

00:00:00:01 - 00:00:20:07

GUEST

So no, it is actually the attraction of working with good people. And to be honest with you, that's how businesses should set themselves up nowadays as well. I mean, we all know about, the well-being elements and indeed the very strong ESG credentials that businesses have to display if they want to attract the right sort of talent. But it's it's not only those elements.

00:00:20:07 - 00:00:21:16

HOST

That attract people to businesses.

00:00:21:16 - 00:00:42:22

GUEST

It's the kind of people that they're going to work for, and indeed how much they're going to learn. Ultimately, it's about results. At the end of the day, it's about being able to turn on and off that top when you need that resource, but also working with good people. I mean, I, pleased that I've been able to hire, someone just recently, but that was quite a long and complicated process.

00:00:42:22 - 00:00:54:06

GUEST

So finding the right talent, my career had to be difficult for numerous reasons.

00:00:54:08 - 00:01:23:07

HOST

Welcome to the People Property Place podcast. Today we are joined by Richard Saul, Head of Asset Management and Development in the UK at Ivanhoe Cambridge. Ivanhoe Cambridge develops and invests internationally alongside strategic partners and major real estate funds across dynamic cities around the world. So. Subsidiaries and partnerships. The company holds interests in 1500 buildings, primarily in industrial and logistics, office, residential and retail sectors.

00:01:23:09 - 00:01:43:02

HOST

As of the 31st of December 2022, Ivanhoe Cambridge held 77 billion CAD worth of real estate. Richard is responsible for driving value across Ivanhoe, Cambridge's UK portfolio and its previously held roles at Lendlease, HB Reavis and See It, Richard. Welcome to the podcast.

00:01:43:05 - 00:01:44:04

GUEST

Thank you for having me.

00:01:44:05 - 00:01:58:13

HOST

Not at all. Well, look, we'll we'll come on to Ivanhoe Cambridge a little bit later. And in terms of our conversation. But yeah, the score here is how did you finally get into real estate and why did you want to pursue a career in this space?

00:01:58:15 - 00:02:20:05

GUEST

So probably not the most imaginative of answers, to be honest, with you, but, I'm quite old school. My father was a chartered surveyor, and I've always had an interest in design and buildings, but, I got to that sort of crossroads and thought about where I'm going to go. And, he suggested I should go to Bristol and do what it's called, valuation and estate Management.

00:02:20:07 - 00:02:43:24

GUEST

Which was a BSc. And, at the point in time I couldn't actually think of anything better to do. So, I knew Bristol very well. Amazing city, very lively city. It's actually changed remarkably since I was there, which unfortunately was quite a long time ago. So, yeah, I set myself out on the path then to go off and do, a degree in real estate, which is probably less common nowadays than it was back sort of in 1992.

00:02:44:00 - 00:03:00:03

HOST

Did you, did you kind of ever grow up thinking, oh, I don't want to do what my dad does? Or was it a case of, oh, that's interesting. And, you know, have intellectually stimulating or creative conversations around the dinner table and you think actually, I could I could do that.

00:03:00:05 - 00:03:26:20

GUEST

Now, I've always had an interest in buildings, and sort of the design of buildings. My father was, he worked for the, the Valuation Office, was a relatively senior in the Valuation Office, so dealt with all matters to do with writing, which, at the time was actually quite profitable. Area to be, and still is, I'm led to believe, but it's quite binary.

00:03:26:22 - 00:03:49:17

GUEST

So now I always sort of held an interest in sort of how buildings worked and who occupied them, but never really wanted to sort of go in and completely emulate, what my father did. But of course, that introduction, I'm going to Bristol, which, as I said, is a city that was going through enormous change and has continued to go through enormous change.

00:03:49:19 - 00:04:04:02

GUEST

Sort of introduced me to it and then sort of opened my eyes to it. Plus, I had an amazing time when I was at Bristol as well, although unfortunately, a lot of my peers from Bristol who are no longer in the real estate business, but, yeah, it was it was three amazing years.

00:04:04:05 - 00:04:12:09

HOST

So you went to Bristol, did you? Your degree. Then what happened? What was your mindset? Post-graduation?

00:04:12:11 - 00:04:36:01

GUEST

So I graduated in 95, which, if people can cast their minds back that far, was, not great for the employment market. So I think I kind of plotted around for a little while doing odd jobs. Then actually went to work, for the valuation office for a little while, which was purely just to, to sort of get a footing, and then ended up, finally landing a role at Nelson Bakewell.

00:04:36:03 - 00:04:39:24

HOST

Which at the time was one of one of the leading independent. Yeah, right.

