00:00:03:27 - 00:00:32:22
HOST
Welcome to the People Property Place podcast with me. Your host, Matthew Watts, founder and managing director of Rockbourne. This is a podcast where I share the stories, views, opinions and career journeys of the movers, shakers, innovators and leaders in the real estate industry.

00:00:32:24 - 00:00:58:00
HOST
Welcome to the People Property Place podcast. Today we’re joined by Lloyd Lee, co-founder and managing partner of Q capital. Lloyd brings over 20 years experience in real estate, private equity and principle investing and has been involved in over 12 billion pounds worth of real estate acquisitions, public and private corporate opportunities, special situations and asset management turnarounds across the UK, Europe, US and emerging markets.

00:00:58:06 - 00:01:20:29
HOST
His experience combines both Brackett private equity experience at Style Capital and Marathon Asset Management, and he has granular knowledge of all major real estate asset classes. And he’s been a fundamental value investor in real estate on behalf of major institutional, public and private investors since 1998. Lloyd, welcome to the podcast. The place I always like to start is how did you get into real estate?

00:01:21:02 - 00:01:39:28
GUEST
It’s an interesting question. I think in many respects, all of us, live in real estate one way or the other. Everyone has a house. Go someplace to work or to school. You go shopping, go eating. You stay in hotels. And I think that for me, real estate creates a way of life. And I think for me, that was always fascinating, even as a student.

00:01:40:01 - 00:01:55:24
GUEST
And as a result, I think it’s something that I just found myself very passionate about from a very, very young age. I was drawing like houses when I was like eight. I don’t know why, but that’s what I did when I was an eight year old. And I remember I remember meeting an architect at the time who came in for class.

00:01:55:27 - 00:02:07:02
GUEST
I think he was someone’s dad. And he’s like, your dad, an architect. I’m like, no. And he’s like, well, we are like drawing houses and floorplans and other kids are drawing dogs or whatever. And I just it was one of those things that always fascinated me, and it still does to this day.

00:02:07:03 - 00:02:11:11
HOST
Did you have any kind of parents or family friends who are in real estate?

00:02:11:13 - 00:02:19:21
GUEST
No I didn’t. It’s just something that was born with me. I don’t know, and I genuinely still feel that way today, which is a nice thing.

00:02:19:25 - 00:02:26:27
HOST
So how did you flip that from drawing houses at eight years old into into real estate, private equity. How did you go on a journey?

00:02:27:02 - 00:02:46:12
GUEST
So, so I think that all the way through school I did two majors. So when I was at Harvard, I did both pre-med and I also did History of Architecture, and I did them in parallel. One was because I had to be functional and the other was because it was. My passion and passion won out in the end, which is probably a good thing.

00:02:46:14 - 00:03:05:11
GUEST
And it led me really to move forward, to go to Cornell, where I studied real estate. And from there, it was quite obvious at that point that I'd picked a career path. And the question is, how is that career path going to manifest itself? And so when I when I began in New York in the 90s, it was kind of the work out days, sadly.

00:03:05:13 - 00:03:26:13
GUEST
From the standpoint of the economy, workout days, fantastically. From the standpoint of professional experience, of learning what to do and what not to do, because you've seen the aftermath of a remarkable fall from grace from the real estate sector. Late 80s were the go go days, and then it literally collapsed in tears in the 90s. And the workouts is really where I began my career.

00:03:26:21 - 00:03:54:20
GUEST
And we would go to we would go to empty office buildings because there were a lot of them, and there would be boxes to the ceiling, the files that were half complete on loans that had gone pop on, banks that had disappeared on whole books of portfolios where no one knew anything. And that was literally where where I began my career at a company called Kenneth Leventhal and CL eventually got bought by Ernst Young and became kind of the strategic advisory arm of that business.

00:03:54:25 - 00:03:57:01
HOST
So it's an advisory. It's an advisory business.

00:03:57:01 - 00:04:21:03
GUEST
That it was and one of our largest clients at the time was Starwood Capital and Starwood Capital Group, run and founded by Barry Stern. Like, to this day was the largest client to the firm at the time. And we were following in their wake doing advisory work for the firm. And three years into being at HCL, I joined Starwood Capital Group, and that became a journey of of being in real estate, private equity.

00:04:21:05 - 00:04:44:10
GUEST
I will say that the leap forward to Starwood Capital in many respects, in hindsight, was an obvious one. There's such a remarkable firm. I'm enormous admiration for the leadership there. But I think for for a young guy in his 20s, there was still a career path jump that needed to be made as to, are you going to go into more advisory or are you going to go into principle investing?

00:04:44:16 - 00:05:04:10
GUEST
And I think for me, that's a personal decision. You just have to take as to who you are. And for me, the idea of real estate was again deeply rooted in who I was. And I think the idea of owning, investing, taking principle decisions was very much in my mindset. And as a result, it was a natural choice for me to go into that industry.

00:05:04:10 - 00:05:10:29

GUEST
And Starwood Capital Group was for me and still is today, definitive as as the leading firm in the industry.

00:05:11:01 - 00:05:22:02
HOST
Did you have advice or did you take advice from mentors at the time, or was it just, you know, interesting, Harvard and Cornell, you know, your understanding of like, real estate as an ecosystem developed into a different career path?

00:05:22:04 - 00:05:48:07
GUEST
I've always taken the time to ask, experienced, smart people what they think. I think it's just it's the smart thing to do. And at the time, I remember where I was on, I think it was on the two and a three going downtown to Wall Street to a client. And I asked Howard Roth, I think he's he might have just retired, but he was the senior tax partner at the time, and we were doing some tax work, for a client downtown on Wall Street.

00:05:48:11 - 00:06:02:04
GUEST
And I asked him about, you know, the kinds of things that I was interested in doing and said, yeah, it's called private equity. And this is some of our clients who do that. And I started working on those accounts when I was a call. So yeah, actually, definitely Howard Roth.

