

00:00:00:00 - 00:00:13:08

GUEST

I remember I was on the trading floor and I asked, you know, I like I said, you know, for the first day on the trading day, I'm like, oh, what do you do? What do you do with your own money? What I'm asking to give. And it's a catalyst. Other of the middle money index, I think index is the best thing.

00:00:13:08 - 00:00:48:01

GUEST

If you if you don't use a specialty, skill to do what you do best, which for me is not a salesperson that is investment in an index safe. If you look again, me, along with all people who started the businesses like on this and on this and exotically, you know, he signed his empire with a small loan from his father of \$1 million and people say, if you have put that million dollars on the S&P 500, you'd be wealthy and way wealthy today that nobody has.

00:00:48:03 - 00:01:17:17

HOST

Welcome to the People Property Place podcast. Today we're joined by Karolis Adlis, International Investments, executive director at WPP. Carey listed on the New York Stock Exchange, W.P. Carey is one of the largest diversified net lease rates, specializing in the acquisition of operationally critical single tenant properties in North America and Europe. Karolis works in banking and has held roles at UBS and Jefferies, before moving to Carey in 2015.

00:01:17:19 - 00:01:30:03

HOST

He has responsibility for sale and leaseback build, swoop finance and net lease acquisitions across Europe. Carriers on the euro. Listen to the podcast yourself. But it gives me great pleasure to welcome you on today, and thanks so much for coming to our podcast studio Nomad.

00:01:30:03 - 00:01:35:07

GUEST

Thank you so much. Very, very nice to be here. I appreciate, having its opportunity to come here and share my thoughts. I appreciate.

00:01:35:07 - 00:01:52:03

HOST

That. Not at all. Well, we'll get on to WB Carey and your views on the market. And some of the debunk, some of the technical terminology that comes with kind of net lease investment. But a place I always like to start these conversations is how did you get into to real estate. And where did that factor in terms of your your psyche?

00:01:52:05 - 00:02:11:07

GUEST

No, absolutely. So I, like you said, a big fan of your podcast, listened to quite a few episodes and it sounds like the common theme or common trend is people kind of stumble on real estate and no one really is planning from the high school years to be a real estate investor. So similar to me. Finish high school went to start in UK, originally from Lithuania.

00:02:11:07 - 00:02:32:11

GUEST

I went international school back home and decided in UK that a business degree like I thought, every young teen wants to do a business degree. Do my business related internships at UBS investment Bank on the first one was after 15 uni and the second one was after third year in uni. So the first one of 2007, when the market was still sort of in a crazy territory just before the crash.

00:02:32:11 - 00:02:47:16

GUEST

So I was like was suspense in the year it was, everyone was so excited. And the second edition was 2009. Half of my previous team were gone, half of the floor was empty. It's quite depressing. I thought, you know what, I don't want to do finance the want to do banking. It's horrible what it does to people's lives.

00:02:47:16 - 00:03:07:08

GUEST

Half my colleagues were gone and like not doing too well. And the whole column was not doing so well. So I was like a bit scary place. I'm like, okay, banking no more for me. And at that point I made a decision of what I was really about because I was always, as a typical business, a student, you either kind of want to do investment banking, I want to do a strategy consultancy, and I, you know, what I want to do strategy consultant.

00:03:07:08 - 00:03:28:15

GUEST

And I've spent my final year in uni really taking all the, you know, the big strategy consultancy of current firms. You know, you know, the McKinsey's the banks to the likes of the world and eventually the what I learned is that they pretty much only hire from the intern pool. And since I didn't have an internship with these guys to get a graduate job, there wasn't possible.

00:03:28:17 - 00:03:48:04

GUEST

And I in my family also did exchange in Hong Kong, where somehow I'm not a native English speaking as a second language. I got offered a job to teach English in East China Normal University. Whatever that means. However, that happened with okay, fine, you know what I'm going to do? Like a gap year, teach English and kind of refocus what I'm gonna do with my career.

00:03:48:06 - 00:04:02:01

GUEST

And, I was back home chilling for the summer, getting ready to go to China and have some fun. And, I was reached out, by a, agent for a job in Jaffrey spy market was job. And I was like, I don't.

00:04:02:01 - 00:04:03:00

HOST

Know, a market risk.

00:04:03:00 - 00:04:15:06

GUEST

A market whose job it in the investment banking side. So it's job where you sit on the trading floor, but it's more the technical side rather than just you, not on the business, but you're on the supervision side of the business, you supervising others.

00:04:15:06 - 00:04:17:01

HOST

And before you were doing what at UBS.

00:04:17:04 - 00:04:42:08

GUEST

UBS, the first integer was quantitative risk control, and the second one was credit risk. So first I was like I had no clue what I was doing or what the department was doing. I was at a such a stage of my life that it was way above my understanding of the banks. It was very, very quantitative. But anyway, I thought, you know, what a grown up person would do is, of course you have to do the job rather than go and have fun in China and do the exchange and not exchange the teaching job.

00:04:42:14 - 00:05:00:06

GUEST

So eventually the interviews got offered the job. And the reason I took the job is because the risk team sits on the trading floor in Jeffries, because Jeffries is a relatively a comparatively small office in London compared to other big banks. I like to know that the Barclays, the JP Morgan, some of the like, but typically there is the pharmacies on a different floor side.

00:05:00:06 - 00:05:19:15

GUEST

Okay. I think this was job of my, kind of really rather boring training. And I did that and took me a couple of years to essentially make the move. I was, you know, trying to, network with all the traders on the floor and the message I can make getting from all my friends. And I was like, it's impossible.

00:05:19:15 - 00:05:24:03

GUEST

No one ever moves from sort of operating side of the business into front side of the business, because.

00:05:24:03 - 00:05:31:14

HOST

Your mindset was what you didn't want to get into banking. You didn't enjoy the two internships. You had an opportunity to get back into banking, but within a slightly different guy.

00:05:31:14 - 00:05:51:02

GUEST

Yeah, no. So the days when I thought, I don't want to do banking, I want to do consulting, I couldn't get a job and consulting because they only hire from intern pool. And my interns were in banking, internships in banking. So, you know, I was offered this the gap year. Like the gap year that, the the teaching job digital position in China.

00:05:51:04 - 00:06:06:03

GUEST

Okay. That's was kind of refocused my career. But then the when it came to for a job in banking, I thought, what a reasonable grown up man would do. Kind of. You don't take a holiday in China for a year. You take a reasonable job at a salary. You don't want to sit on your parent's bank account, so they're fine.

00:06:06:03 - 00:06:12:11

GUEST

I'll take this job as the consulting, of course, will work out. And then the teaching job was more of a fun, fun gig.

00:06:12:11 - 00:06:29:05

HOST

But you took the job in the banking? Yeah, they didn't want to do it, but you sat in the on the trading floor doing risk. Yeah. Did you know you didn't want to do risk? And is that why you started networking around and trying to trying to find out other parts of the bank and a seat that actually might sit, you know, a little bit better.

00:06:29:07 - 00:06:48:00

GUEST

So I always want to I got my, my, my parents, my my father is a businessman, entrepreneur. My mother works in the Ministry of Finance back home. So I always kind of had the idea I want to be the decision maker. I want to be the I want to be part of the business. And in banking, if you are in the risk team, it's vastly important job.

00:06:48:06 - 00:07:11:11

GUEST

But you don't make a business decision. You're not a profit center. And I thought if I'm whatever I'm doing, I want to be the profits and I want to be the one making profit for the company. I want to be the business decision maker. And when I join the risk team, you see that, you know, all the alpha males, all the all the all the successful guys around you, and you want to be like that guy, you know, you're 21, 21 years old and you see all the chatter kind of it's inspiring.

00:07:11:11 - 00:07:24:18

GUEST

And you become aspiring to that, to looking up to them. And the, half of the thinking was fine. I want to be the decision maker, and I want to get that job because of that. But the other thing, it was just being a young guy looking up to a bigger, successful people and wanting to be like them and copying them.