00:04:40:01 - 00:05:00:10

GUEST

I mean, we were chatting before this, and the way I was going to describe Nelson Bakewell was very fond memories. And in fact, I suspect there's a huge number of people in the real estate industry or probably early on there, they over 40s, who worked at Nell's, Bakewell, and we talk a lot nowadays about attracting talent.

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

GUEST

And Nelson Bakewell had a very, an amazing skill at attracting talent. People tended to there was some people who had, you know, relatively long careers there, and I'm still friendly with some of them. Allen Dunford in particular, who I had breakfast with the other week. But they also, had quite a significant, so throughput of people.

00:05:21:21 - 00:05:47:14

GUEST

But the two years that I spent, I was enormously enjoyable with some really good people, and their ability to attract talent. It was a sort of a very much a work hard, play hard kind of atmosphere. Which is a sort of young APC. So that was quite attractive. And, as I say, some, some very interesting people who've gone on to do some weird and wonderful things since leaving Nelson Baker.

00:05:47:14 - 00:06:08:06

GUEST

I mean, Nelson Bakewell was, at the time, both Nelson Bakewell was still sort of there. It was transitioning away from them and transitioning more from a transactional business to a management business, both on the landlord and on the corporate side. So it became a business that I guess was driven more by reoccurring, revenue rather than the revenue generated by doing deals.

00:06:08:06 - 00:06:17:10

GUEST

But, yeah, in terms of actually attracting talent, as you would call it now, it had quite a skill set. It didn't quite retain the talent. But, yeah.

00:06:17:10 - 00:06:34:17

HOST

I'm always interested, obviously, in the space that I have in terms of how companies go about attracting talent. And of course, the retention pace. We've got lots of tools at our disposal now that didn't have back then. But can you just talk a little bit more in terms of maybe what was their secret sauce in terms of attracting.

00:06:34:19 - 00:06:56:06

GUEST

I think it was just the mentality of the business and the fact that they had some really nice people who work there, again, knew how to sort of work hard and play hard and back then the industry, perhaps was more stereotypical in terms of, the play hard elements as well. I can see smiling.

00:06:56:08 - 00:07:00:23

HOST

Yeah. Gone are those days. He. Well, yeah. Well, they're more regular. More regular?

00:07:00:23 - 00:07:23:15

GUEST

Yeah, yeah, a little bit. Not completely gone, but yes. They're not as frequent. So no, it's actually the attraction of working with good people. And to be honest with you, that's how businesses should set themselves up nowadays as well. I mean, we all know about, the wellbeing elements and indeed the very strong ESG credentials that businesses have to display if they want to attract the right sort of talent.

00:07:23:15 - 00:07:50:22

GUEST

But it's it's not only those elements that attract people to businesses, it's the kind of people that they're going to work for and indeed how much they're going to learn. Yeah. Throughout my, career, I've always looked at it back and thought, right, what did I learn there? And indeed gone into, roles thinking like, what can I not only achieve, financially, both for myself and the business, but also how much can I learn in this

business?

00:07:50:24 - 00:07:56:04

HOST

So you you touched on, you know, some bank for a couple of years. Did you get your letters? I did PC yeah.

00:07:56:04 - 00:08:00:01

GUEST

Passed my PC. Yeah. I shan't tell you what I did for my celebration.

00:08:00:03 - 00:08:08:18

HOST

Well well what did you in terms of rotations, did you rotate or did you kind of just do your valuation seats or so.

00:08:08:19 - 00:08:37:19

GUEST

I mean, I didn't even really do valuation seats then you just had to do your degree as it was then and you had to do, I think it was 60 days in valuation. And then I did professional services, which was a mixture of rent reviews and, writing. So because of my, experience with the VOA and the fact that my dad was, also a district value, I had a high degree of experience in writing, which is actually quite a, it was primarily you were negotiating writing pills.

00:08:37:19 - 00:08:59:22

GUEST

And so there was a huge amount of negotiation. And so you pick up that skill of negotiation, doing that particular discipline. As I say, it's not a particularly sexy discipline. No disrespect to the guys who do it nowadays, but as I say, I believe it's very profitable. Still, what it did teach me, was how to negotiate, which is something they don't teach at university.

00:08:59:24 - 00:09:09:14

HOST

And, what were those? The skills and and how how did they train you and what what was the what some of the learnings that you extracted from those negotiation?

00:09:09:16 - 00:09:34:06

GUEST

What it's to be able to be confident about your case, set out your case clearly, know where your strengths and weaknesses are. That that's very obvious statement. It's also trying to ascertain what your counterparties weaknesses are. If you're doing it face to face, you might even try and work out their body language and see what sort of what messages you're getting from their body language.