00:06:02:06 - 00:06:11:20
HOST
So you joined Starwood Capital? I did advisor. Moved to client. Yes. What was your initial role at Star Capital and then how did that that developed?

00:06:11:25 - 00:06:37:08
GUEST
So the role was originally an asset management. And as you know, in private equity, some houses will have guys who work on investments as in new acquisitions on behalf of the firm. And then what happens is they have an in-house team that takes over from the acquisition date to actually managing those assets to fruition. And I joined on the asset management side of a team, with a young generation of new people joining the firm.

00:06:37:11 - 00:07:07:01
GUEST
And within a year, I was asked to join the acquisitions team, and actually quite rapidly from joining the firm, I was asked to look at a few new acquisitions. But I think, equally, one of the things that happened while I was there was the whole ethos of being an owner really kicked in even more than it had at CL for me, where what I realized is and I and I say to this, all of the guys in the firm, you know, there is the firm, but then there's you incorporated.

00:07:07:08 - 00:07:27:05
GUEST
You are your own business. It's your career, it's your life. Then you have to take ownership of that. And so what I would do is I would basically work on all of the asset management stuff that I had to do, because that was my primary role. Of course, it was during the day and late into the evenings, and then I would work till like 3 or 4:00 in the morning on the acquisitions.

00:07:27:08 - 00:07:45:04
GUEST
And Barry's an early morning guy and I am not. And so I would be in the office at seven, 730 because I knew Barry would be there. And it was long days, long hours, but it allowed me to have exposure to the

acquisition side of the team. And within a year, I was asked to join full time, which was very exciting for me.

00:07:45:05 - 00:07:55:24
GUEST
And then about, I think maybe a year and a half, two years, something like that. It's been a while. It's been a long while. I was asked to start getting on a plane to go to London.

00:07:56:01 - 00:07:58:19
HOST
So you're from the US, right? I am born and raised.

00:07:58:24 - 00:07:59:15
GUEST
Born and raised.

00:07:59:15 - 00:08:00:16
HOST
In New York.

00:08:00:18 - 00:08:01:14
GUEST
Just outside New York.

00:08:01:20 - 00:08:09:07
HOST
So that was your upbringing, your ecosystem, your world. And then what prompted you to want to jump on a plane and come over to Europe?

00:08:09:09 - 00:08:27:22
GUEST
It was interesting. I again, I remember where I was sitting, I think I think it was either Barry or Jeff or said, we've got this deal in London who's got capacity? And I raise my hand. I just did I actually had capacity. It wasn't that I had this pension for for traveling or anything. I just was like, sure, I'm interested in I've got capacity, I'll do it.

00:08:27:25 - 00:08:48:17
GUEST
And and that was usually my inclination in life, which is like if you have a little bit of capacity. So yes, if you don't have capacity, make sure you make capacity, then say yes. And as a result, I got on a plane with Jeff Turner and came over to to London and started looking at deals. And over dinner we were in South Kent at the time and he was like, you know what?

00:08:48:20 - 00:09:09:09
GUEST
Like what? It's like you should do international. I'm like, really? He's like, yeah. I'm like, okay. And the next thing you know, I'm living out of a suitcase for 18 to 24 months from that day and start literally spending a week in London, a week back in the office, a week in London, week back in the office, working on joint ventures and partnerships and all those kinds of things.

00:09:09:09 - 00:09:11:10
GUEST
And it was an amazing experience.

00:09:11:12 - 00:09:14:29

HOST
So you were the first guy on the ground to live here? To live here.

00:09:14:29 - 00:09:21:27
GUEST
Correct? And so I moved here in 2000 and late 2002, 2003 and moved here. And I’ve lived here ever since.

00:09:21:27 - 00:09:26:06
HOST
And started this at this at the time, did it have an international footprint or was it predominantly.

00:09:26:10 - 00:09:59:19
GUEST
Starwood? Starwood capital definitely had one on the corporate side because of the huge corporate opportunities the firm had engaged in in the hotel world. And so the fact they’d actually created two public hotel, two companies, two public companies at the time, a hotel company and then a mortgage REIT company. And so the answer is categorically yes. From a more traditional asset investment side, I think at the time they had gone out to Asia first, and this was the first foray into Europe to actually put like boots on the ground in this part of the world.

00:09:59:21 - 00:10:03:16
HOST
And so what were the kind of assets that you were looking at, and what are the kind of deals.

00:10:03:19 - 00:10:26:06
GUEST
That you were looking at? It was opportunistic. Starwood Capital, as far as I know, whenever I was there was always opportunistic. They’ve they’ve expanded quite a lot since I’ve left. But at the time it was definitely opportunistic. And we were in multiple jurisdictions looking at where we found value, untapped value, hidden value, misunderstood assets, which is what private equity guys do.

00:10:26:13 - 00:10:28:09
HOST
And was that within the hotel?

00:10:28:12 - 00:10:28:29
GUEST
No it.

00:10:28:29 - 00:10:30:16
HOST
Wasn’t across the it.

00:10:30:16 - 00:10:54:07
GUEST
Wasn’t. And I think the reason at the time was because there had been so much activity in hotels that ultimately led to the public company that we actually had a non-compete at the time with the hotel company in hotel. So in fact, we didn’t do any hotel deals at the time on the private side, because there was the public company and there could not be a conflict of interest between, you know, really the leadership of the firm, which is Barry and Jeff.

00:10:54:07 - 00:11:10:09
GUEST
And I think at the time, Jonathan, Julian and a number of others reclaiming there couldn’t be a conflict of

interest where they were basically doing private deals on the private equity side and then on the public equity side, which is obviously the hotel company also doing deals. So as a result, the private side did not do hotel deals at that time.

00:11:10:16 - 00:11:15:21
HOST
And were you working when you're trying to find operating partners to JV? Everything. Just everything.

00:11:15:22 - 00:11:28:16
GUEST
Everything. It's funny actually. I don't know if it's funny or sad. I think it's actually funny. One of our first joint venture partners that I found is just having lunch, I think later this week as he's retiring. So there you go. Times. It's been a little over 20 years now.

