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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.

00:00:34:22 - 00:01:00:01

HOST

Welcome to the People Property Place podcast. Today we're joined by Ben Segelman, global capital markets head for real estate solutions at DHL Supply Chain. Here, Ben leads a team tasked with stepping up its acquisition, disposal and development program. DHL hardly needs an introduction. It's the largest operator of logistics space in the world, with a real estate portfolio of 30,000,000m<sup>2</sup> across 220 countries and territories.

00:01:00:08 - 00:01:10:04

HOST

Previously, Ben was managing director at Roundhill Capital, bearing logistics investment platforms. Having started his career as an investment agent. Ben, welcome to the podcast.

00:01:10:10 - 00:01:11:07

GUEST

Hi. Thanks for having me.

00:01:11:09 - 00:01:21:09

HOST

Not at all. Well, look, we'll come on to, the DHL, part of your career a little bit later in our conversation. But a place I always like to start is, How did you get into real estate?

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GUEST

So it's a very familiar one. Family links. My father's, surveyor used to playing different sides of the business, throughout the UK. And I got to the end of my degree, my first degree, which was, sort of not something that was perhaps my first choice, but something that I enjoyed. And, I just thought, you know, what do I do now?

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GUEST

It was a human geography, degree at, Queen Mary's. And I thought, you know, I need to, think about my profession and what to do. And at that point, I had sort of thoughts on whether or not I wanted to get into investment banking. And then real estate was also up there. I actually went for an interview at Lehman's and I got offered the job.

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GUEST

Thankfully, I decided to not take it. I was convinced elsewhere to go and do a master's degree, and I went to Nottingham Trent, where I also had family do, part of the teaching staff up there. And yeah, that was it. That was my sort of lead into the start of my real estate career.

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HOST

Brave decision to turn down Lehman's probably at the time. And I had on more debts, trying to, trying to fix that. Did you have a mentor or did you take any advice at the time or.

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GUEST

You know, I did. I had I had a few people around me, but I think probably the one the timing of the most was going into the city, into the Lehman Brothers office at the time and Liverpool Street, and it was just it, you know, it felt like walking into the Death Star a little bit. Somebody just starting out their career, it was so formal, so regimented in terms of the process that I was going through, and I just look at what I didn't know.

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GUEST

I'm not sure this is what I want to do for the rest of my life. And so I started speaking and said, you know, I had, a, an uncle of mine who, was the head lecturer at Nottingham Trent in real estate, and he was a huge advocate. He said, look, you know this, you can spend time out on the road looking at real estate.

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GUEST

You know, in the office to 24 seven. You know, you you're out and experiencing and working with, great people, like minded people. And, yeah, I gave it a go.

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HOST

I guess you could always dial it up and go down the real estate banking site later if you wanted to. Sites, you know, that that.

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GUEST

Was it that he, you know, he sort of mentioned there are so many different sites of this part, you know, the industry. And once you get into it, there's any number of different ways that this can head you can head back into investment banking in the future if you want it.

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HOST

So you started off as an investment agent. Did you get your letters at the time?

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GUEST

I did with, Fletch King, which was they were fantastic. Bunch still are very small team. And, you know, I had some interesting mentors, within the within the group at the time. It was a period, I think, sort of 2003. You know, prior to the GFC, where there was a bit of a ride in the, real estate investment market and, you know, we we were pretty successful in that period.

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GUEST

Invested in a lot, a number of different assets office, retail, industrial, hospitality, even looked at residential. So, you know, it gave me an all sector, experience and, yeah, I, I also, I guess I sort of funneled straight into the investment market as well because it wasn't a rotation there. It was you're an investment agent working within the team almost.

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GUEST

I mean, this was kind of before analyst really became a thing within, the real estate, business. But yeah, I spent a very happy 3 or 4 years there, got my letters and, then decided to move on.

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HOST

Doing deals, cutting your teeth.

00:05:19:17 - 00:05:40:20

GUEST

Yeah. I mean, look, it was I was part of a team. And, you know, I was the youngest in the team, but it was. Yeah. I think you get to that point as a graduate where you go up and take risks, and it's very difficult to sort of move on from that within the, within the same, same company.

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GUEST

So I thought, you know, like I've learned a lot and actually I can grow more in my career by now making a change and, and moving forward to something else. And that's when TS and IAG came along and I started as a UK acquisitions manager.

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HOST

TS land for people who don't know and often include myself in that. That's like the OG like industrial.

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GUEST

It was I mean yeah. This was 2005. I think it was 2007. They sold to Ireland Property Group and then Valued Property Group and sold Blackstone and then Blackstone. So it's Cromwell. Yeah. Turn on those lines. But, yeah, I joined there. And it was, you know, quite a, an established, fund manager, asset manager and I joined on the UK acquisition trail.

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HOST

Just logistics.

00:06:37:05 - 00:06:59:02

GUEST

Just logistics logistics. And they were probably more famed for the light industrial side of the, industry. But I did about four months of that. And then they said, then we, we're, we're calling the top of the UK market. We're not going to invest anything else. You know, in the UK market. And I sort of cried. So I'm four months.

