



GOOD VIBES: FirstService Williams executive chairman Robert Freedman and CEO Mark Jacom traveled to Toronto in April to meet FirstService's founder, Jay Hennick. Later, the Canadian firm bought a majority stake in the New York-based brokerage.

Brokerage Juggernaut in the Making?

With a little-known Canadian firm as its new owner, New York's FirstService Williams bills itself as the next big thing, but faces stiff competition. **By Ben Johnson**

No one could accuse FirstService Williams Commercial Real Estate CEO Mark Jacom of being shy or subtle. In announcing the sale of a majority interest in the former GVA Williams brokerage firm to Toronto-based FirstService Corp., Jacom boasted, "It is my strong belief in five years time we will be the number one global real estate company in the world."

Such bravado is often part of the sell when it comes to New York's real estate insiders. But in this case, Jacom's claims likely have a better than 50-50 chance

of being realized. He has guided the 80-year-old firm since 2006. Backing Jacom's all-conquering claim was a hefty sum of Canadian capital from a virtually unknown company north of the U.S. border.

FirstService Corp., which trades on the Nasdaq Stock Market under the symbol FSRV and on the Toronto Stock Exchange under the symbol FSU, has its roots in several small companies, including a pool maintenance business founded by Jay Hennick in 1972. Over the years, Hennick turned the hodgepodge into a

full-fledged real estate firm with three main subsidiaries: commercial real estate, residential property management and property services.

Today, FirstService Commercial Real Estate, with 186 offices in 36 countries and more than \$1 billion in annual revenue, is the fourth-largest global services player by annual revenue behind CB Richard Ellis, Jones Lang LaSalle and Cushman & Wakefield. The division includes controlling interests in Colliers International, FirstService Williams, Cohen Financial, PKF Hotel and Hospitality Consulting,

PGP Valuation Inc. and MHPM Project Managers.

In residential property management, its FirstManagement Partners is the largest manager of apartment communities in North America, while TFC is North America's largest provider of property services through franchise and contractor networks. Altogether, FirstService generates about (US) \$1.9 billion in annual revenues and has more than 17,000 employees worldwide.

Decentralization model

The company's strategy is to buy dominant stakes in major real estate firms, keeping management in place and tying their compensation to future profitability. It is a platform that FirstService has been building for several years, most recently evidenced by the purchase of an 80% stake in Boston-based Meredith & Grew, a leading ONCOR network affiliate, in September 2007.

But FirstService was lacking a key ingredient — a New York headquarters. "Williams was one of the better options out there," says David Gold, an analyst with equity research firm Sidoti & Co. in New York. "Long term it probably winds up being the right move for FirstService."

For its part, GVA Williams had built a full-service firm with more than 160 real estate professionals and offices in Manhattan, New Jersey and Connecticut. In 2008, it advised on more than \$3.4 billion in sales, leasing and capital market transactions, and manages over 16 million sq. ft. of commercial property.

In February 2008, FirstService Williams represented Colgate-Palmolive in renewing its 537,500 sq. ft. lease in Midtown Manhattan. "We won that account in a way that shows we understand what corporations and landlords and tenants need," says Jaccom. "We used to not beg, but scratch, to get an appearance in those types of presentations. But now when there is a major [real estate] requirement in New York, we are going to be considered a major player."

With the FirstService Williams acquisition, FirstService has its "global gate-

way" to more business. "From an industry standpoint, this absolutely changes the landscape in the commercial real estate industry," says Doug Frye, chairman of FirstService Commercial and chairman of Colliers International.

"What makes us so excited is we have common equity in a decentralized platform," says Frye. "We think this is a model that will gain momentum not just in the real estate market, but in business in general as a result of the world being flat and becoming more and more flat as time goes on."

Frye is confident the FirstService platform will win the day because clients are screaming for change. "The real estate industry is the most archaic industry in the world. The industry doesn't want to admit this, but what our clients say about the industry is that we do not provide the type of service they want. We are loyal to a transaction and not to the client," Frye explains.

"We are creating a true global platform that focuses on the client's needs, not the transaction. Building a better mousetrap is a lot of fun," adds Frye.

Many analysts like what they see. "We continue to view FirstService as one of our more attractive long-term plays involved in commercial real estate," says Brandon Dobell, an analyst with William Blair & Co. in Chicago. "While the deepening credit crisis and overall economic concerns create real challenges, we believe FirstService is in a solid position to grow the consolidated business over time given the current level of financial flexibility, and management's history of disciplined and strategic capital allocation."