00:11:28:18 - 00:11:37:18
HOST
So you moved to London and you've kind of stayed since. And were you responsible for kind of building the team around from scratch? Yeah. Talk to me about how you went around doing that.

00:11:37:21 - 00:12:05:27
GUEST
So when I first landed, I was literally meeting people in a hotel lobby because we literally just started from scratch. So there's always an always a good experience to have to do it yourself. I mean, do it myself with an enormously powerful firm, you know, supporting everything. But it started out from a granular, you know, detail business in a hotel lobby where you're meeting, you know, PPAs and then associates and then looking for office space.

00:12:05:27 - 00:12:35:17
GUEST
And you can like look at the fax machine and all that good stuff. And I think that in many respects it starts to test whether you have an internal compass. There are some brilliant, brilliant investors in this world who I think within the within an organizational structure where there is a CIO and there's macroeconomic views and there's kind of like big plays that are being put through the organization, like at a major bank where there's a lending side and an investment side and there's like a client side.

00:12:35:19 - 00:12:56:28
GUEST
There are brilliant deal people there who kind of go ahead and just attack and deliver and execute. But what I've noticed is that sometimes you take those people out of those organizations and you put them literally on their own, and they need to have an entirely self-sufficient internal compass, and they don't. And, you know, I'm not perfect by a long way.

00:12:57:00 - 00:13:16:22
GUEST
But there are certain things that you need to have if you're going to do it yourself. And having an internal compass is definitely one of them. And a trial by fire is, is when a big firm like Starwood Capital sends you over to another country to get started. You better have one, because it's important. You really need to know what your priorities are and how to focus on.

00:13:16:28 - 00:13:19:11
HOST
And what age were you at this stage?

00:13:19:13 - 00:13:21:12
GUEST

Good gracious. What age was I.

00:13:21:14 - 00:13:24:18
HOST
And what was your job title as well? And then you kind of landed over there.

00:13:24:20 - 00:13:32:20
GUEST
I think I was a vice president or a director at the time, or made director at the time, and it would have been I would have been 30.

00:13:32:22 - 00:13:33:11
HOST
Okay.

00:13:33:14 - 00:13:34:06
GUEST
There is someone.

00:13:34:10 - 00:13:36:21
HOST
Who's been with the firm for a number of years at this stage before you came out.

00:13:36:22 - 00:13:38:08
GUEST
Three years, three years.

00:13:38:10 - 00:13:40:24
HOST
Three float up the ranks quite quickly.

00:13:40:27 - 00:13:51:23
GUEST
Well, Starwood, Starwood was really supportive of me. I have to say, I don't look at as flying up any ranks quickly. I think they were very, very supportive of people who really wanted to go out there and do something interesting, and I'm grateful for that opportunity.

00:13:51:26 - 00:13:55:12
HOST
And so you build the business over here in the UK and Europe.

00:13:55:17 - 00:14:11:15
GUEST
I did, although I think me building it is probably a bit, a bit much. The Starwood Capital Group is a pretty remarkable infrastructure and their leadership is quite strong. So I wouldn't I wouldn't sit here and try and tell you that I've built some kind of a European business. I think I was definitely part of what happened in Europe.

00:14:11:17 - 00:14:14:23
GUEST
Yeah. And so in that respect, it was a great experience for me.

00:14:14:26 - 00:14:20:28
HOST
And what what prompted you with the business? Just shy of nine years. What prompted you to leave the

business and what was it? Kind of.

00:14:20:28 - 00:14:41:13
GUEST
So it's it's interesting. When I was 20. Good gracious. Wow. When I was 24, I sat at Cafe Mozart on 71st and Broadway, which is about a year into joining Kenneth Leventhal. And I actually put down on a piece of notebook paper, which I still have three trees, three trees of what did I want to do with my career?

00:14:41:19 - 00:15:03:09
GUEST
And one of them was to stay in the consulting business, which is where I was, and just become a partner in that firm or another firm. One was to go into kind of more pure play, leisure, entertainment, hospitality assets and go work in that business. And the third was private equity. And then within those trees it was like, okay, well, what do I want to do within those trees?

00:15:03:11 - 00:15:25:25
GUEST
And so for private equity, it was either become, you know, responsible for a region, for the world, for a really, really big firm or to start my own firm. And I've kept that piece of paper all these years, and I updated every year. But where I'm going for the next 20 years. And so for me, I'm about I think I'm about six, 6 or 7 years off my original plan when I was 24.

00:15:25:27 - 00:15:43:13
GUEST
But it's not far off in the sense that the the direction of travel is here. I am and now co-owner of a business, and it's much, much smaller than the businesses I used to work for. But it's our business and I love it that way. After I say it's something that keeps you up at night and gets you up in the morning.

00:15:43:13 - 00:15:45:04
GUEST
So I think it's got the best of both worlds.

00:15:45:06 - 00:15:48:00
HOST
Before you, before you set your business up. You worked at marathon, is that right?

00:15:48:01 - 00:16:10:06
GUEST
I did, I did there was a period of time when I was just kind of looking at options, as you do sometimes in your career, and it was one of those things that that kind of I think it was genuinely a godsend. I was talking to my current business partner about setting up a business in 2007, and as you do when those moments coming, you're like, okay, well, if I'm going to look, I'm going to look properly.

00:16:10:11 - 00:16:30:19
GUEST
As we were talking about partnership terms, I got an an unsolicited, solicited offer to go interview with marathon. And I remember calling John my current business partner, and I'm like John as I go now. I'm like, I know, I know, I, you know, it's just a big ship. It's an interesting opportunity and I'm going to take it and he's like, okay, well, look, let's just stay in touch.

00:16:30:19 - 00:16:47:06
GUEST
And I've known John for many, many years already. And we did. And then literally a year later I think we spoke and we're like, that's the best thing. We never did because the world had exploded. Whatever we thought we could build in a year would probably have been dismantled, not because of anything we did.

Just the world just got dismantled.