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GUEST

And what does that mean. I said, well that's okay because that we, we actually really valued. You've been quite successful in your first few months. You bought real estate asset, which we didn't expect because, you know, you would be living learning your ropes here. And they said, well, actually we we would quite like you to go out and help our Central European team on the acquisition trail.

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GUEST

He had a joint venture tied with, a large investor, and they said, you know, we need to buy more for them. We've got a great management team, but not so much on the acquisition trail. So I then started sort of traveling, frequently out to Poland, Czech Republic, having a whale of time. You know, it was still at that period of time, one where in Europe acquisitions were.

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GUEST

But we're still, you know, live and you can still find value. And, yeah, we we were successful for about another 12 months in that process. And then we hit the GFC. And so the, the start of that with, with Lehman's I remember actually being in expo that year, with the group that had just bought TS and IAG, and this all sort of collapsed around us.

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GUEST

And again, with the same company now under a different name, I thought, oh, what do I do now? But thankfully, you know, I got on quite well with the management team there, and I was held in quite high regard. And they said, well, look, you know, we'd like to come back from Poland. We're not going to be buying, now that perhaps you can help us on the asset management chart.

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GUEST

You know, we'd like how you've thought about the assets we're buying into and the business plans have been formulating. You obviously know how to work and will say, that's it. And so I, I went back, into the UK side of the business and actually, you know, picked up quite a sizable part of the UK portfolio, mostly in the sort of southwestern Wales.

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GUEST

And just actually for what was the start of the GFC at that point, I had a whale of a time asset, managing large corporate as well as SMEs in a sort of a 1980s light industrial park in in the darkest part of Wales and just met some really interesting characters. But I think more than anything just evolved my understanding and learning of what the real estate market is all around.

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GUEST

You know, the investment market is one side of it, but actually managing your assets and understanding how the income, you know, is such a large part of that, investment and what that means and how you need to sort of be proactive around that is, certainly it was a great learning curve.

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HOST

Some, some people listening to this won't and I include myself in this again, won't know what the landscape was like pre pre GFC. Can you just talk to like the logistics. You know, can you just explain like what was the logistics market there. Because it definitely wasn't the darling child. It was like offices and retail. It was kind of like you know if you had gout in your head, you know, it was you know, it was it was a different kind of like subsector.

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HOST

And it was it was almost like an ugly duckling. It was a real estate.

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GUEST

It was an asset. When I left, Bletchley came before I went, I had a few offers to go into other sectors. You know, one of those was, retail. One of those was in, leisure. And a lot of my friends at the time sort of said, look, you know, this is this where you want to be the yields in, in leisure and retail, you know, that that pushing 4%.

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GUEST

I was like, well, yeah, that's great. But it's kind of, you know, having to do with retail all the complexity around the, you know, the it's the days and the whatever house, you know, you had to learn around it. And this really wasn't for me. And the leisure at the time is a relatively new, I think, sector that was just kind of coming up and was very attractive.

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GUEST

But again, you know, I think I had an affinity with the, light industrial logistics side of things, but it was it was really seen as the ugly duckling of the real estate side of things. And, you know, the yields reflected that. It was sort of 6 or 7, even 8% territory. And.

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HOST

You know, having to trek through these parks and out of Wales. Oh yeah. Just gloomy going to be times.

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GUEST

Oh it was there was there certainly wasn't the institutional quality that we have today. You know, it was, it was a much gray, sea. And I think also that there wasn't, you know, the same kind of, professionalism around the data that there was within the other sectors as well. You know, it was much harder to actually get quality, information around the sort of subsectors, subsub locations that you were looking into it.

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GUEST

So it was a it was a tough choice. But I think it just it just had something that, you know, the other sectors didn't, some of that was also the people, I think, you know, I enjoyed, the, the, the discussions with, with my colleagues in that sector at the time. And, yeah, it just lured me in.

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HOST

And so it must have lured you in quite heavily because, you know, I mean, all over the UK. But then going off to Europe and doing something similar when probably my teammates, you know, trying to transit.

Yeah. Letter or sell some prime central London offices or some swanky retail parks, you know, you must have had a real drive to like, really embed yourself in, in that market.

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HOST

Was there something that you thought there's potential in this longer term that's currently being overlooked, or was it the people in you know, what kind restaurant?

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GUEST

I think it was the people as well as I think the uncertainty at the time, you know, the started the sort of DFC we start to see a lot of people get made redundant and, you know, sitting there twiddling their thumbs. Okay, well, I'm okay. So you're not going to be okay. You know, you're not going to get carried through this.

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GUEST

You're going to have to be proactive. And you know, I saw certainly the move within valid at the time to the different sort of seats that they sat me in, is just a willingness to want to impress and to progress my own career. And, you know, it paid dividends. You know, those days and weeks that I spent away sitting in Warsaw or in Prague when I got sort of 2009.

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GUEST

Ballard then asked me to, to consider becoming a fund manager on a, on a, large mixed portfolio. They were taking off of, Kenmore at the time. And I came back then to, to sit on top of that fund. And they really enjoyed period of, working on that. And that was a reward for all of the hard work that I've put in over that.

