 tenants."

As a result, the company continues to be awarded build-to-suit projects for large companies such as Crate & Barrel, General Mills, Pearson Education, Safelite AutoGlass, TBC Corporation and the U.S. Department of Veterans Affairs.

"The success of each is dependent on the success of the other."

– John D. Rockefeller Jr.

PHOTOS COURTESY OF THE ROCKEFELLER GROUP

Rockefeller Group developed BASF's North American headquarters (shown here) at The Green at Florham Park, in New Jersey.

Regional Development Officer and Senior Vice President Tom McCormick, SIOR, FRICS, is responsible for all development west of Chicago from the company's western regional office in Irvine, Calif. True to form, when RGDC set up the Irvine office in 2004, it avoided splashy news conferences and high-priced corporate offices.

"They put me up in a self-contained business center to start—it was just me," recalls McCormick, who is as down to earth as it gets. He notes that the decision to open an office there was driven by a simple but effective business maxim: Know thy market. "The Rockefeller Group is a huge brand entity known for high-end developments—they're always a player in the big realms. But they recognize that, although they are a national developer, real estate is a local business," says McCormick.

Although he started out as a one-person office, he now has two development professionals on staff, one construction expert and an attorney. "We're stable. We have a great regional director in the Phoenix area, Mark Singerman, which gives us a chance to concentrate our efforts there," notes McCormick. "Edgar Jones heads up the southwestern region in Florida. Ed Guiltinan has been very active in the Charleston, South Carolina, market, and Les Smith is in charge of development on the East Coast and west to Chicago. It's a good team."

McCormick began his career on the other side of the real estate aisle as a commercial real estate broker, including three years as president of Colliers Macaulay Nicolls (now Colliers International). He also served as president of the Society of Industrial and Office Realtors (SIOR). "There are only about 2,800 SIOR designees worldwide, and Colliers has the most of any company; that's why I like to do business with them," McCormick explains.

"I've known Tom for a long time, since the early '90s when he was with Colliers. He brings to the table a tremendous knowledge of brokers, making him a go-to developer for many brokers around the country," says John DeGrinis, SIOR, Senior Executive Vice President with Colliers International's North Los Angeles office.

In South Carolina, The Rockefeller Group is working with Colliers Senior Vice President Peter Fennelly, SIOR, MCR, to market Rockefeller Group Foreign Trade Zone/Charleston. The 400-acre business park is a joint venture of Rockefeller Group Development Corporation and MeadWestvaco Corporation's Community Development and Land Management Group. The two companies are developing four buildings on industrial land, with approximately 2.7 million square feet of distribution space near the Interstate 26–Jedburg Road interchange in Berkeley County.

"On our team is Brandi Hanback, one of the foremost authorities on foreign trade zones (FTZs) and managing director of our FTZ services division. FTZs constitute a very complex world and can significantly improve a business's bottom line," says McCormick.

Foreign trade zones are areas in or near U.S. Customs ports of entry where foreign and domestic merchandise is considered to be outside of U.S. Customs territory. Certain types of merchandise can be imported into an FTZ without going through formal customs entry procedures or paying import duties. Duties and excise taxes are due only if the merchandise is transferred from the FTZ for U.S. consumption.

"By deferring, reducing or eliminating customs duties, qualified companies can improve cash flow, lower inventory cost and improve their bottom lines," explains Hanback. "Given the current state of our economy, companies are looking for every way possible to save money and operate more efficiently. For some companies, FTZs are the way to do that."

In Arizona, Singerman has been working with two Colliers teams headed by Senior Vice Presidents Phil Breidenbach, SIOR, for office, and Paul Sieczkowski, SIOR, for industrial. "The past five years we've been doing site selection in the southeast valley area of Phoenix. In

The Rockefeller Group developed TBC Corporation's distribution center in South Carolina.

that time, The Rockefeller Group has purchased five different locations: three in Chandler and two in Gilbert, totaling more than 300 acres," says Sieczkowski.

For the most part, the company has been holding on to the properties it's recently procured, waiting to build when the market recovers. One exception to that is the Chandler Corporate Center, a 70,000-square-foot office building that was opened in 2009. RGDC has also been active in Tucson, developing on a 21.5-acre finished industrial site it acquired in the Tucson Airport Commerce Center, near Tucson International Airport. That development includes a 113,500-square-foot distribution center that was opened in 2009.

"Rockefeller's view of the market is refreshing. They make decisions based on solid business principles that endure regardless of market conditions. This approach allows us to close deals with them at times when no other developer could compete. We very much enjoy our relationship," says Breidenbach.

The team at RGDC seems to have an intuition for knowing when to build and when to hold. Case in point: The Rockefeller Group was chosen to develop BASF's new 325,000-square-foot North American headquarters at The Green at Florham Park in Florham Park, New Jersey—a world-class 268-acre master-planned development the company purchased in 2004. BASF's new headquarters became one of 2010's biggest commercial real estate deals.

The team at RGDC seems to have an intuition for knowing when to build and when to hold.

"We like working with them because they are very decisive. Once they locate a site they like, the time to escrow is two months maximum, because they are very thorough with their due diligence," notes Sieczkowski.