00:16:47:10 - 00:17:04:18
GUEST
And then in 2009, we sat down and it was like December and were like much better time to be talking now. It’ll be a lot harder because money is not, you know, readily available things will be difficult. But I’m like, boy, that feels like the 90s again. Here we are. You know, cardboard boxes and workouts and restructurings and all kind of messy.

00:17:04:18 - 00:17:15:17
GUEST
So I kind of know what this feels like. And certainly John did. And as a result, we got started, set up our partnership in 2010 kind of mid to late 2010. And there you go.

00:17:15:20 - 00:17:24:06
HOST
And it was you obviously London HQ, London based. Yeah. You could have never moved back to the US. I did once just consciously just fell in love with London.

00:17:24:06 - 00:17:44:11
GUEST
And I have to say there’s a lot to love about London. And so I think from, from that perspective the answer’s yes. But I think you need to understand what I mean. But when I say fell in love with London, I’ve always been focused on the business or focused on business. And so personally, I’m opportunity led by business.

00:17:44:14 - 00:18:03:26
GUEST
And so if I think that London is a great city to do business in, then that becomes right. That, and London is an amazing place to do business. And I think from a real estate perspective, it’s an amazing place to do business. And I kind of grown up, if you think about it, coming over a 30 and now was whatever it was, 38, 39.

00:18:03:28 - 00:18:24:13
GUEST
And you’re kind of like relationships at that level start to grow and you know that they’re going to advance and grow locally as well. Which is exactly what’s happening. Half our deal flow comes from people that I knew 20 years ago or 15 years ago. And I think that that for me, meant this was a logical place for me to be because it was a great market.

00:18:24:16 - 00:18:41:13
GUEST
Relationships were here, the knowledge base was here and was just kind of a natural step where again, I had been forced to have an internal compass, or certainly forced to prove that I had internal compass from a young age. And as a result, I’m like, well, my compass says this is still true. North.

00:18:41:16 - 00:18:44:10
HOST
What was the risk at the time in terms of setting up the business?

00:18:44:12 - 00:19:04:07
GUEST
You know, it’s it’s always a risk. And I think, you know, that it’s never easy. I think that the risk exists, but there’s only one reason anyone ever does it. And it’s because you look at the other side of the hump and you also have the opportunity. No one would go and start their own business if there was only one hop,

which is basically the downside.

00:19:04:10 - 00:19:27:11
GUEST
It's because it's both. It's control, it's focus. And then there's the thrill and opportunity of owning your own business and of literally being able to reap what you sow. And I think for me, that's always been very exciting since I was 24, when I wrote it on that piece of notebook paper. And so I think for me, that risk at the time seemed well timed.

00:19:27:13 - 00:19:38:13
GUEST
I'm honest. It just seemed like the right time to get started, even though I knew it'd be ten times harder to start the accelerator button because the world is really taught, particularly for guys like us.

00:19:38:16 - 00:19:58:20
HOST
At that stage, you know, like 30 or so, you're kind of very established in terms of your career. You're probably used to a certain income and lifestyle, and you've got personal relationships and other things that you need to kind of manage. How did you how did you work through or rationalize those?

00:19:58:23 - 00:20:13:12
GUEST
I think in the end, if you're going to do it, just do it. And that's what it has to come down to. You can't go in halfway. I don't think you go in to have anything in life halfway. Some people do, I don't, and that's not because I'm better than anyone else. It's just because it's just I'm wired.

00:20:13:14 - 00:20:31:23
GUEST
But particularly if you're going to go into this part of of the category class, you have to give everything. You have to be ready to do that. Because if you don't, unless you're very fortunate, which some people are or very gifted, which some people are, the number of knock backs you're going to experience will put you off of it.

00:20:31:27 - 00:20:41:29
GUEST
It's tough. It's very, very tough. But if you put everything you've got into it and you just never stay down and you get back up again, you've got a very good chance.

00:20:42:02 - 00:20:45:21
HOST
Talk to me about John, your business partner, and how you met him, and then how you.

00:20:45:21 - 00:21:07:15
GUEST
So it's actually it's an interesting story. John is a very successful self-made entrepreneur in real estate. I think he basically started when he was 19 and then co-founded the Manhattan Loft Group, then went on to Sound You Group, the design and branding company with Steve Stark. And actually, Barry Sterling was kind enough to introduce us when I was moving over here.

00:21:07:15 - 00:21:29:04
GUEST
Barry's like, I'm going to introduce you to few people that you get your feet wet, get to know people in London. And John was one of them. And so I kind of remember sitting with John in his office, which is brand new at the time, because he just set up the you design business with Tony. And then in 2009, we set up You Capital to basically be a standalone real estate private equity firm, which it is today.

00:21:29:06 - 00:21:41:06
GUEST
And it's been I guess that would probably make it almost eight years of know each other personally and socially before we actually became business partners. And now we've been business partners for almost 12, 13 years. It's been great.

00:21:41:08 - 00:21:47:24
HOST
And so did he provide some of the operational infrastructure in terms of getting the business off the ground, or was it some of the seed capital?

00:21:47:26 - 00:22:24:25
GUEST
So so yes, the answer is yes. And John is one of those people who does that quite a lot actually, as an entrepreneur and lots of different businesses. And over time, we have both invested very considerably into the business today whereby it now is an important and meaningful investment business for both of us. And I think that the idea, as always, of leveraging off of that infrastructure is when you have to tread on very, very carefully, because I have seen people take on too much too soon and then have to unravel all when it doesn't work out.

00:22:24:28 - 00:22:42:28
GUEST
And so I refused to do that upfront. We kept it extremely. I mean, it was just the two of us, plus another person who joined, who'd been with John for many, many years who's now senior partner at the firm. And that was it. Like we had we didn't take on almost any admin. Nothing, because it just was costing the business too much until we were ready.

00:22:43:02 - 00:23:07:17
GUEST
So it was really doing everything cash flow, models, investments, memos, negotiations, running around the whole nine yards. Setting up your own schedule. There was like no admin at all on purpose. And then slowly we sort of build the business. And I think, honestly, it took us until 2010, until 2000, 14, when we actually had dedicated full time staff.