00:07:24:20 - 00:07:53:07

GUEST

And I remember I, I was sitting not too far from the guy who was having effect with the sales and trading, and I remember he was like, not like God. And he was right on the floor. It's like almost like a light on the follow seem like, you know, that personal decision, like really looking up to him and like someone that you kind of have a chat with because he's not he's not approachable was like, you would be too shy, you know, he's too senior 2% in the in the big investment banks like well I remember knocked on his door and I said hi.

00:07:53:07 - 00:08:08:22

GUEST

You know, you have a second to talk. I said, what's up? I said, I'd like to work for you. It is all it's very, very brave of you to come to my office like that. And just like the the straight face, I'm like, oh my God, I'm going to be fired. This is the last day of my job.

00:08:08:24 - 00:08:24:20

GUEST

And it's like, well, I really like that. Come in, let's have a have a seat in the store. And I sat in his office. I had like the biggest glass office in the whole floor, like all they call this kind of see that I'm in different teams because a guy's office, you're having a conversation, they're all like, kind of peeking out, looking around.

00:08:24:22 - 00:08:39:10

GUEST

But I told him what I like, what I want. I was very direct. He like that I'm being direct and said, okay, you know, I like what I hear. Let's, let's, let's keep talking. And eventually they didn't have an opening at that time. But within six months, there was another junior guy who quit and they gave him his job.

00:08:39:11 - 00:08:40:22

GUEST

Like, yeah, yeah, of course.

00:08:40:22 - 00:08:43:22

HOST

So what? So what was that seat that you so you were in restore.

00:08:43:22 - 00:08:47:23

GUEST

Was in risk and I was offered the job as equity derivatives, junior trader.

00:08:48:00 - 00:08:49:24

HOST

And that is a job. Let's see.

00:08:50:00 - 00:09:09:01

GUEST

I still doesn't yet. Yeah. To be a junior trader. So it was a desk job for people, a senior trader. I would have been the junior trader and two sales guys. I was like, wow. And to be a trader, we have to pass exams. You have financial regulation, securities, derivatives. So for a period of a month or two, I did my risk job.

00:09:09:03 - 00:09:25:06

GUEST

I studied for the exams and also in the afternoons I would come and work at his desk as well, help him with all the stuff. And also learning was all there to assess. It's mega complex stuff. I would say if anything close to rocket science, I think derivatives is as close as it gets. A rocket science. And so I was really enjoyable.

00:09:25:06 - 00:09:49:01

GUEST

What I would say in reality that job, you know, my, my pay rise essentially was me getting a job, no pay rise. So you still had no salary. And I said desk as a business, essentially, that business was set up more, to facilitate, sort of services becoming an all all service investment bank. For me. There were clients were trading cash equities and they want to trade derivatives.

00:09:49:06 - 00:10:14:24

GUEST

We have to provide that. But we were not set up as a desk, at least at the time, to to for massive growth. And having not seen that massive growth and having not seen, significant increase in my sort of reward versus the stress you endure, I started looking elsewhere. And I always had, you know, even in high school, real estate was in the back of my mind because I wanted to study architecture, but I never did any drawing classes.

00:10:14:24 - 00:10:32:01

GUEST

So that kind of door was shut from the early on. But my my father, like I said, he's a businessman. He's a sort of a one man band real estate investor. My brother at the time was at Cerberus, doing real estate as well. And the big, American property, the firm. So always kind of wanted to do that.

00:10:32:01 - 00:10:54:18

GUEST

And the real estate always attracted me from the childhood and just in general and an asset class that you can actually touch compared to derivatives, where you trade an option on a chance to buy something in the future or something like that. So that attracted me, but it was very, very hard to break into sort of the real estate buy side firms, because they would typically hire from investment banking, M&A guys who have years of experience and modeling cash flows.

00:10:54:18 - 00:11:11:20

GUEST

I remember the typical response I would have when I try to have a meeting with someone is like, oh, you need genuine cash flow modeling skills. And I'm like, I can model like show some show. I can do some cash flow model, no, no, no cash. Unless, you know, if we hire people with at least four years of cash flow modeling and it was very, very difficult to break that boundary.

00:11:11:22 - 00:11:25:22

GUEST

And then through, another, another agent, another headhunter who was headhunting for, a foreign investor, many positions. I said, look, I'm not interested in investing in acquisitions. I'm trying to move in to buy side.

00:11:25:24 - 00:11:42:18

HOST

By side with real estate. So I thought, well, I was going to interject and say, as you work so hard in order to get into banking, the door was closed to kind of pivot. Yeah. So the pigeon, you closed that and then you went back into banking. Yeah. You did like a risk piece and you managed to like hustle your way through to getting you like your dream job.

00:11:42:18 - 00:11:47:15

HOST

Yeah. Which you actually realize you didn't live. Yeah, but you did that. But you did that for a couple of years, right?

00:11:47:15 - 00:11:48:10

GUEST

Yeah.

00:11:48:12 - 00:11:52:16

HOST

Yeah. And so you went to know quite a lot of scrutiny and just to get that.

00:11:52:16 - 00:12:08:06

GUEST

So the story of where I was, it's not been easy because you kind of think what you want, then you don't get what you want. Get something else. The thing I want something else. So let's say I wanted to trading you work your bum off to get into trade. Did you get it? Anything. Okay. What? I thought my dream job was smart.

00:12:08:08 - 00:12:27:09

GUEST

Smart? It. You get it? And you really? It's so tough mentally to when you worked so hard. It was really, really hard work of networking and just, you know, learning stuff to understand what to doing to get into derivatives desk and then realizing it's not something that's, you know, something that you not enjoying it. So mentally you have to be very strong to say, okay, fine, it's not going to break me.

00:12:27:09 - 00:12:33:21

GUEST

I'm going to try and do something else. And that's when I tried to build it into real estate. And then again, another wall again. Very hard to break into.

00:12:34:00 - 00:12:53:14

HOST

Before we come on to that, did you did you have an advisor or a mentor, you know, outside of family or what have you guys who who advise on this particular route, or is it, you know, did you kind of just like look and study and think, oh, that that guy or girl is doing an interesting job or they're driving a particular car or they want a particular lifestyle?

00:12:53:14 - 00:13:09:02

HOST

Maybe that's what I'm aspiring to be. And I think if I can get into that seat and learn from them, I'll be able to get there. Or is it more, we give more considered and more like these are the skills that I need to get based on a long term goal. Then you reverse engineered.

00:13:09:08 - 00:13:29:23

GUEST

So both in reality, I had definitely had mentors and advisors. Because I'm a social creature, I like looking to people, and I would network with every member of the trading floor. And some of them, you get along better than others, and some of them took me into the wing and would give me advice how to approach, how to how to interview, how to ask for a job, how to network.

00:13:30:00 - 00:13:46:03

GUEST

And I had two particular people who were really looking after me and taking me out of there under the wing. And some of the advice to go through example, you go and you network and you meet someone and you see anyone you met, even though they don't help you with the course that you want. Always ask, can you introduce me to the three people you think would be most valuable for me?

00:13:46:05 - 00:13:59:14

GUEST

And then the connection becomes three connections and another connection becomes another free connection and multiplies how to grow the network. So definitely got a lot of advice. And mentoring was a big part in my early career, and I tried to do the same where I'm now in my stage of life.

00:13:59:16 - 00:14:22:15

HOST

So before you moved into real estate? Yeah. Looking back now at that time, what what would you say you kind of your core skills were what was the, the stuff, the value of the, you know, because you touched on the cash flow modeling piece, it wasn't necessarily right. Yeah. What was it just like drive a lot of, you know, self-belief and determination.

00:14:22:17 - 00:14:25:17

HOST

What was it like? What what were the kind of the key things you think you had at that time in.