That lack of red tape is true not only in the field, but also in the corporate offices, which speaks to the company's philosophy of giving its employees the freedom they need to make business decisions. That carries through to the way it contributes to the community as well: The company has a strong culture of philanthropy on the local level.

"We always have a budget for community relations that are made at the discretion of the regional offices," says Leslie E. Smith Jr., RGDC's executive vice president and regional development officer. "We encourage them to be as creative as possible and do what is right within their own communities, not what creates the most visibility for the company."

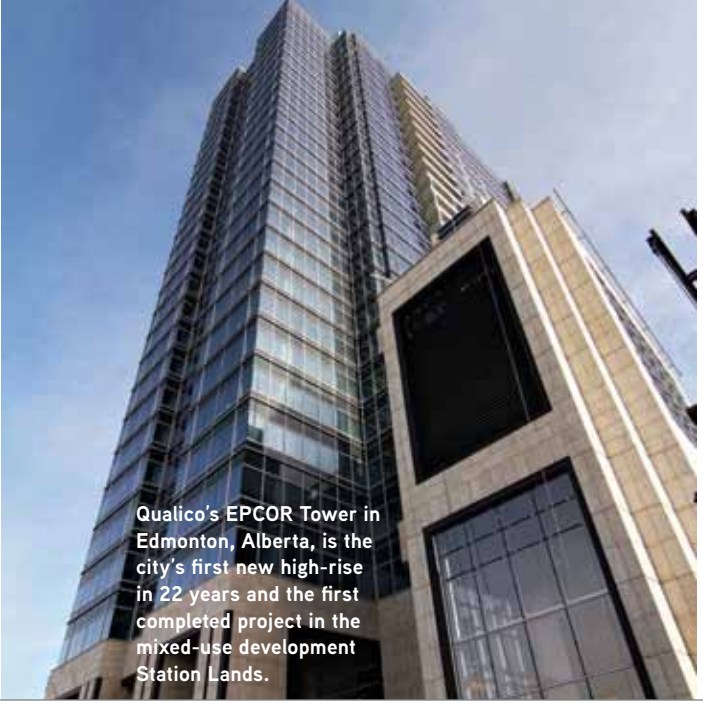
Over the years, RGDC has supported a variety of causes and fundraising efforts, such as fishing contests in Florida and golf tournaments in California, as well as Long Island's Museum of African Art, the Bronx Zoo and the New York Botanical Gardens. It has also committed to providing retail and office space at below-market rental rates in its Chandler 101 development to the Chandler Unified School District and Arizona State University.

"We've provided assistance in a broad range of projects, from donating a fire engine, to supporting some of the more traditional social services like United Way and the Boys & Girls Clubs," says Smith.

Many of the Rockefeller Group's charitable efforts are carried out anonymously; the sole intent being to provide assistance to the communities in which its employees live and work. And the company is also a proud supporter of the real estate industry's many trade organizations, including SIOR, the Building Owners and Managers Association (BOMA), CoreNet Global and the Urban Land Institute (ULI).

As the company moves forward armed with a rich past and a powerful portfolio, Hackett declines to boast about upcoming projects. When asked what is in store for The Rockefeller Group, true to the company's low-key character, he says simply:

"Our strategic plan anticipates being a leader in real estate development and investment management, and creating a global footprint. With the continued support of our friends and colleagues at Colliers and with our parent company, Mitsubishi Estate Company, we look forward to doing just that." KL



Qualico's EPCOR Tower in Edmonton, Alberta, is the city's first new high-rise in 22 years and the first completed project in the mixed-use development Station Lands.

AN ARCHITECT OF CHANGE

QUALICO EDMONTON'S KEN CANTOR SET HIS SIGHTS ON A CAREER IN ARCHITECTURE. INSTEAD, HE'S DESIGNING AN IMPRESSIVE COMMERCIAL REAL ESTATE PORTFOLIO. BY MICHELLE SANTOS

KEN CANTOR DIDN'T set out to be a real estate developer. Growing up, he had his sights set on becoming an architect, reading books on the field and researching icons such as the renowned Frank Lloyd Wright "before there was Google," he quips. However, life led him in another direction. After he completed an architectural design and drafting program, Cantor began working for a design-build contractor, which in turn led to project management and tenant management exposure. "I backed into real estate," Cantor notes.

Today, Cantor is commercial manager for Qualico, a 60-years-strong real estate developer that creates properties and communities in Alberta, Manitoba, British Columbia, Saskatchewan and Austin, Texas. Most recently, Qualico completed the EPCOR Tower in Edmonton, Alberta. Certified in Leadership in Energy and Environmental Design (LEED®), it is the city's first new high-rise in 22 years, and the first completed project in Station Lands, a 9.15-acre commercial, retail, residential and recreational development in Edmonton's downtown core.

Despite the fanfare and accolades that surrounded the completion of the EPCOR Tower, Cantor's job is not done. "Station Lands remains the largest and highest profile project I'm involved in," he explains. "The completion of EPCOR Tower—as large as it is and as important as it is for Qualico and for the city of Edmonton—still only represents a quarter of the overall project."