00:23:07:24 - 00:23:32:13
GUEST
It was very difficult, and at the time we had $800 million, so about 500 million sterling of assets under management at the time. So between 0 and 500 million. We didn't hire anybody on purpose because I just didn't want anything to go wrong and feel like we have to unravel people. We wanted to make sure that when we hired people, if they left, it was either because they didn't want to stay or we did not want them to stay.

00:23:32:19 - 00:23:36:07
GUEST
It wasn't because we could not stay because the firm could not sustain.

00:23:36:10 - 00:23:38:07
HOST
The foundations weren't strong enough to correct.

00:23:38:09 - 00:23:59:00
GUEST
Correct. And so we've been fortunate in that we've been able to do that through some very, very difficult times. And now we have almost 20 people, and we have something on the order of three and a half to 4

billion under management. And it's been an important it's been an important kind of fundamental point of principle that we stick to, which is how we look after our team.

00:23:59:03 - 00:24:18:27
GUEST
And what we say to our people is we we put everyone in a position to be successful. We set our people up for success. Because if we get it right and if they are successful and by definition firm is that much more successful. And so there was a complete alignment in that. And we worked very, very hard to do that.

00:24:18:27 - 00:24:40:17
GUEST
So we're not only hiring people that we think are genuinely talented and will work well within the firm. We're also, from day one, literally trying to look forward about where that person's going to end up or how they have opportunities to grow within the firm, and continue to advance their own personal professional careers, while at the same time advancing firm.

00:24:40:20 - 00:24:48:25
HOST
At the time when you set you capital up was it an operating partner? Did you raise a discretionary fund off the bat? What was the kind of business model? And talk to me about that.

00:24:49:01 - 00:25:11:16
GUEST
The, the, the, the ethos at the time, just do some more investments. I think that it wasn't any more complicated than that because you don't race. I mean, I should say you one does not readily raise discretionary capital. When you're coming at the market like we were, we were not like the head of Goldman Sachs, you know, global principle investing.

00:25:11:16 - 00:25:44:04
GUEST
And you want to go raise like $1 billion tomorrow when you leave and set up your day for that was not us. And so effectively we started from scratch, which is good. Put some money together. Could try and do deal by deal. Proved to people that you can do it and then maybe they'll start investing with you. And so for us, the one thing we stuck to very, very firmly, despite how tempting it was sometimes to step away from it, was we could not fall into the temptation of doing smaller, easier deals just to pay the bills.

00:25:44:07 - 00:26:06:17
GUEST
And let me tell you, it was tough sometimes not to, but we stuck to it because we realized is if you go to an institution and you've done a small deal, it doesn't help them. It doesn't help them get comfortable that you can manage complex, larger deals that institutions like to invest in. So as a result, we had to basically do a little bit of elephant hunting at the time.

00:26:06:19 - 00:26:26:13
GUEST
And so the smallest deal we've ever done is like 150 million sterling. We didn't do the 20s or the tens or the 50s or 70 fives because it would be difficult, I think, at some point in the future to say, well, we've done like 12 deals all under 5 million, and they're like, but that doesn't do anything that that combined is 60 million pounds.

00:26:26:13 - 00:26:31:01
GUEST
Like that's I don't even get out of bed for that. As an institution. I need something twice that size to get started.

00:26:31:08 - 00:26:37:20
HOST
But isn't the process the same though, regardless of the size of the asset? You know, maybe at the five mil, but it is.

00:26:37:22 - 00:27:00:01
GUEST
It is and it isn't. They often say that doing a big deal and doing a small deal, but there is something about scale that starts to make things more complicated. More people, more money, more committees. You need 2 million pounds. You could probably scrap around and find it. You need 200 million pounds tougher. You need 2 billion pounds much, much tougher.

00:27:00:05 - 00:27:18:01
GUEST
And I think that the market and the industry recognize that. And as a result, we knew the market and the industry recognized that. And we knew we had to demonstrate to the market and to the industry. We could do it. And so we stuck to that very, very hard. It's the first two we did. It was in a like a ragtag consortium of very talented people.

00:27:18:03 - 00:27:36:02
GUEST
We got involved with the group into for a first major restructuring deal, failed auction, no great story, but it was top and it was 200 some odd million gross value. So it was it was a good sign, but it was difficult. It took almost 18 months to close that first year with like seven sets of lawyers on it.

00:27:36:02 - 00:27:39:25
GUEST
And it was tough, but it was the first start.

00:27:39:27 - 00:27:49:28
HOST
So you got the first peg in the stands, proved the concept. You've got the capacity and ability to be able to do it. Tell me about the growth from there and the strategy, because we're I didn't say you're a contrarian investor.

00:27:50:05 - 00:28:12:00
GUEST
I mean, I think a lot of people talk about being contrarian investors. And I think that I think we tend not to focus on being contrarian just for the sake. I think we try to focus on what we believe to be our own internal compass. It turns out it happens to be quite often that that means we are contrarian, because we are very fundamental value investors.

00:28:12:03 - 00:28:37:29
GUEST
And when you are fundamental value, you're looking at the fundamentals and the world despite how often it's supposed to look at fundamentals. It doesn't. It gets emotional. It looks at volatility, it gets nervous or scared. It over corrects. And when you add all that up, it's surprising how far sometimes it can deviate from the fundamentals. And as a result we find ourselves in positions where we are perceived to be contrarian.

00:28:38:01 - 00:29:02:03
GUEST
And whether we are we're not. It doesn't matter. We just do what we think is correct and generating good fundamental returns value for our investors. But I will say, if I look back over the last 13 years, we were

busy in ten, 11, 12, we had sold everything. By 1314 we did no deals in 15. Then the specter of Brexit started to come around the corner and we started getting busy.