00:14:25:23 - 00:14:43:15

GUEST

I would say persistence, acceptance of stress and thick skin and just being proactive, being proactive, never to give up. Keep trying, keep trying, keep doing. And do I have a maker? You know, I believe believer.

00:14:43:17 - 00:14:44:16

HOST

And so where.

00:14:44:18 - 00:14:46:07

GUEST

If you know that I'm sure that answers the question.

00:14:46:08 - 00:14:59:04

HOST

Yeah. No it does. I'm just trying to understand in terms of like the value that you thought you could offer in the next role. Looking back now, knowing what you know now about real estate and the skills required to be successful in real estate, going back to that time when you said it was like a.

00:14:59:10 - 00:15:12:17

GUEST

Being commercial, I guess being commercial is thinking how to turn a profit, how you know how to make

money. Not that the necessary agencies are regularly like seeking to create a profit for the company, but for the desk it for whatever it is.

00:15:12:19 - 00:15:15:20

HOST

So just commercial. Commercial? No an awareness.

00:15:15:22 - 00:15:17:22

GUEST

Because I mean, real estate is not a rocket science data.

00:15:17:22 - 00:15:18:08

HOST

Structure.

00:15:18:14 - 00:15:35:04

GUEST

And I joined with my company. I remember I cannot tell you more how I managed to become the John Kerry when I remember, and I will carry on that John had a and still have very smart people and great mentors, and they taught me a lot. But I remember first day I asked my boss, you know, my background is not real estate.

00:15:35:04 - 00:15:52:17

GUEST

Do I need to go into real estate course, maybe read some real estate related book? Or did you have a you kidding? It's not a rocket science. Select on the job. And that's pretty much it. Real estate all the skills you need. If you have done investment banking for, you know, a couple of years and you have your technical skills and running Excel and you know, your math, it's fine.

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GUEST

The math was all this was my my kick.

00:15:54:18 - 00:16:00:11

HOST

So you're strong on that side. Yeah. So you can always fall back on that and and run a spreadsheet works for 500%.

00:16:00:15 - 00:16:17:01

GUEST

Yeah I mean if you, if you did, you know, invest in making and trading especially or math and Excel I remember when I joined that would be Kerry was said first thing you do, you know, build a model from scratch. I remember I spent a couple of these build the model, I put some VBA automation everything, and I was like, no automation.

00:16:17:01 - 00:16:30:01

GUEST

We don't need any of the air. And our models keep it simple. So I think in my skillset at the time was, more more than what you need in real estate in terms of, you know, building trading models. It's a bit more complex than building a cashflow model.

00:16:30:03 - 00:16:54:09

HOST

So you got to say, like, actually, I don't want to be an equity derivatives trader anymore. I want to get into real estate. Yeah. Why did you want to get into real estate? Was this kind of like a another Carroll. It's

great idea of like getting to banking and then consulting and then it were you kind of so you know you you were worldly wise enough and you took your time to kind of study and actually realize, yeah, actually you've got to self awareness of your skills and the sector.

00:16:54:09 - 00:16:55:14

HOST

And actually that is where you.

00:16:55:20 - 00:17:14:05

GUEST

I would be lying if I told you I would only have considered a real estate job. My thinking was, I want to go into by side something that my mentor said, a couple other guys, one that one, specifically one other trader on another desk. So tell us if you have a chance to move, to buy side, move to buy side.

00:17:14:05 - 00:17:17:08

GUEST

Let's not forget the sales and trading and this whole South side thing.

00:17:17:10 - 00:17:18:22

HOST

Why is that?

00:17:18:24 - 00:17:25:04

GUEST

That's the future. Because sales and trading, especially trading, being impersonal traders become extinct because of all the automation.

00:17:25:06 - 00:17:27:22

HOST

And so if you can move to the buy side and be of the decision.

00:17:27:22 - 00:17:37:22

GUEST

In the end, because you can't you can't automate an investment officer's job. No. Deciding what to buy, where to buy it, private equity, buying a business or being a real estate, private equity where you're buying an asset.

00:17:37:24 - 00:17:44:18

HOST

Yeah, I guess I know automation and other stuff can can do a lot of it, albeit cut some corners. But yeah, I understand what you're trying to say.

00:17:44:20 - 00:17:54:19

GUEST

It seems like automation and sales and trading was way ahead. And you know, that's for being close because you have you can automate. You can, you know, algo trading and all that stuff.

00:17:54:20 - 00:18:02:15

HOST

Much cheaper, more efficient. Yeah. And better at better returns. So you kind of identify that. Yeah. And then you wanted to get into real estate, move to the buy side after a mentor mentioned actually.

00:18:02:21 - 00:18:17:06

GUEST

And I get what helped me. Like I said, my brother was already in real estate, private equity and he had a

lot of connection is kind of kind of leverage on. But again, that didn't really pay off because he it's in a modeling skill. So like okay, fair enough. And let's see how that goes.

00:18:17:06 - 00:18:19:10

HOST

So what happened then how did you try and make that move.

00:18:19:11 - 00:18:39:09

GUEST

So there was a I was approached for another job in banking by a headhunter. I came to see him and I said, look, I don't want to do any more investment banking. But if you see another role for your connections, for your personal network that, you know, a job comes up in the in know somewhere in the buy side, I'll be happy to consider something interesting, give me a call.

00:18:39:09 - 00:18:57:03

GUEST

And then I never heard from the guy and then he calls me not two three months later. So. Hi, this is Andrew. Remember we spoke? Yeah. Yeah. Of course. Remember that someone we connected and I think I at the time I was getting ready for my marriage, we were engaged with my wife, the fiance at the time, I think she just had his first child.

00:18:57:08 - 00:19:13:16

GUEST

So we kind of somehow connected him that of course the relationship was very nice. And then he was like, is this a guy who's looking he doesn't want to do a full, launch? Doesn't want to launch a full sort of, interview process. But he's asking for some small candidates for an interview. Would you be willing to have a coffee, like.

00:19:13:21 - 00:19:31:14

GUEST

Sure. Of course. Yeah, that's. Have a coffee, I don't think. Yeah. Let's go. And, had a coffee with my then future boss. Then, you know, essentially, that's how the interview process began. That was a very, very long interview process. First we had it was a coffee sort of coffee slash breakfast, informal, just to get to know each other.

00:19:31:16 - 00:19:55:02

GUEST

Then I think they invited me for a beer just to get to know me personally. Then I think it was I was given a case study to write. I got some online test to do math, online test? Then I was invited for another, I think, beer session. Sort of meet us in the partners chat. And after every episode, every after every stage.

00:19:55:06 - 00:20:08:10

GUEST

Not much feedback into thinking, did you? Well, did not do well. I really like this. People that I'm talking to. I really would like to work with them better. Like is this, is this like two weeks quiet? Probably didn't like and they never going to hear back. So I like I would send a chase of this and I don't know how's it going.

00:20:08:10 - 00:20:08:18

GUEST

Oh yeah.

00:20:08:18 - 00:20:09:10

HOST

Yeah, yeah. Finally.

00:20:09:10 - 00:20:27:00

GUEST

Let's go for coffee then. Fine. So then, I had like a full day of interview process where I met him and all of the rest of the tier, which I was, like, very, very impressive. And it's very nice when the interview and you inspired by the people who interview you like, oh, I really want to be part of this team, part of his.

00:20:27:00 - 00:20:38:03

HOST

Family, this part of that process. You're just learning more and more. More business and what you could do. And you look at looking at your state as an energy drink to try it again. That's that's where that's where I want to go. That's what I wanted to be.

00:20:38:04 - 00:21:05:10

GUEST

But I'd also like not to badmouth investment banking, but like trading floor, there's a lot of alpha male mentality where they're the sort of the more arrogant you are, the cooler you are, the more aggressive you are, the cooler you are. Whereas what I met in our current firm, they would be caring people who were super sweet, super nice, super smart, as smart as any trader would be on the trading floor or smarter, but generally very, very nice people, very friendly.