Qualico is working on other projects in Edmonton, as well. "Golden West Business Park is a 120-acre, high-quality, suburban office/research/business park that will convert a small, 18-hole golf course into a more urban development form, while retaining many of the tree stands and water features on the site. We are also adding a number of grocery-anchored retail development sites to our portfolio, and working on some very interesting mixed-use projects."

While Qualico's expansion into the Edmonton market is strategic, its own growth as a company is organic, setting the company apart from other developers within the industry. "We expand from bottom up rather than top down," Cantor notes. "We present what projects we want to do; we make decisions on projects and products we want to work on. Our growth is opportunistic versus programmed. It's dictated by opportunity versus a business plan."

Qualico's ever-growing portfolio and numerous successes are proof that its approach works. So how exactly does Cantor pinpoint whether an opportunity would make for a good, lucrative project?

"First and foremost, we look for projects that are the right thing to do; there is always an abundance of opportunity to do the wrong thing. The most challenging task in our industry is looking beyond what is expedient or immediate and focusing on what the best thing to do might be. Sometimes, the best deals you do are the ones you say no to."

This sentiment is evidenced by the long-standing buildings Cantor has helped create. "The most rewarding projects are often the oldest ones that still work the way they were intended to, and still provide their owners and/or tenants good value 10, 20 or 30 years after completion. It's always nice to see the original owner or tenant still in the building; it's a reward that has nothing to do with dollars and cents."

Cantor sees an industry where employee recruitment and retention are the main business drivers. "Quality premises providing a high-quality working environment that helps recruit and retain employees will become more and more important. We've seen a shift from acquiring premises at the lowest cost per square foot to acquiring the most productive space for employees, along with a broader recognition of what that constitutes—everything from building amenities, to access to transit, to available housing forms and community services and activities, to recreational opportunities."

He might have detoured from his architect aspirations, but he ended up exactly where he was supposed to be.

"In hindsight, I'm happier doing what I'm doing now. I am lucky enough that my passions for real estate, design and construction are all embodied in what I do. As an architect, I would've been a violinist in a symphony; as a developer, I can be the conductor. I like to think I have the best role in the entire development process in that we get to choose and direct all aspects and participants in the process, from selecting the site and project, to choosing our consultants and contractors, to overseeing the process from inception through completion and occupancy. It's much like how a conductor creates a great symphony production by choosing the score and directing all the musicians to deliver a cohesive finished product to the audience."

Does the conductor have any words of wisdom for newcomers to the industry? "The industry—like everything else today—exists in a much smaller world. To be successful in the long term means recognizing that you only have one opportunity to develop a good reputation, and that's the only thing that you should never put at risk. It takes forever to build a good reputation—and a mere heartbeat to break it."

Located two miles outside of Boston, Federal Realty's Assembly Row mixed-use project includes residential, retail, and office components.

PLACEMAKING

FEDERAL REALTY INVESTMENT TRUST CREATES A NEW DESTINATION NEIGHBORHOOD. BY VICTORIA SIMPSON

THE SAYING "Rome wasn't built in a day" is as true for an iconic retail destination as it is for an iconic city. A successful retail center must have an indelible mix of charisma and convenience, offering memorable ambiance wrapped up in a distinctive location.

Recent studies published by Colliers International's U.S. Retail Research Group indicate that in today's economic reality, saving money and getting value from every dollar spent are key to the success of a retail project. So when a property combines high-value shopping alongside great food and entertainment, convenient urban living opportunities, quality office and lab space, rapid transit, and parks and open spaces with access to riverfront recreation—well, you've struck gold. And you've also just described Assembly Row, Federal Realty Investment Trust's $1.5 billion revitalization of an underused strip of riverfront in Somerville, Massachusetts.

Federal Realty (NYSE: FRT) is an equity real estate investment trust specializing in the ownership, management and redevelopment of high-quality retail assets, including approximately 19.3 million square feet strategically located in select metropolitan markets in the Northeast, Mid-Atlantic and California.

Its Assembly Row project is situated along Massachusetts' Mystic River and located at the intersection of Route 28 and Interstate 93, just eight minutes and two subway stops from downtown Boston. The mixed-use project includes residential, retail, and office/lab space, and is an expansion of Federal Realty's existing Assembly Square Marketplace, a successful 332,000-square-foot retail center, which is currently home to a collection of strong power center brands, such as Bed Bath & Beyond, TJ Maxx and Sports Authority.

The Vision

Assembly Row is the culmination of more than six years of cooperative planning between Federal Realty, the Commonwealth of Massachusetts, the Massachusetts Bay Transportation Authority and the City of Somerville. The redevelopment encompasses approximately 70.7 acres of the 5 million-square-foot development, and includes 1.75 million square feet of office and lab space, 1.12 million square feet of retail space, a 12-screen AMC movie theater, 2,100 residential units, a 200-room hotel and 10,000 parking spaces.

"For years, Federal Realty has been creating retail-driven neighborhoods," said Don Briggs, Senior Vice President of Development for Federal Realty. "We evaluate each site to determine what we believe is missing. In this region, it is a collection of great iconic retailers offering consumers the brands and value delivered by outlet stores, all situated in a vibrant urban setting."