00:29:02:03 - 00:29:23:03
GUEST
And then Brexit actually happened and we got super busy. In fact, that's within like 90 days or whatever it was. We'd started to look at deals and a number of months later we ended up buying Olympia. And to the point that you had about kind of like carrying the business forward. It was actually in 15 when we realized there's not a whole lot to do in London.

00:29:23:03 - 00:29:40:20
GUEST
Lots of people are doing stuff. We think the tide is too high. We don't think there's fundamental value in the market very much, for what we do. And as a result, we started focusing on capital formation. But a new kind of capital formation, which is finding committed capital versus the last few years, which have been doing good idea.

00:29:40:24 - 00:30:08:27
GUEST
And in our pipeline, we identified public companies as being a great, great place to focus on. And what we saw was a significant, again, emotional volatility play discrepancy going on where private valuations were fairly stable but at risk of moving because of Brexit. But the public markets had kind of already priced the Brexit risk in. And we were seeing risk of of a a widening of that gap with public valuations were starting to drop.

00:30:08:27 - 00:30:29:13
GUEST
And so we were starting to look very, very heavily at public companies. And that was really part of a big part of our presentation to our now current partners and investors, back in 2015. And sure enough, we come back and sign the papers in February of 16 or whatever it was. And the next thing you know, Brexit happens like 90 days later and we're off.

00:30:29:17 - 00:30:48:02
GUEST
Right? This is what we said might happen here we are. And public valuations are going to stay down for a while, which means people have liquidity crunches, pressures on their balance sheet. They need, you know, creative solutions to figure stuff out, get stuff off their balance sheet, raise liquidity. And that's exactly what we got going dealing with Olympia.

00:30:48:08 - 00:30:51:23
HOST
So you raise the capital. You had a discretionary fund at that state to take advantage.

00:30:51:23 - 00:31:11:00
GUEST
Of this stuff. We had basically the interim step, which is basically a what they call a pledge fund, which is $200 million. It allows you to basically be real in the marketplace where you have capital that's captive to invest into your strategy. But it's not discretion in the sense that you legally have the right just call cap, which is what we have now.

00:31:11:02 - 00:31:36:05
GUEST
But it was a very powerful interim step because it allowed us to go to people like public companies and be serious and say, yes, we can buy this. Whereas before it would've been like, well, yes we can, but we have to simultaneously put the capital together, which we did do for 500 million sterling's worth. But to

engage seriously with the public company, sometimes it would do better than that, particularly if we're going to buy something of some substantial size, which Olympia was.

00:31:36:05 - 00:31:38:28
GUEST
We bought it for 296 million back in 70.

00:31:39:03 - 00:31:45:28
HOST
Yeah. Talk to me about Olympia and that. Do it. Sure. You spoke about elephant hunting. That that is a whole herd of elephants.

00:31:46:01 - 00:32:16:13
GUEST
It is. I think that, it's it's a it's a classic real estate play in our book, not in everyone's book, because it had all the fundamental pieces that play to our strengths. First, we identified it because there was this falling public valuation discrepancy and this widening gap to private valuation. So you had a vendor who needed to do a deal for their own reasons that weren't necessarily market related.

00:32:16:15 - 00:32:32:20
GUEST
And we kind of like those because it means we're doing a deal with them because both parties are doing it for their own respective reasons. It's not a volatility play. It's like I have a balance sheet thing I want to fix. You have capital you want to deploy. It works for both of us. Do it. And that's what happened.

00:32:32:24 - 00:33:03:12
GUEST
And so it allowed the vendor to basically take capital and receipts and deploy it into their business in a way that that suited them and allowed us to basically get our hands on an asset that we liked. So it it began with a good story. The second part of the story is what were we buying? And it's interesting that because it was an operating business, because you had 135 employees and it was running exhibitions it had done since 1886 consecutively throughout that whole period of time.

00:33:03:15 - 00:33:25:25
GUEST
It wasn't a traditional play for a pure real estate investor. It was like, what am I going to do with the hundred and 35 full time equivalents running an exhibition business? I kind of understand the fact that I'm buying 14 acres of freehold in West London, but then equally, what you found is that the pure corporate private equity guys look at it like like I could buy that business, but what would I do with 14 acres of freehold real estate?

00:33:25:25 - 00:33:43:13
GUEST
Like, I'm not I'm not a developer. I'm not a real estate guy. And as a result, that's a bit too much clay for me to be molding in order to generate my returns. It literally fell between the cracks from the two key groups that should have been looking at it, and I think probably had looked at it in the past.

00:33:43:16 - 00:34:09:21
GUEST
But for us, that's our sweet spot because we've done a lot of operational real estate, hotels and all kinds of stuff, and at the same time understood real estate at a relatively granular level. So for us that again played to our strengths. And then third piece is what did we actually see. And it was interesting that you could scale up or down Olympia in or underwriting from something pretty straightforward to something quite complex.

00:34:09:21 - 00:34:47:28
GUEST
And if you look at the original memo, it actually presented both cases. But what we said was the second case, the more complicated case, the bigger vision case is something we have conviction in because it’s important to feel like you’ve underpinned what you’re doing, but a longer term value play. But in the memo, it did say it’s like a 15 to 20 year play if you really want to go the distance because if you looked around the map of London at all of the kind of big Victorian arches places, the Covent Garden’s, the Camden markets, the borough markets, the Spitalfields markets, all of the big, big places that it had built over time, inevitably, they

00:34:47:28 - 00:35:11:07
GUEST
morphed into great destinations for people of all walks of life to come and visit and do things. And we’re like, we don’t have one of those in the west part of London other than this one built by the Victorians in the 19th century. And by the way, people already come here for exhibitions. So for us it was a great long term play, but it wasn’t something that was in our original plan of attack.

00:35:11:09 - 00:35:42:06
GUEST
Day one, day two. But day three, we started to test the waters about what we thought was possible there because as a as a real estate investor, your nose is always leading you a bit. There’s just instinct. And for us, the instinct was this is 14 acres of freehold. It’s such a great asset. It’s such a gem. It needs to be polished perfectly and if you’re going to do some amount of work, don’t unravel the long term opportunity.