00:09:34:06 - 00:09:59:00

GUEST

I actually prefer, and even in this day and age, face to face meetings as opposed to teams, because I find it very difficult to read people on teams, whereas, I try and read people when I'm negotiating face to face. Bit of a skill set that's perhaps being lost. Over the last decade or so, but negotiating lots on the telephone, doing quite a lot of business on the telephone, which I've got a good story about at Johnson Partners about that.

00:09:59:02 - 00:10:22:02

GUEST

So, yeah, it's genuine or generally just, being confident in your case, knowing when to concede points as well. And there's no point in sitting there with, an argument that just simply isn't tenable. And trying to

defend that because you won't actually reach a resolution. So ultimately, when I think I'm trying to say it was the art of choice sound a bit like Donald Trump now?

00:10:22:04 - 00:10:24:22

GUEST

Trying to do deals.

00:10:24:24 - 00:10:29:05

HOST

Win win win win win opportunities if he does involved.

00:10:29:07 - 00:10:49:10

GUEST

At the time negotiating, writing the your fees were a success. Related. So yes. Unless you thought you had, a real point that you wanted to take to tribunal, you're always trying to broker a deal and you want to broker the deal to do the best for your client, but also you broker a deal. It's a good deal.

00:10:49:12 - 00:10:51:16

GUEST

You can benefit, move on.

00:10:51:18 - 00:10:55:02

HOST

Adam Charles and partners talk to you about to Edward, Charles and partners.

00:10:55:02 - 00:10:55:17

GUEST

So, Edward.

00:10:55:17 - 00:10:58:16

HOST

Charles, why did you. This,

00:10:58:18 - 00:11:18:01

GUEST

That's a very good question. Why did I move there? I think I became very friendly with a guy called David Freiman, who was the head of landlord and tenant. And given the sort of experience I'd had at Nelson Bakewell, I'd developed an interest in rent reviews, lease renewals and also the wider West End office market. I used to live in, just outside of the West End.

00:11:18:03 - 00:11:37:24

GUEST

So I was offered an opportunity to go work there, primarily working with David Freiman. Very, very small team, I guess, for I've still going extremely strong. And in fact, some of my best friends in real estate are now equity partners in that business. But, I had a strong interest in the sort of more professional side of leases, as I say, the rent reviews and the lease videos.

00:11:37:24 - 00:11:58:05

GUEST

But Edward, Charles and partners gave me the opportunity to go out into the market and also do what now is probably more widely referred to as leasing brokerage. But in those days was just good old fashioned agency, trying to lease premises and also doing some acquisition as well. Back in the early 2000s, in fact, it was 2000 when I joined.

00:11:58:07 - 00:12:32:11

GUEST

The teams tend to be a little bit more joined up at that point. You didn't have a separate sort of acquisition and disposal teams and indeed, Edward Charles and Partners was, a relatively small business. So you were given exposure to both sides, both in terms of acquisition and disposal, which when you're trying to negotiate the rent review, a gives you greater access to market evidence and B gives you, sort of a more broader perspective on, on this hypothetical, transaction that you're trying to negotiate again with, with a counterparty, whether it be for a landlord or a tenant.

00:12:32:13 - 00:12:35:04

HOST

So kind of like really knowing your market, really understanding.

00:12:35:08 - 00:12:35:13

GUEST

Yeah.

00:12:35:13 - 00:12:37:08

HOST

I mean, the, the basic stuff.

00:12:37:08 - 00:12:37:21

GUEST

Sometimes.

00:12:37:23 - 00:12:40:19

HOST

Just throw some sort of quantum of unless you're seeing.

00:12:40:19 - 00:12:48:08

GUEST

Immersing yourself in the West End office market, which at the time was, I mean, hugely enjoyable.

00:12:48:10 - 00:13:08:19

HOST

Have you ever viewed. Yeah, that experience is like skill stacking. And you know what I mean by that. You know, the negotiation stuff you learn from a rating perspective, it directly feeds the next part of your career in terms of like leasing, letting, doing transactional deals. Yeah, that's a skill you can apply there. And then once you've built that knowledge, it's how do you apply that and use it.

00:13:08:19 - 00:13:11:22

HOST

From that kind of analogy, rent review perspective.

00:13:11:24 - 00:13:44:24

GUEST

There's undoubtedly that element to it. I think, you know, if you move forward many years in terms of what I do now, that transaction not experience and that market facing experience, pays huge dividends in terms of what it is I'm trying to achieve now. And the goals that I set myself and the goals Ivanhoe set for me and indeed our corporate goals, because ultimately, at the end of the day, you know, we are a pension fund that invests in real estate and we generate returns for our shareholders and our pension fund holders back in, Quebec.