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GUEST

Over that time, it wasn't, you know, then I think at the time, Central Europe as well, people sort of looked at as well as the industry. I was going into you going, well, why are you doing logistics and light industrial? So I said, well, why are you going off to Poland then? Czech Republic, it's kind of the Wild West that actually, you know, I think it was really exciting because it was at the start of its sort of modernization into these amazing cities and locations that they've become today.

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HOST

So you got offered the opportunity to become a fund manager on a multi sector portfolio. Was that a challenge moving away from just logistics into, having a multitude of different asset classes that you had to kind of learn and get under the skin of? Or was it relatively straightforward? Because I definitely know they, they do talk about if you're if you're like a retail fund manager or an asset manager, you know, shopping centers, arguably it's like the most complicated asset class.

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HOST

It's much easier when, it's just logistics. But going the other way. Was that a challenge or not really.

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GUEST

Well, I've done some of those assets when I was at, Dutch King, so I knew the sort of bare bones as to what we were, looking at and working with. But I think the, the exciting thing about that portfolio, it's very value at. So if you had a real estate sort of mind and you were able to sort of conceptualize how you could improve these assets, how you could invest CapEx into them or use the funding, to help sort of, boost the returns, that these could deliver then, you know, it actually wasn't too much of a step up.

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GUEST

Rather, it was a, you know, an exciting sort of challenge to to really get to grips with these assets and then also work with the local teams that we had around Europe, in Germany, France, Westbury, Netherlands, to, to, to really, you know, get underneath the skin of these assets to create these business plans that then, you know, created value.

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HOST

Was it a challenging time? It just it was just post GFC to kind of manage, you know, the drop in value and you just talk to me about that situation and the kind of the mindset maybe you had to adopt during that period too.

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GUEST

Yeah, it was I think the main, part of that period that I recall was, was trying to sustain income rather than generate new income, because, you know, that just wasn't the demand. And so, you know, focusing more on the customers, the tenants and how they would have how they were faring through that period themselves, understanding their issues, trying to help them with those issues.

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GUEST

But then also, you know, remembering that this is a commercial venture and, you know, we need to still create that and maintain that revenue. So, it was an interesting period. It was tough, really tough. You know, there were a lot of tenant failures that were, there were a few, you know, successes. But, you know, it wasn't really until sort of 2 to 3 years post the GFC that you started to see the the sort of the success of all that hard work really come through.

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GUEST

But, yeah, it certainly wasn't the sort of heady days of 2004, five and six that just before it. But, it sounds not too dissimilar to probably where we are today, but,

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HOST

Talk to me about, the move to Ashmore and the kind of the global role and remit and that step up again from the UK to Europe to take on a global role. How did that come around and what was the kick off for you taking that opportunity?

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GUEST

I think that was still a lot of concern. I think that was around 2010 when I made that move. There was a lot of concern around the state of the real estate market in UK. In Europe, it was still relatively flat. And I was approached, for the role in Ashmore. And, and, you know, I could see that the markets in the emerging markets where they focused was, a much more active location, especially from an acquisition point of view, which was where I wanted to return to.

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GUEST

So I obviously had started out my career as acquisitions. I then went into asset management and fund management, and I always felt that, you know, I felt most comfortable, most at home in that acquisition sort of role. And, you know, this had a lot of adventure. It had at the time, you know, the opportunity to go out to Russia, to India, to China, to South America, to Africa.

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GUEST

And I was on a plane a lot. And we were, you know, we were a team of two within a large organization, which was not real estate focused. But we came up with a lot of a lot of opportunities, a lot of opportunities. But it's actually something that I've realized sort of taking that position that, you know, you've got to be certain that the strategy fits within the greater organization because this was a case of the idea sounded great.

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GUEST

But actually, when I sat in that, I sort of realized almost straight away that this was going to be hard work.

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HOST

Because it sounded like a romantic idea. So we'll get someone into we'll kind of run it, but in reality it was a challenge, or there wasn't as much backing or commitment to actually follow through with it. Yeah, that was maybe initially said.

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GUEST

They weren't a real estate investor. You know, real estate was, a an idea or a concept that they liked, and they wanted to explore. And we certainly went out there and explored, you know, the amount of traveling that I did was huge. And I met some fantastic people in all sorts of different markets. And I guess also, you know, I looked at transactions in a completely different way than I had in the past.

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GUEST

You know, this move from buying real estate to looking at M&A opportunities to looking at joint ventures, you know, with a whole range of different sectors and businesses globally. So the experience was huge.

But the actual hit rate, success rate in terms of what we do, it was it was pretty, pretty low. And you know, from from a career perspective, also from a family perspective, I just actually had my first child, was at work there, and my wife was sort of saying, look, you know, you're you're coming back, jet lagged, and then you're flying off again and say, you know, we need to consider where your, priorities are.

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GUEST

I agree, and, you know, I think it was also the one thing that dawned on me that it was it was quite easy to move into the emerging market. Sort of world. And, and from, you know, a very comfortable base of, within the UK, within Europe, which is obviously closer to home. But once you move out into emerging markets, coming back in is often quite difficult because people don't say, well, what experience can you bring recently that you know, somebody else might be able to see who's been sat doing something in the UK, in Europe.