When complete, Assembly Row will be a unique mixed-use urban village and commercial center that will create more than 21,000 construction jobs, provide more than 19,000 permanent jobs, and generate significant new revenue for the City of Somerville and the Commonwealth of Massachusetts.

With an emphasis on sustainability, Assembly Row will be pedestrian-friendly, with interconnected walkways and bicycle paths. The project will include a new mass transit facility, bicycle storage, brownfield remediation, the high-density incorporation of green roofs, and water- and energy-efficiency innovations, as well as the substantial use of renewable materials. It will also feature several public open spaces, including a Mystic River Reservation bike path trailhead, canoeing and kayaking, two soccer fields, and a picnic area.

Phased Implementation for Maximized Potential

Planned in multiple phases, Assembly Row's first phase includes the infrastructure build-out, the construction of Assembly Square Drive, and the development of 450 units of for-rent residential housing on the riverfront and approximately 280,000 square feet of retail. Work on a third residential building with more shops and restaurants is scheduled to begin soon. Additional phases will include office space and a hotel.

Construction on the project has already begun, supported by $104 million in federal and state funds, with the City of Somerville providing $25 million in bonds to pay for roadwork and utility upgrades. In addition, the Commonwealth has broken ground on an adjacent Massachusetts Bay Transportation Authority Orange Line T Station—the first to be built on the line since 1987.

Smart Shopping Meets Smart Growth

One thing is certain: Assembly Row will not be shopping as usual. Thirty of the 45 stores planned in the first phase will be outlet stores with brand-name recognition. Chris Weilminster, Federal Realty's Senior Vice President of Leasing, sees the project's perfect marriage of location and shopping trends as a once-in-a-lifetime opportunity.

"The uniqueness of Assembly Row is its unbelievable access and location coupled with the commercial space, entertainment, residential, and outdoor space—all of which are accessible by public transportation," Weilminster notes. "This type of retail destination has never been located this close to a major metropolitan city. Being only two miles outside of Boston and offering what we are puts Assembly Row in a class by itself."

Investment/Leasing Opportunities

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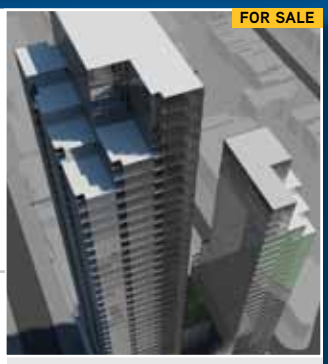
Prime Downtown Development Opportunity

200 DUNDAS STREET EAST

Toronto, Ontario

FOR SALE



- 34,692 SF lot size
- Current application for approximately 660,000 SF of commercial and residential density including a 2-tower, mixed-use development
- Northeast corner of Dundas Street East and Jarvis Street
- Located in Toronto's historic Downtown East

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- $3,950,000

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Investment/Leasing Opportunities

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Colliers INTERNATIONAL

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- Prominent Jasper Avenue location
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- Business occupancy slated for Q4 2014

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- Residences priced from $269,900 CDN

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- Free structured parking
- Great layout, recently constructed offering a "plug & play" solution

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Network Connections

SOCIAL MEDIA GURU **JASON SEIDEN** OFFERS TIPS FOR GETTING THE MOST OUT OF YOUR LINKEDIN PROFILE.

THE LIST OF REASONS people give for not embracing LinkedIn and other social media platforms runs the gamut from "I don't have time" to "This is for younger people." Here are some suggestions for breaking through the resistance and driving results:

First: Ask yourself, "What can LinkedIn do for me?"

What if every time you looked at someone, a bubble would appear just over that person's shoulder with relevant, professional information about her? Information such as her work history, where she went to school, who you know in common, and what she imagines her strengths to be? Could you use that information to make your pitches more effective? Your overall sales process more efficient?

What LinkedIn can do is provide you with all that information, whenever you need it, through your phone, laptop or tablet.

Second: Set a goal.

When you post your LinkedIn profile, you post the same profile for everyone: coworkers, clients,

prospects, friends, family and competitors. That said, it's pure folly to try to be all things to all people. So how do we focus our LinkedIn activities to attract those people who are most important to us? By starting off with these four questions:

1. **What is it you want to accomplish?** Are you supporting your company's growth? Building a new market? Think big here.
2. Of all the people who will be visiting your profile, **which category of people is most important?** The buyer of your services? The end user? The client executive or employee? Whose support do you need the most?
3. **What message do you need to convey** to that audience?

Once you've answered these questions, think about what measurable outcome you will experience that will let you know LinkedIn is making you more efficient in accomplishing your goal, then track it.

Third: Set yourself up for success.

Many people psych themselves out of using technology-based solutions. But online networking success is based on the same principles as offline, or face-to-face, networking success:

- Content: LinkedIn is your elevator pitch, available online 24/7. It should be short and sweet—an interesting hook, nothing more.
- Context: At a live networking event, it's not just what you say, but also how you say it that matters; the same rules apply online. Step back from your LinkedIn profile and look at it the way you'd look at yourself in the mirror before walking out the door. What's the vibe you get from the way it's presented?
- Consistency: Content and context need to complement each other. For example, you can't take 300 words to describe what a succinct communicator you are.