History of FirstService Corp. in North America

1972

Founder and CEO Jay Hennick starts Toronto-based swimming pool and recreational facility management business

1993

FirstService completes its IPO on the Toronto Stock Exchange, raising \$20 million Canadian

1995

Shares of FirstService are listed on Nasdaq

1997

Secondary stock offering in Canada and the U.S. raises \$20 million

2004

Acquires CMN (Colliers Macauley Nicholls) International, launching commercial real estate division

2005

Sells assets of company-owned lawn care operation Greenspace Services and two other non-strategic businesses

2007

Acquires The Merit Cos., California's largest provider of residential property management services

2007

Acquires Field Asset Services, a property preservation services firm

2008

Announces divestiture of Security Division to ADT Security

2008

Purchases 65% interest in New York's GVA Williams

Source: FirstService Corp.

For the 12 months ending March 31, 2009, Dobell expects FirstService to earn (US) \$1.77 billion and to post a gross profit of nearly \$700 million. The stock closed at \$13.75 per share on Dec. 12, down 57% from its 52-week high of \$32.11 set a year earlier on the Nasdaq Stock Exchange.

Courtship of chemistry

Over the past two years, two companies were in pursuit of Williams — London-based DTZ Holdings and FirstService. “Both I never heard of, both didn’t mean anything to me,” says Jacom.

Still, he managed to bring Williams’ many internal partners into a dialogue about selling the firm. “DTZ turned us on for many reasons, but with that deal we would have sold 100% of the company, have no control, and we would just be employees.”

The turning point occurred in April when Jacom and GVA Williams chairman Robert Freedman traveled to Toronto

to meet with FirstService’s founder.

“We met with one person, Jay Hennick. We walked in, we sat down with Jay and right away there was a chemistry,” recalls Jacom. “Jay has an entrepreneurial spirit in running a public company. FirstService has maybe 12 people up there running this organization. Five hours later, we basically shook hands to go into the next stage of negotiations.”

FirstService took a 65% stake in GVA Williams. The remaining 35% of ownership shares were divvied up among a group of Williams partners. Five percent of the stock was given to 10 of Williams’ highest producers and they became principal owners.

Another 5% of ownership shares were distributed between Williams’ New Jersey and Connecticut operations, and the remaining 25% was split equally among Michael Cohen as president, Andrew Roos as vice chairman and principal, Brian Given as vice chairman and principal, Robert Freedman, executive chairman, and Jacom, CEO.

The naming game

As a brand, unlike its competitors, FirstService is largely unknown in the United States. “The reason we are the fourth largest global real estate services provider that nobody ever heard of is that we’ve got to work through these branding issues that will take roughly a year,” says Freedman.

Given their substantial U.S. investments and the need to place various entities under one umbrella, FirstService executives say that marketing will become a front-burner issue in 2009. “FirstService is a name that hasn’t really existed in the commercial real estate industry,” admits Frye. “It has not been out there. To a large degree we’ve marketed ourselves through Colliers. That’s changing. Keep an eye on FirstService. You are going to see some unique things

coming from this platform.”

The company has retained a leading brand consultant to get the word out, according to Jacom. “Our challenge over the next year is the branding issue, so that we can really leverage the organizational depth. Every month you will see the unveiling of the FirstService brand starting in January 2009.”

That will certainly help FirstService Williams recruit new talent, and one recent hire may be a portent of things to come. In December, the firm hired Joseph Caridi, former executive director of brokerage and advisory services at Newmark Knight Frank. Caridi will lead day-to-day operations at the company while Jacom and Freedman hit the road to drum up new business.

“We are in an expansion mode,” emphasizes Jacom. “Others are trying to figure out if they are going to make it through the storm. We know we will.”

There are many formidable obstacles in FirstService Williams’ path, not the least of which are industry heavyweights CB Richard Ellis, Jones Lang LaSalle and Cushman & Wakefield, which have far more experience on their side.

According to a Cohen Financial insider, the structure at FirstService appears to be working. “They have obviously been a great capital partner for Cohen, especially in this challenging environment,” says Tim Mazzetti, executive vice president at Cohen Financial, a FirstService company. “And as far as governance is concerned, FirstService pretty much allows us complete freedom to manage the day-to-day business, getting involved on strategic, capital and budget matters.”

A prominent quote in Freedman’s office is attributed to Zorba the Greek: “You have everything but one thing, madness, and man needs a little madness or else he never dares cut the rope and be free.”

Never prone to understatement, Jacom notes, “We’ve cut that rope to the past of being part of a network, and now we are going to be one of the conquerors.”

Ben Johnson is a Dallas-based writer.



BIG DEAL: In February 2008, Colgate-Palmolive tapped Williams to negotiate its lease extension to stay in 537,500 sq. ft. at 300 Park Avenue in Manhattan until 2023.