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GUEST

So it was it was a challenge to move away from it once I jumped in and.

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HOST

It's actually the lack of sophistication there as well, or just the network or the amount of players playing in the emerging market or, was it just the relevance and connections and I think finger on the pulse in terms of what's going on here.

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GUEST

I think, you know, with any industry, once you move away from the locality and for any period of time, there's a question mark comes to how relevant you are when you come back to it. You know, have you still got those close connections, that close network that you used to have? And of course it was there, but it was instilling that belief into, you know, the, the next career progression that, you know, was a struggle.

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HOST

With Michael because you must have come knocking in 2014 and I guess to sit down with your wife that's, you know, realign your priorities. In fact, you've got a son. How did how did that come around? And and what was the kind of rationale behind joining Roundhill?

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GUEST

So Roundhill came along sort of fortuitously. I had a how to call, and I went straight into meet with Paul this year, who's the CEO at the time? And, you know, we we got on very well, you know, a lot of the processes that I had been looking at when I was with Ashmore in terms of the M&A activity, the use of, real estate debt within some of the vehicles that we had, some of the asset management that I was doing, for Ashmore at the time, as well as you know, the joint ventures, we're all the same structures, the same strategies that Roundhill had.

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GUEST

And they were going through a sort of grace period at the time. And, and they were looking for a head of asset management and, you know, sort of raised the hand and said, look, you know, I've had so much experience in different parts of this industry in all sorts of different sectors. And Roundhill was very much a multi-sector group at the time.

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GUEST



They had a large commercial portfolio, residential growing student portfolio, and, you know, it, it it clicked and I came in and, and, it was great. I mean, they had such a huge pool of talent there. Really young team, of fantastic sort of post MBA graduates and analysts and, you know, you could see the sort of ideas flowing and it was an exciting place to be.

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GUEST

But again, you know, sort of this is one of those where I walked in through the door and immediately, you know, oh, we're selling our residential business. We're selling our student housing business. I mean, so.

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HOST

I guess it's neat at the time, wasn't it needed? So we're getting rid of that.

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GUEST

Yeah. Yeah, yeah. And then just then, so the German residential business as well, Michael Bickford, the Roundhill team, they would never want to sit idly, you know, that sell something if the opportunity was right and that take the returns that generated. But then of course if I think about the next strategy, what do we do now? And that's sort of time and said, well, look, you know, I've got a background in this logistics light industrial.

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GUEST

And I think there's a pricing disconnect here that not many have actually woken up to it yet. And I think we need to start to explore this. And they agreed. And and I went out into the market and managed to find a, quite substantial Nordics platform, that we started working on. And it took a while, about 18 months to take it down.

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GUEST

It was a Norwegian listed, industrial platform in Norway, Sweden, Finland and Denmark. And, you know, it had all the, the relevant kind of structure to, to set up and start a platform that we could grow and expand. Except it had 400 shareholders, all sort of non-institutional investors that we had to convince to sell. And we were convincing them set it at a very good price.

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HOST

So, you know, for them.

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GUEST

Exactly. And you know, it, it came good. We bought it. We had a fantastic investor alongside its step. So you, you know, I learned a huge amount of it. And then we started to build the team.

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HOST

Before we got on to the team. But the team built part. I'm really interested just of do you find the deal first or you find the capital first when you're launching a new strategy, what was your rationale on how do you how did you go about that? So the way.

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GUEST

Roundhill worked, or at least the way we were looking for opportunities at the time and how we built that strategy was very much around the product. You know. Well, firstly, the thesis. So, you know, as I

mentioned, the pricing disconnect, how does this sit within the market relative to where pricing should be? And relative to potential of this sector?

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GUEST

And, you know, we identified logistics lags in some way. That was interesting. You know, what can we find that actually makes sense. And you know, we can then go out to sell to a partner to finance this alongside it. And at the time there were lots of ideas. You know, there weren't as many actors in the market looking for that light industrial logistics.

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GUEST

This platform came along. And then we said, okay, right. Well, let's create the business plan around the platform and then let's sell that business plan to an investment partner. And we did. It took a while. You know, this was a new sector for Roundhill. They they've done commercial some industrial in the past but very small sort of lot sizes.

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GUEST

But this was this was big and it was there was a whole process around not only making the, partner comfortable on the real estate asset, but also on our ability as a manager and a partner to take in this new geography brand who hadn't yet been to the Nordics. But, they hadn't yet invested in this type of scale in this sector.

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GUEST

And this was something, you know, we spent a lot of time selling, a lot of time refining as well. Every investor that we spoke to actually came back with feedback that then we we took on board and, you know, eventually we found step. So he believed in us, believed in the sector, believed in the opportunity set. And you know, we went we went off and we went racing with it.

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GUEST

And you know it's it had it struggles. At the time financing was incredibly difficult to arrange in Europe in general. Up in the Nordics it was almost impossible. It complete opposite to the kind of situation they're in today up in the Nordics. But we had to, you know, really search for a bank that would come alongside it on that portfolio.