Fourth: Get started.

Now it's time to start putting all this into action. Here's where to start:

1. **Have the right photo.** If a picture is worth a thousand words, then you should be asking yourself what those thousand words say about you. That you're a fun-loving, swell guy with a killer smile? That's great, but is that what people are looking for in a professional?
2. **Write your summary for your clients.** Want your boss to love the fact you're on LinkedIn? Write with your clients in mind. Tell them first what you do, then tell them what sets you and your company apart from similar profiles on LinkedIn. Do this by aligning your professional story with your employer's brand so that you can leverage all the work your marketing team has done. Finally, make yourself approachable by sharing something "profersonal™"—something that shows that there's a real person wearing that professional suit.
3. **Tell more about what you learned, less about what you did.** Write descriptions about previous jobs, highlighting the skills you learned that make you exceptional at your present position.
4. **There is absolutely such a thing as too few connections—or too many.** Connections represent potential relationships, so just as you should offline, open yourself to new online relationships judiciously.
5. **Make yourself findable.** Use language and keywords that mean something to the people searching for you. Skip the inside jargon! If you change your name after marriage, think about including your maiden name on your profile.
6. **Let others sing your praises.** Use recommendations from others to tell the world how fabulous you are, because let's face it: It sounds better coming from them. But remember: reciprocating recommendations with friends is a no-no.
7. **It's "profersonal."** Nowadays, with coworkers, clients, recruiters, friends and family all having access to your digital profiles, you have to be professional and personable. A great way to infuse personality into a professional profile is to use apps. A reading list is a fantastic way to let people know what your interests are. A SlideShare deck can show off your personality. And Twitter/status updates will keep people in the loop on what's new in your world.
8. **Search and research—both.** With information so easily accessible, the new "rude" is not taking 30 seconds to research new connections before reaching out. Don't be rude.
9. **Pick up the phone.** Connections don't really count until they become real.
10. **Own your story!** Gaps, problems and mistakes happen. Stand up, face forward, and live your career. Winning takes risks; be prepared to address the issue head on and unapologetically when they don't pan out. KL

Jason Seiden is President and Cofounder of Ajax Social Media, a workforce marketing firm that strengthens professional and organizational brands through the effective use of social media. He hosts the weekly podcast Beyond Social *at ajaxsocialmedia.com/beyondsocial.*

Real Estate: An Overlooked Asset

CORPORATE REAL ESTATE HOLDINGS DON'T ALWAYS REFLECT A COMPANY'S OPERATIONAL REQUIREMENTS AND FINANCIAL NEEDS. BY BRET HARDY

TODAY, IT IS MORE EXPENSIVE to run a company. People, energy and technology, which change with regularity, are more expensive, and unforeseen competition can undermine sales at any moment. During the past few years, the seemingly limitless stores of capital market resources all but vaporized, and only recently have these capital sources reemerged. In the meantime, while corporate earnings pressures continue to mount, the collective brain trust of both the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) are radically changing rules on such topics and activities as lease accounting, revenue recognition and asset mark-to-market recognition.

Whether your firm is a publicly traded company or privately held, it continues to be under tremendous pressure to perform. Companies are required to achieve immediate and sustained earnings, in a tough, fiercely competitive and often uncertain environment, where change occurs with unsettling regularity. Companies committed not just to surviving, but prospering in a reduced-resource environment will be characterized by the quality and timeliness of the many decisions they will be required to make. One such critical decision is ensuring that corporate capital is positioned efficiently to provide the highest yield for core business activities, while minimizing its impact on the balance sheet and continuing to support operational demands.

Don't Become a Hostage

We all recognize the almost predictable cyclical nature of our world economy. And, in times of unbridled prosperity or economic turmoil, we tend to ignore the signals of impending correction and often leave the underlying value of our corporate real estate subject to significant market risk. Oftentimes, a major use of capital are the corporate real estate holdings of a company. Surprisingly, these assets are often not properly structured to reflect the operational requirements and financial needs of the organization. In essence, the company becomes hostage to its real estate decisions. Evidence of this is plentiful:

- Decisions related to leasing, ownership or other hybrid structures are often not seriously considered.
- Design decisions are made without consideration for an exit strategy.
- Vast amounts of profits are left in the hands of developers that could be used to reduce occupancy costs.
- Corporate facilities management responsibilities are administered in-house, when significant savings and efficiency may be achieved via outsourcing initiatives.
- Capital is often kept stranded in owned assets, when it is better suited for higher-yield core operations.

To truly fulfill a company's overall operational and financial objectives, the structure and financing of corporate real estate holdings should support and reflect core business fundamentals. Regardless of a company's size or age, and even if corporate real estate plays a minor role in your company's capital structure, properly planned, structured and executed real estate finance alternatives will maximize efficiency, allow control of assets in such a manner to fulfill core business strategies, and minimize its overall costs of occupancy. When a com-

pany is able to obtain an alignment between the needs of the COO and the CFO within the context of the local and capital markets, the result can be a successful, coordinated strategic real estate plan.