00:21:05:12 - 00:21:21:01

GUEST

And that really I thought, yeah, I can be more myself because investment then you kind of have to build your sort of stature of like being an aggressive guy, make a do overs. Yeah. You should be naturally be a nice, good guy and do well, which really appealed to me.

00:21:21:03 - 00:21:22:10

HOST

So you ended up getting the job?

00:21:22:11 - 00:21:24:15

GUEST

I ended up getting the job. I was very, very pleased.

00:21:24:16 - 00:21:28:23

HOST

And we we are you one of a few that got a job in a cohort or you?

00:21:28:23 - 00:21:51:07

GUEST

I was the only hire. So the team was relatively small and they didn't hire that often. The only hire they had before me, was four years ago, roughly. So they typically tend to have a small team. And we still have a small light team today. At that time, there was I was the fourth guy to join Laura Glass, and they did.

00:21:51:07 - 00:21:52:18

GUEST

They have a team of five.

00:21:52:20 - 00:21:54:18

HOST

To your team of five and. Yeah. In London.

00:21:54:21 - 00:22:07:18

GUEST

Today. Yeah, that's seven people. Less people joined, but roughly keeping a small team with business.

We are. Yeah. And you know when it's not that busy you don't have to lean. You know, you don't have to do that. Difficult decisions.

00:22:07:20 - 00:22:23:07

HOST

So tell me about W.P. Carey. Like who are scary because they're they're a massive international business. They're pretty better known in the US. And they are over here. But you know, someone listening to this maybe hasn't heard it. Yeah. Can you just tell me what is it?

00:22:23:07 - 00:22:38:15

GUEST

Changing is definitely changing. I remember I called my brother, said Rocco's, you know, I, I got a call for a coffee a for this company. That will be cake. And I assume he would know it's real estate. I've ever heard of them. But, like, nope, never heard of them. Like what? Because, I mean, look at valuation, everything.

00:22:38:15 - 00:23:01:04

GUEST

It's a big company as well. They do sell these back. So like what is that like. It's especially I mean that was roughly almost ten years ago now. So that it wasn't that popular. Now, I think we're a lot better now, even in Europe as well. But what is to be carry? I say this so many times now because that's, you know, my days from a show that calls and meeting people.

00:23:01:05 - 00:23:26:01

GUEST

And first thing you say who we are. So I mean, the whole picture is a read. We listen to New York, New York Stock Exchange. This is our 50th anniversary. So we've been around 50 years, 25 years investing in Europe. But as a business is the cash flow business. So it's not a typical real estate fund where you buy an asset on a fund, you keep it for three, five years, try to change something, you know, find a new tenant, you know, some amendments and release it and sell it for more.

00:23:26:07 - 00:23:44:00

GUEST

We are cash flow business. We buy real estate and we sit on the real estate. We collect rent and pay dividend. Our stock investors. So the whole business model is I think if you rent the line, I'm not sure what kind of success that, but essentially it's providing secure a long term inflation protected income to our stock investors.

00:23:44:02 - 00:24:04:11

GUEST

And essentially how do you do that. So for a stock investor to pay dividend in, to have real estate to collect rent. And you want to make sure that the rent you collect is going to be stable, inflation protected. So all of the rent CPI linked or have fixed indexation. And the what you want is to have tenants going to be around for the duration of the lease.

00:24:04:17 - 00:24:31:20

GUEST

So again, look, going back we want commercial real estate, any type of commercial real estate, anything except office that is single, not a single tenant, just strong covenant. So credit underwriting is a big part of the job. And, we want the real estate to be what we call mission critical operation and critical to the tenant. So essentially what we want is we want the tenant to be in the asset for the duration of the lease and beyond one tenant to survive difficult dynamic cycles.

00:24:31:22 - 00:24:52:17

GUEST

And when the lease comes to expiry, we want the tenant to renew the lease agreement to stay out beyond the initial. This term was essentially for us. We want to be there's a finance part to the tenant, collect the rent if they need growth. We can provide financing for the growth. But all the business is cashflow models, collecting rent, paying dividends sounds great.

00:24:52:19 - 00:25:06:00

GUEST

Sounds simple. It's relatively you would think it's a vanilla simplified business model, but it's been around for a very long time and the market is more business. We do that in Europe, the less so, but this low income stuff is becoming a lot more popular.

00:25:06:02 - 00:25:21:18

HOST

And so in terms of, yeah, in terms of your kind of approach to it, you're looking for businesses that hold a lot of real estate on their balance sheet. They want to realize some capital is the kind of deals that you look for that.

00:25:21:19 - 00:25:45:19

GUEST

That naturally becomes the target sort of company that we work with. But essentially we don't really approach that in themselves. No, we all the deals come from the broker dealer network. So whoever wants to launch deals. So the Ultron's type of deals that we do so want to sell is that what is the selling of these? And because let's say a manufacturing company has a manufacturing plant, they can go to a bank, they can leverage that manufacturing plant for a mortgage.

00:25:45:19 - 00:26:02:19

GUEST

And it gets, you know, 60, 70% out of your loan. You know, they pay the interest. And five years down the line, they have to refinance or repay the bullet, or they can come to a level, typically an alternative financing provider for that sell these banks and do a sale and leaseback your purchase price. Essentially as a loan money, your rent is your interest.

00:26:02:21 - 00:26:10:17

GUEST

And after the lease. So we can either give the keys back or extend the lease term. So it gives up snapshot reality. So forgot the question. But yeah.

00:26:10:17 - 00:26:11:23

HOST

That's so that's.

00:26:12:00 - 00:26:29:05

GUEST

That's certainly selling is like. Yeah. The second type of transaction that we do is built asset financing. So again, it could be a manufacturing company in America. They want to expand their presence in Europe. They want to build a factory, let's say somewhere in Poland they would approach a developer. What levels can you offer, what locations can you offer.

00:26:29:07 - 00:26:48:04

GUEST

And so you find a developer you can build for them development and find a financing partner. Let's say yes with finance, the development of the project by invoices every month. Essentially that talent for the manufacturing company. I'd have to put a single dollar until the factory is built and on completion the lease starts. So we negotiated the lease development agreement before starting with the works.

00:26:48:06 - 00:27:01:11

GUEST

And, you know, we financed the construction development, the money, the donor's input, with the money we finance the construction and, completion. Then they starts to begin a 20 year lease agreement with a great American company. They have a brand new asset that they didn't have to put a dollar in.

00:27:01:13 - 00:27:03:23

HOST

And then they've got, like, they've got the certainty of the terms.

00:27:04:00 - 00:27:04:10

GUEST

Of the term.

00:27:04:10 - 00:27:12:01

HOST

And then you also have got the certainty around what your your checks are going to be on a quarterly basis. And then you mention there kind of inflation linked.

00:27:12:01 - 00:27:34:00

GUEST

Is the built in security inflation protected. And then the third type of transaction is net resistance and leases defense Award essentially for buying a deal or buying an asset that had a selling like dominant before. So that's it already has let's say 15 years. Let's say we initially had a 20 year lease agreement and another party did the sale and leaseback, and they have still 15 years remaining on the lease.

00:27:34:00 - 00:27:49:06

GUEST

And they want to sell the asset. We buy that asset as an existing long term lease agreement in place already. But I would say the vast majority of transactions we do are selling these SPACs. We do some built to this. Well, I mean, some at least. But the vast majority still are the original sale and leaseback transactions.

00:27:49:10 - 00:27:58:23

HOST

I guess you got to be careful in this situation in terms of managing risk. You don't want to be too overexposed to one particular tenant in terms of percentage of your rent roll, in case they do go bust.