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GUEST

But we prevailed, you know, we had to pay for it as well. But actually, as you know, the hard work, the asset management that we started to do with this portfolio started to roll through. It all started to get a lot cheaper. It all started to make sense. And actually you could see the performance as we as we spent time on this and started investing in it.

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GUEST

And that was the the catalyst then for the further growth of our logistics, exposure at Roundhill. It was probably sort of two years into, my tenure there. Then we started looking down into southern Europe in logistics. Michael had mixed partner who was in Italy who sort of, you know, had found, some, logistics potential in Italy.

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GUEST

We also had some other colleagues in Spain. So saying, look, you know, down here there's there's some

real value. And, and we started building then the same kind of business plan, the same kind of approach to to build a story show the show, the value to take that to investors. And, you know, we almost had, an initial immediate yes from KKR.

00:29:26:10 - 00:29:54:28

GUEST

And yeah, that was the next part of our, logistics growth, which was a joint venture with them in, in Italy and in Spain. Yeah. Again, not straightforward. Lots of work to get it to a point. And, you know, very much the same experience that we had in the Nordics. You know, first of all, it you know, convincing them of the locations, convincing them of the opportunity set and then also convincing them about us and our ability to manage this and perform.

00:29:55:00 - 00:30:20:13

GUEST

And then also, you know, having to go out and arrange that and do all of that again. But, it was great excitement. And we built up, quite a sizable a and a great team as well. You know, we had some fantastic asset managers that we hired locally, also some great team members that we that we brought into London and yeah, it was it was a great sort of 4 or 5 years of work, a lot of hard work.

00:30:20:15 - 00:30:43:06

GUEST

But look, Roundhill is was a dedicated residential and student student investment manager. Logistics was always going to be this piece on the side. And, you know, sort of got to a point of time with them where I said, you know, okay, look, I've helped you do this. You've now got some great people. I need to spend a bit of time away and think about what's now.

00:30:43:07 - 00:31:02:06

HOST

And at the time, I guess it's typical, what, A35 year business plan with KKR and step Stone. Yeah. So you're buying this kit hoping the timing would stack. You know, do your asset management turn around and then dispose of it and give it could give you left in July 19th I guess after some period of reflection and you joined DHL.

00:31:02:11 - 00:31:23:10

HOST

How did that come around and and why DHL was that one of the top picks was that, you know, where did that rank? Because I guess in 2019, you probably seeing the emergence of some of the single track very well capitalized. You know, businesses set up and logistics certainly roaring. It was pretty far from the the ugly duckling, as I said.

00:31:23:10 - 00:31:30:26

HOST

And it was it was on the rise and definitely more institutional grade. How and why did DHL come around and why did you want to go and join that business?

00:31:30:28 - 00:31:56:21

GUEST

Well, I was talking to DHL for a fair period of time, probably six months to a month, and they were sort of explaining to me what they were doing, you know, that that just in 2018 that that launched and sold, albeit in different sort of periods of time, a global portfolio. And, you know, you can see that they were doing this really without a capital markets investment person on board with them.

00:31:56:27 - 00:32:23:13

GUEST

Instead, they were sort of relying on the advice of the agents they were working with. And, you know, it

was very much trial and error. And, you know, I sort of think to myself, I can carry on very much in the same vein with Roundhill and either continue with them and push the logistics, see how far we can take this or even, you know, go to another group and or do something else in the private equity style and hopefully make that a similar success.

00:32:23:15 - 00:32:45:05

GUEST

But then also I thought, you know, look, I've got this group knocking at the door and I'm having a really great discussion with them. And, and they are the world's largest people. They are the beast. They are. This is the pinnacle of the logistics, sector. And the opportunity also sort of started to look quite attractive as well.

00:32:45:07 - 00:33:08:11

GUEST

On the basis that they said, look, you know, you're coming in, you're going to sit alongside the country heads as their partner is their sort of advisor on the capital markets to help them, think about their strategies and, and how to deploy, their capital and also, be active within the markets. And you can be a real leader in this part of the business.

00:33:08:13 - 00:33:20:18

GUEST

And, you know, it was a, a very long thought process. You know, this was coming out of private equity, going into a very bureaucratic Germanic machine that.

00:33:20:21 - 00:33:21:28

HOST

Is man, you know, occupier, right?

00:33:22:05 - 00:33:30:02

GUEST

Oh, absolutely. Yeah. Yeah. It's, you know, it's a logistics business and real estate is this little bit on the side again, you know.

00:33:30:02 - 00:33:33:04

HOST

And you've been not burnt but you've kind of been there before. Right.

00:33:33:05 - 00:33:50:16

GUEST

Exactly. And there was a, there was a big contemplation and lots of discussion. And this time around, you know, learning from that experience that I had when I was at Ashmore thinking, you know, this big beast of an investment manager in the emerging markets is this. But this time it is very much more of a controlled discussion. And that's why it took so long.

00:33:50:21 - 00:34:22:04

GUEST

You know, it was actually probably about 12 months by the time, I actually got around to joining and and being comfortable. But I could see that the individuals that were involved in, real estate solutions at DHL, which is where I am now, that not only were they well respected within the group, but they also helped, the group sort of form its direction and its strategy is they looked into future years and I thought, you know, what?