Competing Interests

Corporate real estate holdings should be structured to balance the often competing demands of the COO for operational control and flexibility, versus the CFO's requirements for maximizing return and minimizing total facility operating costs. To help achieve the appropriate balance, executives must be equipped with tools and protocols for the fundamental asset management of a corporate real estate portfolio. In other words, before embarking on a specific real estate strategic implementation, corporate executives should perform a critical review of all real estate financing alternatives within the context of the inherent corporate environment. This critical review is essential whether your company may:

- Seek to restructure assets to enhance performance measurements and obtain cash for core business opportunities;
- Possess immediate real estate needs that demand financing alternatives with minimal effect on earnings, cash flow and the balance sheet; or,
- Boast record levels of unrestricted cash and examine unique opportunities to enhance management effectiveness ratios and control of critical corporate assets.

In any case, a regular and recurring critical assessment of your corporate real estate financing strategy will ensure that your company is positioned to support core business requirements and take advantage of current opportunities in the capital and real estate markets.

Creating Value Through Structured Finance Alternatives

For the company that seeks to monetize or finance its real estate to achieve a host of cash-flow or balance-sheet objectives, a wide range of financial structures are available that allow a company to more readily achieve its overall corporate objectives while maintaining the integrity of its real estate portfolio. And, while the capital demands of a mature company versus a high growth company may differ, the application of real estate financing methods may be quite similar.

Mature Companies

In general, a mature company may look for ways to monetize its real estate assets using structured finance alternatives for solutions that offer the greatest control and return on investment. More specifically, mature companies may use accretive alternative financing structures to unlock access to corporate capital and mitigate the impact of assets on the corporate balance sheet, and enhance short- and long-term earnings.

Start-up Companies

A start-up company is generally focused on supporting expansion without negatively impacting earnings and cash flow. The most advantageous financing solutions minimize initial corporate capital outlay, access lower cost of capital, and accommodate current operations, while allowing for scalability and a reduction in real estate acquisition cycle time. By aggressively managing the balance sheet, a company can improve financial performance and enhance its perception in the investment community.

Financing Options

It is generally safe to say that the simple lease-versus-own analysis is not sufficient to address the many real estate financing alternatives that may be available to a company, whether mature, start-up or somewhere in between. Some of the more widely used structures today include:

- Structured debt financing
- Sale/leaseback financing
- Real estate based lease (REBL) financing
- Credit tenant lease (CTL) financing
- Real estate investment trust (REIT) and UPREIT contributions
- Joint venture financing
- Tax ownership operating lease (TOOL)
- 1031 and other tax-deferral strategies

In almost all situations, the numerous factors that influence an executive's decision-making process warrant a more in-depth analysis. There are complex book and tax issues imposed by generally accepted accounting principles (GAAP); federal, state and local tax codes; as well as other legal, regulatory and internal finance considerations that must be dealt with when analyzing and structuring the appropriate corporate real estate finance transaction. Understanding such factors is a precursor to structuring any transaction and will intelligently influence the decisions behind the repositioning of your current portfolio or the structuring of future acquisitions.

Imperative Questions

Whether or not your company is launching a new corporate strategic initiative, revamping its corporate capital structure, or a host of other activities, executive members should regularly ask questions surrounding corporate real estate strategy, including:

- What processes and metrics does management use to ensure real estate is being leveraged as a strategic asset class?
- What percentage of the company real estate portfolio is owned and why?
- Will the leased portfolio holdings have a material impact on the balance sheet and profit-and-loss statement when capitalized?
- Are core facilities properly financed so as to protect operational requirements and provide maximum financial benefits?
- What level of real estate services do we outsource, and why?
- What part of the C-suite do real estate decisions report to (finance, operations, etc.), and why?

When properly utilized and employed, this array of structures enable corporate executives to create potent strategies. At the end of the day, these approaches can be a key to effectively allocating capital and unlocking real estate asset value not realized previously. For managers and executives operating under the corporate microscope, these well-considered and timely decisions will assuredly stand up to the scrutiny of executive management, corporate boards and shareholders. KL

Bret Hardy (bret.hardy@colliers.com) is executive managing director of Colliers International's corporate finance team.

Meeting Spaces

THE OUTLOOK FOR CONFERENCE CENTERS MIRRORS THAT OF OVERALL LODGING INDUSTRY. BY DAVE ARNOLD

IN 2009, ALL SEGMENTS of the lodging industry struggled. However, the combined impact of the economic recession and the demonizing of corporate meetings resulted in an even more dramatic fall-off in performance for conference centers.

Now, as the U.S. lodging industry has turned the corner and proceeded up the recovery slope of the business cycle, the fortunes of U.S. conference centers have improved as well. Unit-level profit growth was a modest 5.4 percent in 2010, but certainly welcome after the 43.5 percent decline in net operating income posted in 2009.

For the past 20 years, PKF Consulting USA (PKFC), in conjunction with the International Association of Conference Centers (IACC), has conducted an annual survey of the operating performance of IACC-certified conference centers. The *2011 Trends® in the Conference Center Industry* report aggregated the 2010 market and financial performance of 39 residential centers and 17 day centers.