00:35:42:06 - 00:36:05:27
GUEST
You know what that opportunity is first. Then figure out if you can do it in two phases all at once. And naturally, we decided to do it all at once. And we’re very fortunate that the investors have been very supportive of that vision. But within literally a year and a half, we were effectively up and running with delivery of the now current vision, which is something like 24 or 27 months away from completion.

00:36:05:29 - 00:36:14:07
GUEST
Well, so that takes us to about whatever that is a little less than seven and eight years from literally the day we closed on the acquisition.

00:36:14:07 - 00:36:17:21
HOST
I drive past it often. It’s called the cranes outside and of the pool.

00:36:17:24 - 00:36:44:01
GUEST
It is the largest privately placed contract in the country. Construction contract in the country. So that probably puts it pretty high up there within Europe. I would have thought, we’re very, very fortunate. We’ve got a lot of great, institutional capital behind it. BBK Dxb our partners to which finance, but our lenders, you know, NatWest, and Bank of Ireland and the lead, is Goldman Sachs.

00:36:44:03 - 00:36:45:16
GUEST
So very, very fortunate.

00:36:45:18 - 00:36:55:07
HOST
And those relationships with those different businesses, did you have relationships with them early on in your career and you’ve kind of ridden, ridden the wave and really the relationships are there new

relationships? It's a mix.

00:36:55:14 - 00:37:18:13
GUEST
It's a mix actually. We if you look at the history of the firm, we've always had a mix of old and new. I think we're always creating new relationships. It's just part of the business. But we also found that through trust, you could build off of existing relationships to do new things. So I've known partners at Deutsche and Finance for ten years before we got started.

00:37:18:15 - 00:37:46:25
GUEST
We knew that IT guys at Goldman a bit. We also and some of our earlier deals, had done business with people who had come back to do more business with us and Olympia. So it was one of those things where we're kind of all helping each other a little bit, because we just enjoy doing business together and that theme has continued where most of the major players who have done business with us over the last ten, 12 years, 13 years have come back again at various different levels and guises.

00:37:46:27 - 00:38:26:26
GUEST
And I'd like to think that speaks well for us. We think it certainly speaks well to them, because we've enjoyed going back and doing business with business partners. And I think that, you know, Olympia is definitely a story co-authorship where what we realized it's given the scale of it, the idea of bringing the world's greatest international, national and local and importantly, local names in arts, entertainment, music, culture, fashion, nonprofits and, you know, private sector we thought was a great story, which, frankly, was true to what Olympia had been since 1886, which is it's an exhibition business.

00:38:26:26 - 00:38:47:00
GUEST
It's a showcase for other people. And we're like, well, why wouldn't we do that in what Olympia is going to become by creating an operating platform where we coauthor live entertainment venues or hotels or restaurants or offices with people who are great at doing it and allow them to use Olympia as a showcase for what they do.

00:38:47:02 - 00:39:19:29
GUEST
And that is what Olympia is today. It is a showcase for the original exhibition business, for theater, live entertainment, education. We're opening a school for the arts, which are super excited about, but also as a platform for some of the most beloved nonprofit organizations in music, where they came to Olympia because they realized that we could give them a huge platform to tell the world what they do in, in, in therapy and music therapy, which they didn't have at the time when they were operating.

00:39:19:29 - 00:39:35:00
GUEST
And they've been around since like 1901. So I think for us, the story of co-authorship at Olympia has been a rewarding one, and it has built new and more relationships for us. And some of those have yet again gone on to do more business with that sense. So it's exciting.

00:39:35:01 - 00:39:37:10
HOST
Tell me about the other assets in your portfolio.

00:39:37:11 - 00:40:19:04
GUEST
So we after Olympia, we then to the point you asked earlier then actually did raise discretionary capital. So as you capital fund two one is is kind of the pledge and that is a discretionary fund. And we again

focused on the core fundamentals of having an internal compass, building on existing relationships and building new ones. And so one of the earlier relationships that we had, was with the, now former head of you and I, which before that was dev SAC Development Securities, Matthew Weiner and I'd known Matthew for probably 15 years at the time, and I called him because I was looking at a share price.

00:40:19:04 - 00:40:41:02
GUEST
I was tracking where his company was at the time, and I called him and I said, look, I it's been a while. I don't think the market's been particularly kind to you. It's nothing that you don't already know. But I guess what I would say is I'm not convinced that they've got it right. Oftentimes public markets can be again volatility based emotional and overcorrecting.

00:40:41:08 - 00:40:55:28
GUEST
And perhaps that's happened here. The question is what are you and I going to do about it. And if the answer is nothing it's nothing. But I'm putting in the courtesy call. Because if there is something you'd like to do and we could be helpful to you, we'd love to do it. And that really began the discussion of what are we going to do?

00:40:55:28 - 00:41:27:21
GUEST
And a year later we ended up buying Shepherd's Bush Market, taking it off their balance sheet, restructuring the debt, replacing the lender completely, and taking complete control of the market, which we now have done, and really reworking the entire storyline of Shepherd's Bush Market from scratch, which was originally it was slated to be, unfortunately, kind of forcibly removing some of the local area occupiers, putting on luxury housing and doing some affordable because you have to under law.

00:41:27:24 - 00:41:55:24
GUEST
And we completely tore up that business plan and started from scratch, because the thing that that plan did not do not really hold in the highest regard was the market traders. It's Shepherd's Bush market because they were market traders. It was all about the housing. And so we said, go back to fundamentals. This market is here because the market traders are here from the 1900s, and some of them are fourth generation market traders.

00:41:55:24 - 00:42:15:16
GUEST
They have a story to tell. It's very, very powerful. And there are generations of people who've gone to the market and grown up in the market and around the market, and we started creating a storyline. We're actually it's about the market. Let's actually reinvest into that market and make it great again. Because it had fallen on hard times.