00:27:58:23 - 00:28:27:05

GUEST

So that's a fair point you make. So people say, you know, currency. So, you know, never some real estate. But you know sometimes you still do sell real estate and something else. Again my job is investment. So my job is to find new transactions, underwrite them, take them to community, provide, you know, offers on them. If you secure an offer, negotiate the documents and do all the way to closing in structuring tax and everything else, and anything that we sell is typically done while asset management.

00:28:27:07 - 00:28:51:10

GUEST

But, if I had to simplify the times when they would consider selling an asset is would be a risk management tool. So a let's say we had a tenant and that just like happens almost now but in very rare occasions and say, hey, we have a tenant. If during the initial lease term the tenant went bankrupt, we have a vacant asset, we try to find a third tenant.

00:28:51:12 - 00:29:10:00

GUEST

If you don't find a third tenant in the 7 or 6 months, whatever it is, it would sell the asset. The second scenario is, let's say we had a 20 year lease lease expiring. We have conversation with the tenant. Would you like to renew? And for the reason, let's say they choose not to release again. How do we can asset management try to find alternative tenant.

00:29:10:02 - 00:29:29:18

GUEST

If they can't find the tenant we find the the list to show that doesn't really fit our environment. So we sell the asset and a third scenario is what I would call real risk managers. Let's say, you know, you do a portfolio review and you say, oh, we have too much. I know single name exposure, let's say too much single company down an exposure.

00:29:29:20 - 00:29:49:01

GUEST

And I think, oh, we don't want to have too many eggs in one basket. Let's reduce some of that exposure, sell a couple of that tenants assets, not all, but a couple just to get exposure within the limit. Or you can say too much single country exposure or too much sector exposure. Let's say too much. I don't know too much automotive or too much rocket science and whatever it is to just to reduce exposure.

00:29:49:01 - 00:30:04:24

GUEST

And other than this business, to never really sell real estate, which makes it not the best friend of brokers because they make fees by people trying, buying and selling real estate and be buying them never sell. But I think we buy enough to keep people happy.

00:30:05:01 - 00:30:11:13

HOST

Talk to me about the different sectors that you operate in, because it's not just industrial and logistics.

00:30:11:13 - 00:30:11:22

GUEST

Yes.

00:30:11:22 - 00:30:21:21

HOST

So you mentioned it's everything other than offices. Is that is that because of the change that offices are going through at the moment, or is that just because it just doesn't?

00:30:22:02 - 00:30:44:04

GUEST

I think it was part of it. But again, we never really liked office. So my colleague says it really well. Anything that is attached to the ground and generates income, we're interested. So and any sort of asset that you can attach a lease agreement to we'd like to buy and why we don't like office. So like I said what we buy is we want to buy assets that have good strong tenants.

00:30:44:04 - 00:31:15:00

GUEST

That's one thing. Office can have a short term, but also want to have assets where it's the asset is very important to the operation of the business and an asset from which is difficult for the tenant to relocate. Office is never difficult to relocate, it's almost cost free, and the likelihood of the tenant staying in the same office outside of the initial term is very low, because you can move to a newer office next door versus having a manufacturing plant that was built specifically for you, where you've been for the last 50 years, to really get somewhere else to get zoning permission.

00:31:15:00 - 00:31:31:18

GUEST

There was a follow ESG and other parameters. It's going to be possible. Or if you have a, let's say, grocery retail store portfolio for you to say, you know what, I'm not going to do this on these 30 stores in whatever region you are, and I'm going to try and open new 30 stores. It's impossible. You're never going to get the zoning, the land and everything else.

00:31:31:18 - 00:31:34:13

GUEST

Do that to me. You can sort of, mimic that.

00:31:34:15 - 00:31:39:00

HOST

So you're quite good with what you exist with with your existing footprint. It's very hard for you. It's going to change.

00:31:39:00 - 00:32:01:11

GUEST

Exactly. So. And that's the reason why we can the office is now a mission critical. You can never call office mission critical. So that's one of the reasons we never have when we with offices have been the very small part of our portfolio, because a very few who want to sign a lease of 20 years in an office, I think typically at the sign of like five, five, seven years or whatever that is, and, and be criticality of it.

00:32:01:13 - 00:32:33:02

GUEST

But like other stuff, the things that we buy so can be absolutely anything, you know, can be let's, let's go for the, let's go for the for that for the asset class. So let's say industrial logistics. So it could be big muscle logistics last mile logistics. You know a distribution center can be sorting center can be in terms of industrial manufacturing can be sawmill, can be bakery can be food production, can be food packaging can be, you know, clothing sort of a distributor.

00:32:33:04 - 00:32:46:18

GUEST

Then in terms of retail, we also have retail. You can do grocery retail portfolio, some grocery retail personal portfolio, some dry retail, sports equipment, retail, automotive, retail, all that kind of stuff. Then we can do R&D live scientists, all the crazy stuff.

00:32:46:20 - 00:32:56:16

HOST

Talk to me. Where does the REIT fit into this part of, the REIT structure? Why does that work in terms of setting this back in W.P. Carey.

00:32:56:22 - 00:33:00:11

GUEST

You don't have to be a REIT attitude to do a sale and leaseback.

00:33:00:11 - 00:33:07:04

HOST

Of course you don't. But I'm saying why why does it work at the why is there some good synergy between being doing and also being able.

00:33:07:04 - 00:33:28:06

GUEST

To reduce access to the public markets in America? And, we've been way for quite a few years. I think 20, 20 plus years have been listed. So and most of our competitors are as the typical trend, what you want to be if you want to be a successful company and you want to be able to raise more equity in the

public markets, you want to be listed as a read, and you're going to have pressures for private investors to go in.

00:33:28:08 - 00:33:49:23

GUEST

You know, the biggest problem what we face, especially that that's what we saw during the pandemic as well, were funds raising money from private investors. You sit on the burning pile of cash, you start paying your return from the money you raised, which is kind of a Ponzi scheme in itself and you can't find investments to do. Whereas being a publicly listed read, you know, you have immediate access to capital markets.

00:33:50:00 - 00:34:00:14

GUEST

You can raise money when you need to. You don't need to raise when you don't have to and have enough money depending on your pipeline. So I'll give you the option out of disability. And of course, you know that the tax benefits in America.

00:34:00:16 - 00:34:15:10

HOST

Talk to me about, your approach to underwriting, checking the credit worthiness of a tenant. How how do you do that? And yeah, we'd be interested to kind of see how you kind of categorize that.

00:34:15:10 - 00:34:41:13

GUEST

So any transaction that we do, let's say that's the amount of time I spent on underwriting the transaction. I would say 70% is looking at the credit. And, you know, 10 to 30% is looking at the real estate, the Rams, the location, everything else. And then credit underwriting is we do everything in-house. So, you know, for balance sheets, income statements, cash flow statements, understanding the company, the competitors, the suppliers, supplier concentration, customer concentration, you know, geographical locations and strategies.

00:34:41:13 - 00:34:50:03

GUEST

Alaska pretty much a deep dive into the credit, I would say maybe not as deep as it be shop would do when they buy a business, but so pretty much gloss.

00:34:50:08 - 00:34:56:02

HOST

Because that's what you are effectively, you know, buying it. But yeah, the risk is hedged against that.

00:34:56:03 - 00:35:12:24

GUEST

100% in buying a lease agreement. And so, you know, when we prepare for our commit, you know, we do 60 or 70 page memo. And, you know, you go through all the things, you know, the financial statements that the business model that the board of directors, the management, the change in management, then there is a sort of litigation for this ever.

00:35:13:00 - 00:35:35:10

GUEST

It's pretty much a deep dive, a lot of things to analyze. And that's why, for example, my background is banking, even though I didn't have, you know, I, I my, my background is trading more or less in the credit and market risk. But most of our hires that we have come from sort of known as finance background, who did very much credit underwriting in and out of us every single day in the life.

00:35:35:10 - 00:35:41:07

HOST

So because there's more synergy there. So there is an attention someone from a property company or an asset management.