Since the majority of conference center guests stay as part of a package plan, total conference center revenue is typically measured on a dollar-per-occupied-room (POR) basis. In 2010, the centers in the *Trends* survey sample reported a slight 0.8 percent increase in total revenue POR (RevPOR). The gain in RevPOR was primarily driven by a 2.8 percent increase in occupancy that offset a 1.6 percent decline in average daily room rates.

Because of the relative stability of educational institutions during the economic recession, college and university conference centers enjoyed the greatest gain in revenue measured on a POR basis at 4.6 percent. On the other end of the spectrum, resort centers still appear to be suffering from the lingering stigma attached to holding and attending extravagant meetings. Total RevPOR at these facilities declined 2.3 percent.

Along with discounting, conference centers targeted transient guests to combat the relatively slowly recovering meetings market and fill their guest rooms. In 2010, conference demand accounted for 68.5 percent of the rooms occupied at the centers in our survey, meaning that conference centers had to rely on transient business to fill more than one-third of its rooms.

For the conferences that were taking place at the IACC centers, it's a positive sign that the meetings became more national in scope. After placing a greater reliance on locally generated meetings in 2009, the conference centers in our survey saw a very strong 6.6 percent increase in the number of national conferences held at their properties in 2010. Training and continuing education continue to be the primary purposes for meetings held at conference centers.

Expense Control

After cutting costs in 2009, conference center operators continued their thriftiness in 2010. Facing just a 2.7 percent increase in total revenue per available room, property managers were able to limit the rise in total operating expenses to just 2.1 percent. In fact, managers at executive and resort conference centers did a better job at controlling costs during 2010 compared to their colleagues at full-service and resort transient hotels.

With revenues growing greater than expenses, the net operating income (NOI) for the average center in our survey grew by 5.4 percent from 2009 to 2010. Leading the way in profit growth were corporate centers with an increase in NOI of 10.1 percent. Lagging were resort centers, which achieved just a 0.8 percent increase on the bottom line.

A Look at 2011

While final numbers for 2011 will not be available until late spring of 2012, conference center managers in the survey had budgeted for a 6.2 percent increase in occupancy during the year. Executive center managers were most optimistic, expecting a 9.8 percent rise in occupancy. Based on the overall improvement in the hospitality sector, we expect that these numbers were met.

On the other hand, management's expectations for complete meeting package (CMP) rate movement were for an increase of just 2.6 percent. After a relatively strong year in 2010, college/university center operators believed they had the greatest opportunity to push conference package rates (+4.2 percent).

It is hoped that the strong cost controls implemented in 2010 carried over into 2011, thus converting most of the new revenue into profits. KL

Dave Arnold is CEO East of PKF Consulting USA. To purchase a copy of the 2011 Trends® in the Conference Center Industry *report, visit www.pkfc.com/store. This article was published in the November 2011 issue of* Lodging.

All In For Good

A NEW PHILANTHROPY MOVEMENT IS HARNESSING THE POWER OF SOCIAL NETWORKING, TURNING SMALL DONATIONS INTO BIG GLOBAL CHANGE. BY JEFF BOND

IN THE WORLD of philanthropy, $5 doesn't seem like very much.

After all, it's barely enough to buy a large coffee these days.

But $5 really does make a difference when added to scores of other seemingly inconsequential donations. It may even be the answer to some of society's great problems. And it can help rekindle our awareness that individuals working together can make a difference.

That is the idea behind **Everyone Gives**, a new philanthropy campaign supported by Colliers International and other like-minded corporate leaders to benefit charities around the globe.

Large employers, including founding partner Colliers International, began work on the campaign in early 2011. Everyone Gives is based on the simple idea that individuals in every corner of the planet—when connected to each other and a common purpose—can be incredibly effective. With Everyone Gives, change starts with something as simple as a $5 donation to a cause of your choice.

The twist, however, is that each person who donates also reaches out to two friends and asks them to give $5 to the charity of their choice. Those two each ask two more friends to give, and so on. Based on the concept of a 'Giving Tree,' there is exponential potential for the campaign to grow as individuals tap into the power of their own personal networks while focusing their efforts on whatever cause they're most passionate about.

Even though each person might only give $5 (there is no limit to how much one can give), by building a social network around this issue, millions of dollars can eventually be collected for worthy causes. It is a true social giving campaign, says Doug Frye, president and CEO for Colliers, which has provided resources—from office space to WiFi to coffee—as the idea for this movement took shape among a small group of passionate people.

"As we started getting excited about it—how else can you make $5 move mountains?—we realized that too often, charitable giving starts and stops with the giver," explains Frye. "But everyone is rich in the resource that really matters for the success of Everyone Gives: relationships!"

Frye points out that Everyone Gives is not a charity; it's a group of volunteers on a mission to get more people to donate to worthy causes. The site does not collect donations. Instead, it tracks pledges (and the growth of your Giving Tree) and connects donors to each charity's donation page. That way 100 percent of the donation goes directly to the charity. There are no overhead costs for donors or charities with the Everyone Gives program.

According to Frye, the tough economy has placed greater demands on social and health services, both locally and around the world. These demands may seem insurmountable at times. But the Everyone Gives organizers believe that through the emergence of social media, it is clear that technology can be used to connect large groups of people and orient them toward a common purpose.