00:42:15:18 - 00:42:39:21
GUEST
And what happened as a result of that is as we started to look into that business with the market traders, one market trader at a time, we started to kind of find routes, to tell more stories. And one of them was in the sciences, which is that Imperial had obviously put their campus not ten minutes away. And we started speaking to Imperial about what they were doing there.

00:42:39:21 - 00:43:01:13
GUEST
And John Anderson, who's been hugely supportive, is now acquiring bars, as on behalf of Imperial, opened the largest life sciences incubator in the country, Shepherd's Bush Market. And so all of the luxury housing is gone, and now it's being replaced by, sciences. And we're very, very excited about that. And so we're investing into the market, moving spaces for the life sciences.

00:43:01:15 - 00:43:21:13
GUEST
In keeping with what I guess you could call kind of the imperial knowledge quarter. And then because we just think it’s the right thing to do, we took the original consent of affordable housing, which at time was mandated because you’re doing a luxury housing. And we’re like, well, we’re not doing any housing. So technically we don’t have to do any, but we’re going to just make the message that we’re here to be responsible.

00:43:21:15 - 00:43:46:04
GUEST
And we’re not only going to deliver the affordable housing, we’re going to double it. And 100% of that will be affordable housing. And that is something we just felt was the right thing to do. Off the back of that, the fund was now invested, into that asset and we’ve been working on it. And we then went out and bought, the Saville Theater, which was a deal that come on hard times for its own reasons.

00:43:46:06 - 00:44:13:24
GUEST
And we saw an opportunity there to go against the grain, which is normally you just take a theater shot it put in commercial, and we thought, we can do better than that. It’s London and we made a pledge to put a proper full on theater back into the building. And that hospitality in and around building to kind of make it stack up, because theaters are very expensive to run, operate and to build.

00:44:13:28 - 00:44:35:28
GUEST
But the worth it because you’re investing into the long term fabric of London. And when you do that right, it does pay super on dividends. But you know, you’ve got to pay investors who took that risk today. And so in creating kind of a more of a mixed use environment, we discovered that actually a lot of people in theater, we do want that, eating, dining, you know, hospitality.

00:44:35:28 - 00:44:57:24
GUEST
I think the idea of doing that in the mix makes for a more interesting place, where it’s not just open from seven in the evening until 10:00 at night or 1030, and then it’s shut the rest of the day just London has to work harder than that in its real estate assets to provide stuff, experiences, places, services for people who come to London, expect best.

00:44:57:27 - 00:45:09:25
GUEST
And so in creating that vision of a mix, we’re very excited about it. It’s a long way to go, but it is in keeping, again, with kind of the complexity of assets that we find. We are polishing what we call a hidden gem.

00:45:10:00 - 00:45:30:00
HOST
Lloyd mindful of time. And I’ve got so many more questions that I could ask you from building a high performing team to having a really long term vision to, you know, underwriting and how you kind of get the financial return from these these investments to ESG to impact to high performing team. There’s so much more that I want to ask you, but respectful of your your time.

00:45:30:02 - 00:45:37:27
HOST
But a question that I ask everyone who joins me on the podcast is, if I was to give you 500 million pounds of equity, who are the people? What property? In which place would you look to deploy that capital?

00:45:37:28 - 00:46:07:08
GUEST
So, it’s interesting, timely question. The answer is we would be and are doing the deal that we’re doing next. So we have something that we’re closing, quite shortly, in a very, very creative space in London. We’re very excited about it. And I think it speaks to the potential enormous long term potential of London as a gateway city in the world, possibly the gateway city of the world.

00:46:07:11 - 00:46:34:07
GUEST
The one thing that that as fundamental value investors we look at is why do people come to London? Why do people come to London as a place if they’re coming to London as a place, it’s the real estate as well that will benefit from that. And the level of demand for talent is extraordinary in this world. And London happens to be one of the most talented workforces.

00:46:34:10 - 00:46:52:01
GUEST
And if you if you talk to really global smart macro investors in the world, they will make the observation. Because we’ve heard it, we were on a panel with our friends at Goldman and they were one of the people who made the observation, if you go to the United States and you ask someone, where is the financial center?

00:46:52:08 - 00:47:21:20
GUEST
It’s New York. If you ask where the tech sector is, it’s California, the entertainment sector, it’s also California, Los Angeles. And then sciences is kind of in a mix of different places in this part of the world. It’s all market sciences, film, television, creative industries, finance. It’s all in one city. And it’s very unusual because it means your talent base is extraordinarily concentrated largely in the city.

00:47:21:22 - 00:47:41:20
GUEST
And I think for us, 500 million into our next deal, we’re very, very excited about its central London partnership with a local council to basically bring forward stuff, land that has been on, invested in for generations. And yet it is one of the best pieces of our state in all of London. We’re super excited that.

00:47:41:22 - 00:47:45:05
HOST
London here are the people and what kind of property is that?

00:47:45:07 - 00:48:12:11
GUEST
So the answer is it is. We have found that the resilience of the creative industries has been extraordinary during Covid. At Olympia. The first thing is that went first. All the theaters, all the live entertainment, all the hotels and all the restaurants were taken during Covid. Remarkable resilience in that in those industries at at the survival which we bought, the level of demand from the hospitality and theater industry have been remarkable.

00:48:12:15 - 00:48:30:08
GUEST
And I think for us, we think a new creative corridor for London is going to be special. But where we are thinking that there are other sectors in the creative industries that probably have untapped levels of demand, and we’re very excited to be exploring those in new the best possible.

00:48:30:11 - 00:48:50:10
HOST
I won’t press you any further, Lloyd, because I know that it’s almost exclusive, but I’ve really, really

enjoyed, you joining me on the podcast today, and I can there's so many more questions that I have for you, but I really appreciate the wisdom in sharing a little bit about your story and what to do. You can't just thank you.

00:48:50:13 - 00:49:10:15
HOST
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00:49:10:21 - 00:49:43:07
HOST
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00:49:43:10 - 00:49:46:04
HOST
Have a great day wherever you are and I look forward to catch you next time.