00:35:41:07 - 00:35:44:14

GUEST

Business and understand.

00:35:44:15 - 00:36:15:10

HOST

Talk to me about ESG and sustainability within this, because I imagine if you did a deal ten years ago, probably wasn't too high up on the agenda ten years ago. But looking at it now and you've got ten years left, occupiers will be looking at, yes to compliant and the most sustainable buildings. Where does that fit into, you know, at least investing, obviously sits on the, on the asset management side, but is that, is that a kind of a bit of a pinch point or a bit of a pain or a bit of a challenge at the moment?

00:36:15:12 - 00:36:22:16

HOST

Not not because it's not the right thing to do, but just more of it. It's a it's a new headache or something else to get your head round. So I mean just current environment.

00:36:22:16 - 00:36:44:24

GUEST

Now I totally right. I think I've been to quite a few, conferences lately and policies. Similarly the hardest thing to talk about, I want to talk about it is the hardest topic, at the moment in the real estate, apart from interest rates and inflation. But, one thing is, you know, in terms of like looking at deals, you know, how much do I pay attention to if the building is ESG a friend or not?

00:36:45:05 - 00:37:04:11

GUEST

Of course, if this if the asset is friendly, that's a benefit for me when I reject the deal because the asset is friendly. If a mining agent or doing a sale is the form intervention plan, it's very likely it'll be extremely energy friendly. So that's one thing I would loan rejected deal just because of used credentials. Because for some real estate it's impossible to be as friendly.

00:37:04:13 - 00:37:24:11

GUEST

But, we try to have and we tend to have very strong knowledge with our tenants. If the tenant comes to us and says, you know what? Yeah. You know, we really think leasing this warehouse from you guys and have a lot of 20 years on the lease, energy costs are becoming very high for us. We'd like to install some solar panels so we'd happily provide them financing and fund installation of the solar panels, but that would be up to the tenant.

00:37:24:13 - 00:37:25:07

HOST

If they wanted to take.

00:37:25:07 - 00:37:38:16

GUEST

It. If they want to take it. Yeah, but it's not that, you know, as much as a negative strategy to sort of continuously talk dependance and make sure that, you know, we can provide all that, all the help they need to maintain an asset situation as they want.

00:37:38:18 - 00:38:02:14

HOST

Talk to me. You just touched on prior to that, the kind of the wider inflationary environment, I think is 8.75%. And obviously interest rates have just ticked up again recently. Is is the space you're in, protected by that? You know, do you mind so much about interest rates changing inflation rates change. Are you protected by it and what's your view on it.

00:38:02:16 - 00:38:21:10

GUEST

So full disclosure very, very bearish on the markets. Personally, and yes, I mean, I know a lot of chat we hear is like interest rates are going to start coming down the end of the year. Everything's stabilizing, normalized. And I don't really believe that. I don't see the reason why rates go down. So my personal view is a I think rates are where they are.

00:38:21:10 - 00:38:38:13

GUEST

They're probably going to go even higher. And I think they're going to stay there for quite a lot longer than people anticipate. And from that, I don't think the pain of increased cost of debt has yet swept through the economy. And I think nine of the households that still have felt it. So that's some of my view on the markets and those of the business.

00:38:38:15 - 00:38:56:17

GUEST

People say, you know, when should you sell this book? Is it good now? When rates high are good, when the rates are low. So when rates are low good. It's a good lesson for business because you can get most value with real estate. So the rates are low. Yields are low extract most value. But when rates are high it's becomes a very good alternative to financing.

00:38:56:17 - 00:39:06:01

GUEST

So for example you know in the best of financing times you could do bank financing say around 1%. Let's, let's let's simplify.

00:39:06:03 - 00:39:07:00

HOST

That would be good.

00:39:07:02 - 00:39:26:18

GUEST

Yeah. So around there, you could do a synthesis between those times, some, you know, 4 or 5 or 6%, let's say that gives average let's say 5%. So five basis points, a gap between bank financing and sales. The financing today bank financing is around. The question around this is 6% since they can, you know, seven 8%.

00:39:26:18 - 00:39:46:01

GUEST

So roughly 100 basis points difference in cost. So you went from 400 basis points difference in cost between bank financing and select financing to roughly 100 basis points. So I say Lisbon as a tool is becoming a lot more competitive, a lot more see a force contemplating, you know, my debts maturing and how what should I do? Should I go to the bank and refinance that?

00:39:46:02 - 00:39:58:17

GUEST

Should I do a sell leaseback? And a lot more companies are contemplating decent leaseback to refinance and maturing that. So high interest rate environment is actually good for our business, because it prompts a lot of business to contemplate this in Lisbon as a financing tool.

00:39:58:23 - 00:40:05:20

HOST

Which enables you to kind of expand and broaden your portfolio as well. Coming in, which which enables you to expand. So let me get some more transactions.

00:40:05:20 - 00:40:23:19

GUEST

And so and we already seeing that, and it's not necessarily companies who are now really struggling because they need the money because they, they can solve a let's do this by various companies will proactively look for best way to finance and keep the balance sheets clear. And they think, okay, sitting on this real estate, we have this debt maturing, refinancing debt in the bank of causes this.

00:40:23:19 - 00:40:33:10

GUEST

But why don't we extract out of the real estate and use that money to finance debt. So definitely great opportunities. It's it's it's going to be a busy year. It is a busy year.

00:40:33:12 - 00:40:42:01

HOST

In terms of the lot sizes and the sizes of tickets that you write. It's quite a range, I think on your website was like 5 million, up to 500 million.

00:40:42:01 - 00:41:02:17

GUEST

So typically, at least in Europe, we say we look for deals €15 million pounds, you know, dollars or higher and typically anywhere below €15 million. The transaction costs make too big of an impact on the deal return. So that's typically the threshold why we kind of sign a number. You know, you pull out of the hassle 15 million and the sky's the limit.

00:41:02:19 - 00:41:32:11

GUEST

The largest single asset delightedly so Thomas 140 plus million pounds. The largest portfolio deal I close was €190 million. The largest fund deals deal with the, acquisition of another fund was over €2 billion. So can be really, really righteous. We have all the advice. The sky's the limit. Today, as a company, if I remember correctly from our last, financial report that was published, we have a roughly over \$2 million of cash to invest.

00:41:32:11 - 00:41:37:13

GUEST

So, a lot of money to invest, like deploying good pipeline to, to use that for.

00:41:37:17 - 00:41:42:00

HOST

And talk to me about the the assets under management in the portfolio you have right now.

00:41:42:00 - 00:42:05:03

GUEST

Okay. So today our global asset management are roughly somewhere \$26 billion, roughly of which around €67 billion. And within Europe, will average least around one. The global portfolio, if I remember right, is around 11, 12 years. So and that's, you know, the quality of what we buy comes from that. Anything we buy want to extend our global, average lease term.

00:42:05:03 - 00:42:17:05

GUEST

And that's why I want to do deals ten years or more. And we haven't done a ten year lease for a long time.

I mean, most deals that we closed somewhere between 16 and 20 years. And that's why you want to keep having your global wealth long.

00:42:17:07 - 00:42:22:19

HOST

Yeah, that makes sense. Yeah. Because the longer. Well, do you have a weighted unexpired discount for me?

00:42:22:19 - 00:42:44:09

GUEST

It kind of reminds like, you know, optionality option loses value over time. Every day you come into the office and the option lost more value. More value. See this building, Peter and Sam and sell is back in long, long income business. Every day you come into the office, the Irish portfolio terms become shorter and shorter. So unless you keep adding new assets a bit longer lease terms, your portfolio is going to keep going down.

00:42:44:09 - 00:42:48:21

GUEST

And that's not great for for risk management. So the pressure's there to keep buying, to.