00:34:22:04 - 00:34:33:11

GUEST

Actually to be part of that group, to be part of something so large and helped define their future and then

rely on this just seemed incredibly exciting.

00:34:33:14 - 00:34:41:11

HOST

So can you just talk to me about real estate solutions as a, as a vertical and how it set up in the capital and what what it is you do? Exactly. Yeah.

00:34:41:12 - 00:35:13:09

GUEST

So it was formally set up in 2016, and it was a sort of continuation of, I guess, a less regimented process that, DHL was doing from time to time. In 2004, they had bought XL, which was a large US based logistics group, and XL had prepared a time being, building its own assets for its own occupation and then selling those back into the equity, into the real estate market on a certain lease back.

00:35:13:09 - 00:35:42:04

GUEST

And it'd be doing that quite profitably. But I think as a new owner of that business and the owner of DHL Supply Chain, which is one of the platforms that that what it is the platform that I work within, they decided that we should do this formally and we should set a number of parameters around how we invest in it, what it means and how to really make this work as a, as a, as an investment strategy.

00:35:42:11 - 00:36:26:11

GUEST

And in 2016, it started off with a relatively modest, modest access to its balance sheet of probably only €50 million. Today we've got access to a much larger portion of the balance sheet. You know, best part of a billion, which we invest in developing real estate for our business or for our customers. And the premise here is, is that, you know, being able to define your own destiny as to where you want to be located is into the type of real estate that we as an occupier believe is the most suitable for our needs, but also for the industry as a whole for such a long period of time.

00:36:26:11 - 00:36:53:29

GUEST

Three plus and other logistics occupiers have been told by developers, this is what you put yourself into and this is why you need to be located here. Yeah. You know, we're a business now, a DHL, with some 500,000 employees globally. You know, we're in over 200 countries globally. And as a business, we think we know quite a bit about where we want to be and why we want to be there.

00:36:54:02 - 00:37:18:28

GUEST

And so rest real estate solutions. We we took that knowledge that, you know, data and then said, okay, fine. Well these are the locations we want to be and this is why we want to be here. Either the labor needs or transportation needs. And, you know, we we just continue to build upon that strategy. And, you know, investors have been very willing to buy into it.

00:37:19:00 - 00:38:09:04

GUEST

We've been more than willing to build it. We have new business. We've got existing business with, as you mentioned earlier, DHL Supply Chain is is operating in almost some 30,000,000ft<sup>2</sup> globally. And you know, a lot of that is quite old inefficient space. And we've got to think about improving that for our customers. We've got a ESG agenda like like most but ours is, you know, very much driven towards now everything that we build, being carbon neutral because our customers are demanding that, you know, and equally, I think we're also building into new markets, locations where DHL hasn't yet got a footprint for, for supply chain.

00:38:09:06 - 00:38:43:14

GUEST

We're looking at, you know, some interesting locations in the Middle East. As we're looking in India, we're looking in, South America and China and beyond. And, it's, always something different every, every day. And I think, you know, this goes back also to part of the excitement of this job that I'm in is that, you know, the business is so large, the desire to grow and meet the demands of its customers is so significant that no day is pretty much the same with everything we do.

00:38:43:17 - 00:38:55:19

GUEST

But, yeah, we've we've got a pretty good track record now. We built more than 150, assets globally in over 24 countries, and it's still going strong.

00:38:55:22 - 00:39:15:19

HOST

Wow. I mean, it's amazing, but there's also an awful lot in there. Typically you can you just talk to me about. And maybe the people listening occupiers don't normally like to take risk or tie up capital in real estate, right. Because it's not their primary business. Why why does it make sense for DHL to do that?

00:39:15:25 - 00:39:28:14

HOST

Or at what stage did it make sense for DHL to do that? Was it wanting to capture some of the upsides, you know, limit exposure from rent increases? Is it. Yeah. What is it and why?

00:39:28:15 - 00:39:54:18

GUEST

I mean, there's there's a number of reasons. And the one thing I sort to say to that, first of all, is that it's not that unusual that, occupiers also want to develop or own their real estate. In fact, a lot of, a lot of them do because the, you know, land is a very scarce commodity. And being in the right location, having the right real estate is a very valuable asset to have on your balance sheet.

00:39:54:20 - 00:40:29:28

GUEST

And, you know, look, a lot of our competitors, even other sort of parts of our business develop their, their assets and they hold these on their balance sheet. It was just felt that, you know, for DHL Supply Chain that actually, you know, if there's a gain we can make out of, being active in the development world as well from a real estate perspective, then, you know, we should consider that, it also, I think, helps us to, you know, the, the pure scale of what we do.

00:40:30:00 - 00:40:51:00

GUEST

You know, it's it's it's just for us to hold that, balance sheet with types, a huge amount of capital to maintain 150 projects that we've done to date since 2016. You know, it's a lot. These boxes aren't cheap. So, participating in the capital markets is, is a way of making this, you know, accretive to the business.