The organization invites donors to visit its website, www.everyonegives.org, and check the Causes page to see the full list of organizations to which Everyone Gives is linked.

February 22, 2012 marks the beginning an eight-day, worldwide social giving campaign, with donors, charities and corporate sponsors making a substantial push to grow 'Giving Trees' in support of their cause.

As for how large this campaign may grow, organizers say it really depends on the actions of the donors. The power of Everyone Gives is in how donors can exponentially expand the circle of giving. If the donors continue to tell more and more friends about the campaign and the number of donors continues to increase, there's huge potential for the movement to touch tens of thousands of people. Everyone Gives already has commitments from participants in 61 countries.

So whether you're able to donate $5 or $5,000, Everyone Gives requests that you share the opportunity to give with the people you care about the most, and join them in being "all in for good." KL

Visit www.everyonegives.org to join the campaign. Follow the campaign at www.facebook.com/everyonegives and www.twitter.com/everyonegives.

> **The power of** Everyone Gives is in how donors can exponentially expand the circle of giving.

Star Search

BUSINESSES THAT ARE GREAT AT BUILDING TALENT—NOT MERELY ACQUIRING IT—ARE MORE SUSTAINABLE IN THE LONG RUN.

BY DOUG FRYE

Doug Frye is the global president and chief executive officer for Colliers International.

"SOMEONE WHO IS exceptional in their role is not just a little better than someone who is pretty good," Facebook CEO Mark Zuckerberg told *The New York Times* in a recent interview. "They are 100 times better."

Zuckerberg made this comment to justify paying nearly $4 million per employee for the company FriendFeed in a practice that has been dubbed "acqhiring." Shelling out big bucks for superstars doesn't just happen in Silicon Valley; we see it in sports with free agents, and we see it in commercial real estate.

Zuckerberg's comment sparked debate, prompting business leaders to consider how the quest for talent can impact the bottom-line and the culture of the company. And it raised the question: Is one brilliant employee really worth more than 100 average professionals?

In his *Harvard Business Review* blog, Bill Taylor, co-founder of *Fast Company* magazine, referenced Zuckerberg's remark and asked, "Have we become so culturally invested in the allure of the free agent…that we are prepared to shower millions of dollars on a small number of superstars rather than a well-assembled team that may not dazzle with individual brilliance, but overwhelms with collective capability?"

I think this suggests that there are only two ways for a business to spend money on human capital. But it's a false dilemma. There's another choice—one that I embrace: Create a *star system*.

A star system is designed to elevate people with the right core attributes (what we call SOAP: smart, optimistic, ambitious and passionate), by providing business skills, knowledge and behavioral coaching to help them become superstars.

Stars are volatile; star systems are sustainable

No matter your industry, top performers can be bought by competitors. In a business where our intellectual capital rests not in patents or products but in the minds of our people, stars are volatile assets.

A star system, however, is sustainable because we are constantly building experts and growing future leaders. The investment becomes a core company asset, a differentiator that can be scaled for broader business impact.

Our professional development arm, Colliers University (CU), is our star system. In a four-year study of 468 professionals in North America, a typical professional's revenue grew 13 percent per year. However, salespeople who took one of CU's core classes achieved 28 percent growth, and salespeople who took six or more core classes increased their annual revenue an average of 84 percent per year.

The correlation is impossible to ignore: the more courses our sales professionals took, the more they increased their revenue. In an industry that measures salespeople by dollars earned, that's a star system in action.

Stars can be toxic; star systems lead culture

Stars are hired for the revenue they can produce or the points they can score, but as a result, other aspects of their personality might be ignored. No doubt you've seen major conflicts arise from this, both in sports and in business. Team infighting is one side effect; poor client service is another.

We refused to make that mistake. We knew that if we didn't share the same values, we'd soon face breakdowns regardless of revenue. Our due diligence for several new business partners ensured alignment both commercially and culturally.

I see our star system as an opportunity to educate people about the kind of business we are—the way we treat our clients and each other—and our commitment to creating memorable client experiences.

Stars can be self-focused; star systems remain client-focused

Many star athletes, entertainers and professionals lose focus on what matters: the clients. For a celebrity or athlete it may take the form of complaining about fans or snubbing autograph-seekers; for a broker it may take the form of being too busy to return a call.

At Colliers International, our business is built to serve clients—the better we serve them, the more we benefit. We won't benefit from self-centered stars, so it makes sense to build a star system where a keen client focus is culturally embedded, where you can't become a star without it.

We engineered a system called Client Engagement to build service teams around our clients, rather than individual stars building clients around themselves.

Client loyalty cannot be secured by a single star's tie to a client. We've found it takes many contacts and services to create loyalty, and only a star system is able to support our clients' entire cycle of real estate needs.

So while the lone star vs. multitude debate may continue, I'll keep backing the star system—the best way a business can provide their clients with phenomenal service and ensure its long-term success. KL

KENNA KLOSTERMAN

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February 22, 2012

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EVERYONE GIVES.org

1. Donate at least $5 to a charity of your choice.
2. Ask two people (or more!) to give to your charity or to select a charity of their choice.
3. Ask these two people to reach out to (at least!) two more people, creating a giving tree with exponential growth potential.

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