00:42:48:22 - 00:43:10:18

HOST

Keep buying, keep extending, keep extend, keep having that certainty of future locked in index linked income over the long term. And I guess that's why because day to day operationally it's not that intensive because the tenant is occupying and looking after it. Hence why you can have a six 7 billion pound European portfolio. And there are only five of you in Europe.

00:43:10:20 - 00:43:41:16

GUEST

So five of us is for the investment side. So we're doing investments. We have if I if I look right, I think 25 plus people on asset management side and essentially the right one on the right think so. Mozart is a triple net triple net full indexation. And that's what we say. We are a hands off landlord as a landlord is going to be a partner to the financing partner to the tenant should they need to build new stores, to be happy, to provide financing, should they want to buy another business USA lease back out of acquisition that business.

00:43:41:21 - 00:44:00:03

GUEST

Happy to do that. But we want to be not getting in your way, running your business essentially, because you want you to run your asset as if you were running it before you did. The sale is better when you're owning. And so Mustang in you're here essentially. And, yeah. That's that's promoted. Yeah. So the question again.

00:44:00:05 - 00:44:09:17

HOST

How who else is do it. Oh that's not who else. Yeah. Are there lots of other businesses doing this. And what types of businesses or institutions do you typically compete?

00:44:09:19 - 00:44:26:07

GUEST

People always ask me though who are your biggest competitor. So in a typical transaction, are you bidding on a and on logistics. And there can be anyone can be pension fund can be a local family office. So competitor on a single deal can be absolutely any other master. What the competitors of who else does things like us. There's not that many.

00:44:26:07 - 00:44:44:17

GUEST

But there are a couple, you know, they're very close, but they're not that many. They're not that many. It's quite explain to me, I think that if you look ten years ago, there probably were 70% less competition. The competition is really very recent and helps us because I've been there for 50 years and they kind of mimic what we do, which is good.

00:44:44:17 - 00:44:49:17

GUEST

It's a proof of concept. You know, when you see other people doing the same thing, you think, okay, we're doing something right.

00:44:49:19 - 00:45:15:02

HOST

In terms of the space itself. Is there enough variety in interest and challenge to keep someone of your ability, you know, increasing you? Yeah, yeah, yeah, I talked to a number of people across the space. And, you know, they want to get involved with like more complex deals and things that may be challenging or, you know, operational businesses.

00:45:15:04 - 00:45:38:23

HOST

You know, and maybe more kind of challenging transactions. And I'm not trying to say this isn't challenging. It's absolutely it's a slightly different angle and into the lens of which you're looking at a real estate, because it seems like it's an accumulation game. Yeah. As you said, in terms of just pushing out your works, as long as you can accelerate the front or top top and then making sure that you're, you're re-upping when those leases expire to kick the can out further.

00:45:38:23 - 00:45:40:18

HOST

And then it's just you sat on the income.

00:45:40:20 - 00:46:03:04

GUEST

Now 100%. So for example, if I could I always talk to, you know, my palace and industry and my brother and, you know, some business, you buy an asset that is trouble that needs new investment, finding a new tenant, changing the the purpose of the use of the asset. And it's more like solving a puzzle. So you sort of investment manager solve a puzzle trying to extract more value out of the real estate.

00:46:03:06 - 00:46:21:24

GUEST

Whereas, whereas in our job, in my job as investment guy, my job is to deploy money and deploy the capital that we have and find the transaction. So a it's exciting because I keep doing deals in different countries. Find them buying with someone in Sweden another than buying with someone in Spain, than someone in Poland.

00:46:21:24 - 00:46:39:23

GUEST

So a I get to this function talking to people across so many different cultural backgrounds. So that's very enjoyable too. It's very social job. So I get to talk to a lot of people, which for me, being a social creature, I really like that a lot. See, you know, some deals are more structured than others, but typically, you know, the structuring tax, the structuring.

00:46:39:23 - 00:46:48:19

GUEST

And, you know, if you do like a portfolio position, cross country acquisition, cost hazard less acquisition,

there's a lot of structuring to do so you can get better than the model in and in the numbers.

00:46:48:21 - 00:46:53:09

HOST

There's there's there's lots of different areas. You can be challenged and learn and.

00:46:53:11 - 00:47:09:19

GUEST

Then kind of underwriting can I get comfortable with this credit. Is the sector strong enough? Is the future in this graph, especially if you look in those sectors like automotive or solar power or anything like that, like trying to figure out not only if the business is going to be there, but will the industry be there in the next more than 20 years?

00:47:09:19 - 00:47:27:04

HOST

Yeah, that's a really interesting point. I guess I and the rates of industries and how that changing regulation and sustainability and where that fits in, you're always betting and trying to find the next industry that is going to be making sure that the bricks and mortar is integral to the, to the operation.

00:47:27:08 - 00:47:42:08

GUEST

Yeah, I, I, I is I don't want to speak about the I guess I'm also a little I is such a new thing that I don't think many people even know what it is. I see a lot about it in the media, in charge of it and all that stuff. But but there really is so much going. I mean, I don't think anyone knows.

00:47:42:10 - 00:47:52:02

HOST

What are you most excited about as, as we kind of sit here start of July 2023 and we kind of like look out across the market. Well, what are you and most excited about?

00:47:52:04 - 00:48:24:22

GUEST

I think, I think again, the one at some courtyard and what I'm excited about, I think the volume we're going to see coming to market from the pain or the interest rates that is going to have on the businesses. And I think that's going to create a lot of opportunity for us to sell these back. So, you know, now in the summertime, I think we're going to have probably I expect and I'm going to be an extremely, extremely busy in the autumn and extremely busy into one, because typically, from what I read and from a guy that takes, you know, 12 to, 24 months for increased rates to filter for economy.

00:48:24:24 - 00:48:44:07

GUEST

Now, we only had a year since the it started going up in the next couple of months. We're going to have, you know, full impact of, you know, rates where they are today. And that's going to be felt. You know, you see the research reports I mean that's the behind me speaking. But you're going to see a lot of pain in business of companies where they like okay I'm going to I'm going to have to be proactive.

00:48:44:07 - 00:49:07:11

GUEST

I want to do something. And so this is probably going to be something on their mind, I hope. And that's going to be a I call it the harvest season for us. So that that gives me exciting. I'm a bit scared about the global economic impacts, you know, and on other than the families and households that definitely hears about the possibilities of doing business, and having business as well, like showing the value from the real estate is quite excited.

00:49:07:13 - 00:49:10:02

HOST

In terms of kind of core skills.

00:49:10:22 - 00:49:17:13

HOST

It sounds like, you know, the banking piece is obviously been an integral part in terms of your skill set. I know you wanted to go down the consulting piece.

00:49:17:17 - 00:49:19:05

GUEST

Why would I have done that thing?

00:49:19:05 - 00:49:40:00

HOST

But but it seems like you've always got that, now, in terms of your current role from a consulting piece, what what's skills, would you, would you advise or would you say to someone who's in a banking seat right now who wants to maybe move out of the sell side to the buy side? What what advice would you give someone that that, was to make the move over?

00:49:40:02 - 00:50:03:00

GUEST

I would say commitment. So things I was asked. I remember when I was interviewing one of the questions, which I remember really well, my husband, my, boss, our future boss at the time was how, how put off or demotivated do you get by rejection? And I'm like, I'm not at all. Let's just move on to the next thing you know, I said, my career speaks for me, you know, and I try one thing.

00:50:03:00 - 00:50:18:18

GUEST

It doesn't work and I'm full of energy. I a ball of energy. Try the next thing and the next thing. And I think what he was referring to is like, you've been on a deal. You so many times been on many deals. And how do you not get demotivated by you bet on a deal and don't make it and like don't get emotional about it.

00:50:18:18 - 00:50:29:20

GUEST

You know, you move to the next thing over the next year or something. You win some, you lose some deals. But I always stay positive, stay positive and stay hungry and stay active and be proactive, not reactive.

00:50:29:22 - 00:50:35:20

HOST

And then from a technical perspective so that's behavioral. Yeah. From a technical perspective what what kind of technical skills.