00:40:51:07 - 00:41:13:17

GUEST

But we we do this in a way that also is very market facing, you know, we mark to market on our leases, on our rents, on the tenant incentives that we that we take when we draw a lease, because we know that the investment market won't pay for, an over rented, asset, you know, at the same kind of level.

00:41:13:17 - 00:41:29:04

GUEST

So, you know, it is a very profitable business to be in, but it's one where also you need to respect the institutional nature of the markets that you operate in as well. And, yeah.

00:41:29:06 - 00:41:50:00

HOST

Talk to me about, timing, because obviously we spoke about when you were around two, you know, three five year business plan to kind of in and out and fixed up the assets. Obviously you've spoken about third party capital coming into to work. Can you take a slightly longer term view and can you ride out some of the dips, just given the scale of DHL and the ambitions that you have, or does it present other challenges as well?

00:41:50:05 - 00:42:11:05

GUEST

Yeah, I mean, look, we we've got a finite access to the balance sheet. We don't have an open checkbook that just keeps going. So we do have to transact. But I mean, look, we're obviously well placed versus a lot of our counterparts in this particular cycle. We don't develop speculatively. We develop with our business wanting to take the space.

00:42:11:12 - 00:42:12:12

HOST

Interesting.

00:42:12:14 - 00:42:45:18

GUEST

So, you know, there's always a, a tenant, an income profile with that investment which, which obviously is attractive to investors. I mean, obviously the the big dilemma at the moment is where that pricing is and, and what that means relative to, you know, all of the turmoil we've we've just experienced over the last sort of six, nine months, with cost of construction going up as much as it has, is interest rates now coming in and actually being, a significant part of the real estate equation again.

00:42:45:22 - 00:43:08:04

GUEST

But, you know, look, it's a cycle. It's we expect this to change and for investors to adapt. And and, you know, I'm pretty sure that within a period of time, it'll be it'll be back to normal again. And we'll see, you know, transactions moving at the same kind of pace. They were 12, 18 months ago.

00:43:08:07 - 00:43:29:05

HOST

You talked about data earlier in our conversation. I guess DHL as a business is probably the gatekeeper who's got the best access to data. How important is that? Data. And also data informing your decision making process and investment process compared to maybe five, ten, 15 years ago? Where does it fit in terms of your ranking?

00:43:29:12 - 00:44:05:07

GUEST

Absolutely huge. I mean, the the, the data we have access to with the operational business and, you know, the data that, we can translate into something meaningful from a real estate investment, it's it's just so huge. We've actually just gone on it quite a considerable recruitment drive, bringing in new data analysts who are just exceptional, people with with fantastic ideas and abilities that, make me look very old, but it's,

00:44:05:10 - 00:44:37:07

GUEST

Yeah, it's just we don't underestimate it. But at the same time, you know, we're still sort of working through it all because there's just so much of it. And time is limited in terms of how much you can achieve it anymore. Maybe. But it's, you know, it's and perhaps, you know, putting that as an example at the moment, you know, data of, for example, where labor is labor at the moment, from a operational perspective, is in a huge demand and there's a huge shortage of it.

00:44:37:12 - 00:45:12:08

GUEST

You know, how do we ensure that, you know, the next plot of land that we buy is in a location where there's going to be sufficient labor to actually resource, the operation? And when you think about it, like DHL, we have, as I mentioned, a staff of some 500,000, which means that we also have a lot of data on where people live, where they work, and also a lot of, you know, CVS coming in through the door so you can look at that and say, well, actually, which locations receive the most inflow of but how do we get access to this?

00:45:12:08 - 00:45:25:01

GUEST

Because we are such a big machine. So it takes time to digest it all and to, put it through the machine. But it's, it's transformative in terms of some of the decisions we're making. And I think in the future it's only going to get more so as well.

00:45:25:02 - 00:45:38:17

HOST

I bet also, you get ahead of others just in terms of the bidding process, just because of the the weight and the opportunity and the infrastructure and maybe employment that you can bring to a particular section. That's one part of a country as well. Yeah.

00:45:38:19 - 00:46:00:13

GUEST

It's one of the benefits. I mean, it's you know, it's not always apparent, but there are the situations where, you know, a municipality wants to increase employment. And of course, if we can turn up as a developer that, you know, with the acknowledgment that we can have, you know, 100 local jobs as well, then, you know, we're going to get move quite close to the front of that queue.

00:46:00:16 - 00:46:22:00

HOST

That's almost a perfect storm at the moment, whether that's, Ukraine digital, digital like digitization, artificial intelligence, security, inflation, interest rates. We spoke about at the moment. What how do you see the market and where do you see the opportunity from a global perspective at the moment? Can you share any further light on on that at all?

00:46:22:02 - 00:46:47:15

GUEST

Yeah, I mean, look, it's it's turbulent. And every other week at the moment we kind of feel that perhaps we're coming out of this, perhaps there's a, there's a light, you know, as it may have a few weeks ago and that year, on the first day that we got there, you know, the Silicon Valley bank, and then Credit Suisse and, you know, it's it just almost seems like one thing after the other at the moment.

00:46:47:15 - 00:47:08:18

GUEST

But I think the important thing to, to recognize, and for people who've not been through these cycles is that it is a cycle, you know, that the market still has a huge amount of cash and interest in real estate in general, not just logistics. You know, there's a lot of, negativity around the office markets and retail still.

00:47:08:18 - 00:47:41:06

GUEST

And, but, you know, industries adapt and real estate investors adapt and markets adapt. And we will come through this and, you know, it will require a new pricing, a new return structure for investors to, have to sort of understand. But, you know, it'll be one of these situations in 12, 18 months, we'll look back at this and not laugh, but we'll look back at this and think, respond memories of, you know, perhaps how



quiet it was because, you know, how busy will be an 18 months is.

00:47:41:06 - 00:47:42:12

GUEST

It'll picks up traction.

00:47:42:12 - 00:48:07:09

HOST

And yet you've clearly reinvented or, pushed the boundaries or seeked out new markets. What what advice would you give to someone who is either, early on in their career, who's got ambitions, to kind of really progress? What what advice would you give someone who, you know, is thinking about maybe that next career move or if they should take a role or push themselves out there,

00:48:07:12 - 00:48:31:08

GUEST

Researching, first of all, you know, make sure you do a thorough, due diligence on what the opportunity is because, as I mentioned, you know, part of my career, there were the parts where I thought, you know, like, they sounded too good to be true. And then my job, how it really was. And, you know, perhaps there was an element of, you know, just blind ambition that that drove me towards that.

00:48:31:10 - 00:49:06:10

GUEST

But do your research. But then also, you know, the other thing I'd say, don't be afraid to open the door to new opportunities because, you know, there's this there's so much potential that can be driven out of one opportunity and how that can lead into the next part of your story that, you know, it's sort of when I was working my way in valid all the different directions that they pointed me to trust that that created the, the friendships that, I was lucky to have in that business and then the career sort of growth that gave me as well.

00:49:06:12 - 00:49:18:15

GUEST

If I'd have said no at the very start when they said, you know, look, we've got time on the market in the UK. And I said, well, I got to go find something else. I might have found myself in a much worse position than I was, but yeah, just, just keep an open mind.

00:49:18:18 - 00:49:26:03

HOST

In terms of looking ahead. What do the 12 what do the next 12 months look like for you? And, the business at DHL?

00:49:26:05 - 00:49:55:12

GUEST

Exciting. I mean, we we've got a lot of opportunity. We're riding this wave of the market to try and think about how best to, participate in it. And, you know, it's it's not it's not clear at the moment how it's going to work its way through, but, you know, look, it it's April, we're very early on in the year.

00:49:55:15 - 00:50:21:02

GUEST

And I'm always sort of glass half full optimistic that, we will find a way through. We've, we've got a fantastic group of people we really have at DHL and within real Estate Solutions, it really feels like a sort of close knit family, almost. And, I think, you know, we're all driving each other forward to, to find our way through this as a team.

00:50:21:02 - 00:50:30:21

GUEST

And, I think that's the exciting thing to be able to come out of this at the end of the year and have success is, what we're what we're all aiming for.

00:50:30:27 - 00:50:52:24

HOST

As we draw to to a close. But and a question that I ask everyone who comes on the podcast is, if you were given 500 million pounds of equity per the people, what property, in which place would you look to deploy that capital? And yes, you can have your team, absolutely. Maybe. Maybe other people or people you've worked with, throughout your career or you've been envious of, their ability.

00:50:52:26 - 00:51:20:28

GUEST

To, you know, that that is such a huge question. But there's so many, so many markets where they haven't yet had the same growth, the same modernization that we've experienced, and more sort of Western world. And, you know, we're excited, real estate solutions and at DHL about our growth potential in in areas such as India down in the Middle East, even South America in various locations.

00:51:20:28 - 00:51:49:12

GUEST

And, you know, there's there's a great story, not only for what we can do from an investment perspective that but the value it adds to the people in those locations. Such as the employment, such as the improvement in working conditions and the lives of the individuals who you can end up working with DHL in these locations. It's more than just the building we build, but it's the opportunity we give to, the people who work with us.

00:51:49:15 - 00:52:08:13

HOST

So location wise, India, South America, Middle East, in terms of where you look to deploy that capital. Yeah. And, and I'm assuming in the, the, just in the light industrial or logistics market, you'd look to, oh yes. To work there. And are there any people in your career that you would love to kind of bring on that journey in terms of deploying that capital?

00:52:08:13 - 00:52:28:06

GUEST

All right. Look, I there's been so many yeah, a lot of the team at Roundhill I still got some friendships with and and you know, some of they have gone on to great careers themselves. And, and equally, the guys at Ballard, you know, have now gone on to create a fantastic venture in arrow and are doing great business everywhere.

00:52:28:08 - 00:52:30:18

GUEST

But, yeah, too many names to mention.

00:52:30:22 - 00:52:43:22

HOST

Awesome. Well, look, Ben, thank you so much for joining me on the podcast today. I've loved hearing a little bit more about your background story and views on the market. So thank you. Thank you. Cheers.

00:52:43:25 - 00:53:03:28

HOST

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00:53:04:04 - 00:53:36:19

HOST

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HOST

Have a great day wherever you are and I look forward to catch you next time.