00:50:35:20 - 00:50:57:04

GUEST

Look I mean I don't want to downplay the complexity of realism really is not a rocket science. You don't need to be a quant to do real estate. Anyone who goes into investment banking is typically smart enough technically to get the job done. The biggest thing is commitment to the job, commitment to doing the long hours, commitment to your role to travel.

00:50:57:06 - 00:50:59:21

GUEST

I think that's what you need. The motivation.

00:50:59:23 - 00:51:04:23

HOST

I guess those individuals might lack the kind of the network. How important is a network being for you in terms of joining?

00:51:05:01 - 00:51:24:09

GUEST

And no, not at all. Network is something that you build over time. So when I joined the company, I joined as someone called second vice president. We used to have sort of military rankings, at the time, and I was told in the Carolinas, in John, as a junior guy, sourcing deals is not on your shoulders. That weight is not on your shoulders yet.

00:51:24:15 - 00:51:43:14

GUEST

Your job is to write memos, run models, analyze everything, do whatever you told you to do. Great. But you're not paid on sourcing yet. And that typically comes in from the time you reach vice president level. I was lucky to source before I reached that, that never lacking a source deal my first year, which was proud and cocky about.

00:51:43:20 - 00:51:59:14

GUEST

But, first year you just learn and by learning is, you know, your childhood, your boss with senior colleagues around, and you develop metaphor for your travels and for your senior colleagues. So there's no requirement to joining industry. Do you have a network?

00:51:59:16 - 00:52:01:15

HOST

Yeah. The importance of it over time.

00:52:01:20 - 00:52:19:09

GUEST

Is massive, hundred percent. The value of me to the company is the people I know, because anyone can run a model. Most junior guy in the team can run a model as good as me, probably. But you know, the connections I have invested in the relation to have is why I'm doing what I'm doing currently.

00:52:19:14 - 00:52:39:22

HOST

Since we draw to a close question I ask everyone 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 to deploy that that capital? Yes, you can have your team, but if I'm going to really push you on, where the types of assets you can, you can you give me a bit of a flavor of when you could deploy?

00:52:39:23 - 00:52:54:03

GUEST

Now, I listen to quite a few of your podcast. I don't know, you ask everyone that. And I was thinking about like, how would be a bad investment guy if I didn't tell you, give that money to me. I know what to do with the money. I'll do what I do every day. I'm an investment officer, so I would do exactly what I do every single day.

00:52:54:03 - 00:53:11:02

GUEST

I would deploy for searching for some of these banks for so for good credits, for long tenant, for long leases, for strong credits, that kind of stuff. If you say you know what location, what asset class we are location agnostic. Do you care for invest in assets in Norway or in Sweden? Line it in the I in France?

00:53:11:04 - 00:53:45:15

GUEST

Not really. As long as that asset is critical to the tenant and the tenant is having, it is not as a big successful business. So I would say today, be diligent about pricing because I do expect pricing to shift out, because I do expect more pain to come through the economy. So don't overpay. Be diligent about underwriting credit because I think while companies might be doing now, for example, very simple analysis, people say, you know what, maybe this spend for the economy, but the logistics sector is doing tremendously well.

00:53:45:21 - 00:54:10:11

GUEST

There's rental growth and everything's going to be, you know, peaches. But my my clients are giving us this, people are estimating that companies who use warehouses, let's say retail companies, are going to have the same retail growth at the during the pandemic. That's not sustainable. Pandemic was an outlier, outlier. And the whole, you know, 20 years time when people just want something they don't need with the money they don't have and that's that retail go.

00:54:10:11 - 00:54:29:13

GUEST

It's not going to go there. And these retail companies took up a housing space. I expected this growth, this, retail growth just to, to, to go in the same direction. And they took more space in the need. So what we have now in the market, we have invisible vacancy. We have retailers who have warehouse that they only use 70% off.

00:54:29:15 - 00:54:55:11

GUEST

And then all the investors are buying warehouses. Think okay, I'm buying now the cap rate. My cap rate might be seeming a bit too tight, but there's so much rental growth that my visionary yield is going to be super fine. Well, I think people are massively overestimating the rental growth. I'm sure it is going to be there, but I think people in the rest overestimate how much revenue growth is going to be in the market because of the vacancy, because if the economy goes into recession, people are going to buy less stuff.

00:54:55:11 - 00:55:11:02

GUEST

Retailers are going to sell the stuff. You sell stuff in in my room to stock it. So everything, kind of everything is affected. To think that, you know, whatever happens somewhere, doesn't that affect you only a little bit. Right. So be diligent in your underwriting. Be conservative, manage your risk and just do what you do best.

00:55:11:04 - 00:55:23:09

HOST

If I was to say cannabis, you can't get any sale and leaseback deals. You can't do any build, seek finance deals and there's no net lease acquisitions or tenant partnerships. Where would you put the £500 million index index index?

00:55:23:14 - 00:55:38:14

GUEST

I remember I was on the trading floor. I asked, you know, like I said, you know, first Thursday on the trading day, like, oh, what do you do? What do you do with your money? What advice can you give me? Just like catalyst, I don't get of the money. I wouldn't do any stopping. What do not like index.

00:55:38:16 - 00:55:48:18

GUEST

Think index is the best thing. If you. If you don't use a specialty, skill to do what you do best. Which for me is not Elizabethan. At least. Investment. Put in an index safe.

00:55:48:20 - 00:55:49:19

HOST
S&P 500.

00:55:49:19 - 00:56:14:14

GUEST

Yeah. Simple index. There was a couple of mixes, but yeah, nothing more than that. If you look again jokingly along with, you know, people who started the business, it's like Donald Trump. They say, oh, it's an exotically you know, he started his empire with a small loan from his father of \$1 million, and people say, if you have put that million dollars on the S&P 500, you'd be wealthy and way wealthy today than what he has doing it himself.

00:56:14:14 - 00:56:15:20

HOST
Doing his own real estate deals.

00:56:15:20 - 00:56:27:07

GUEST

Yeah. So yeah, sorry to disappoint with my answer, but it's, I, you know, I, I can't speak to what I understand. So what? I'm just gonna sell these banks. I don't invest in stocks.

00:56:27:07 - 00:56:42:21

HOST

That's going to say, cut you in half, you bleed sale and leaseback and, you committed, index linked inflation, protected income, with as long at Walt as you can. I is diversified and risk management.

00:56:42:23 - 00:56:58:12

GUEST

I was I was buying a new car and I was I was being so close to being it did nothing. You should get in the in the like special number of like or not. And I still I want to get the SLB place I sold the last year Curtis an idiot but yeah leaseback is what we do.

00:56:58:14 - 00:57:16:06

HOST

You just want that consistency. And I guess liability matched right. So you'd probably liability matching you car against your index. Your index whether that's the S&P 500 or against real estate. Well, look, Chris, thank you so much for joining me on the The Property Place podcast. Loved. Find out a little bit more about your background.

00:57:16:08 - 00:57:29:15

HOST

Some of the hurdles, that you faced in your current career, how you kind of pivoted double down, and, and really driven your career forward and excited to get to see, what? You're the team going to do in terms of taking advantage of any sort of dislocation that's there in the.

00:57:29:15 - 00:57:32:10

GUEST

Market for me? Absolutely, man. Thank you so much. Appreciate it.

00:57:32:15 - 00:57:59:07

HOST

Cheers. Thanks. Thanks for listening to this episode of the People Property Pledge podcast. If you found it insightful, feel free to share it with a friend or colleague. Subscribe. Give us a rating like or comment. It helps tremendously. It'd be great to hear from you on LinkedIn. I'm super open minded to recommendations of guests we should get on the podcast or areas of the market we should explore

further.

00:57:59:10 - 00:58:25:18

HOST

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00:58:25:20 - 00:58:40:12

HOST

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