00:13:44:24 - 00:13:56:24

GUEST

So adding value and that can be done by different means, whether it's development or whether it's you

know, a good old fashioned way of actually generating property return through income.

00:13:57:01 - 00:14:15:24

HOST

I guess, at the time as well. From a network perspective, you probably developed an amazing network just by the speed and quantum of transactions and deals that you kind of went through, but also the amount of people, that you met along this journey that taking a long term view in terms of your career are paying back now, and that you mentioned kind of added to that.

00:14:16:01 - 00:14:37:00

HOST

What's chelsfield now? Bridgeman. That's right. Yeah, that's probably a case in point in terms of a relationship built over 20 years or so that may or may not transact in the future of an idea. At what stage did you think, actually, I want to move to the principle side. And actually asset management. So is it's a part of the sector.

00:14:37:02 - 00:14:44:11

HOST

The actually suits me from a personality perspective, but also an interest skill, skillset and financially as well.

00:14:44:13 - 00:15:07:00

GUEST

So I had five, four and a half, five very enjoyable years with Charles and Partners. But we I guess primarily acted for landlords. We did quite a lot of work for occupiers as well. But as I say, those two, sort of elements of the work, sat side by side. So you were exposed to both. But we did a lot of work for Threadneedle, as they were known at the time.

00:15:07:05 - 00:15:32:07

GUEST

And I became quite close with a number of the senior guys at Threadneedle and individual Rob Flavel, who I've not seen actually for donkey's years. But, he approached me, asked me whether or not I wanted to potentially go and join Threadneedle. Now, at the time, this was about 2004. The West End office market wasn't as good as it perhaps has been.

00:15:32:09 - 00:15:52:10

GUEST

And so I was very cognizant of the fact that Charles was a small business. You know, you're always looking for potentially what comes next, but also whether and I behind you thinking, well, it is a business. It's based purely it's revenues based on deals and if that deal flow dries up, then of course, you know, if they're the one thing they may look at is cost cutting.

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GUEST

So I was approached by, Rob Flavel at Threadneedle. Obviously had to go through a process, but, effectively tipped to join Threadneedle as a, as an asset manager, which, I sort of grasp that opportunity with both hands.

00:16:06:04 - 00:16:12:21

HOST

And at that stage was that a combination of utilizing all these skills to listen to. Yes, work the Red room view?

00:16:12:23 - 00:16:18:01

GUEST

Yeah. Threads was a very much a hands on, quite granular asset manager.

00:16:18:03 - 00:16:20:02

HOST

Even though it was fun.

00:16:20:02 - 00:16:45:15

GUEST

Is big fun. Yeah. So I was working with an individual called Danny Ward, who was a very colorful individual, and a chap called Linc Horton. Working what was, an old Eagle Star fund. So some, some fairly, dirty. Not literally, but some fairly messy assets. So could really get your hands dirty, some of a reasonable size, but, huge quantum of assets.

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GUEST

I think I had probably a hundred or so assets under management. And it was that cross-section, of sectors as well. So threads at the time invested in, some shopping centers, quite secondary tertiary shopping centers at the time. But retail hadn't gone through the sort of structural challenges that obviously it's been facing for, for some time now.

00:17:06:00 - 00:17:23:23

GUEST

Industrial estates, as we used to call them then, and offices, but throughout the UK. But again, given Michael Charles's partner's experience, I was lucky enough to, to deal with the West End offices or the, the West End offices that the fund that I worked for had within its, within its portfolio.

00:17:24:00 - 00:17:42:12

HOST

And had you already had always had like an affinity to, to offices in it and, and an intellectual interest in, you know, the economics and the return profile and, you know, being in being in the West End, you surrounded by them as opposed to retail or residential.

00:17:42:14 - 00:18:05:13

GUEST

So threats at the time had no residential, very little. So I wasn't really exposed to residential. And obviously it was well before this sort of multifamily and built around sort of, revolution that we've been witnessing in the UK. So offices were primarily my first love, having worked at Charles and Partners and built up a huge sort of knowledge base and contact base.

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GUEST

And at that point in time you wanted to continue to grow that. So I wanted exposure to that. I guess as well. I became really interested in refurbishment and the design and how the offices, how you could actually repurpose offices. We didn't do big scale or large scale redevelopment, but it was about repurposing, some offices in the West End and indeed sort of big seven cities.

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GUEST

We did a bit of stuff in Bristol, Birmingham, but in Leeds. So, again, working out and looking at appraisals as to how CapEx really added value as well. So rather than just being one element of that process, which was at Apple, Charles and Partners, transacting a rent review or executing a leasing deal, which is sort of more towards the back end.

00:18:50:14 - 00:18:56:24

GUEST



It was, getting a broader perspective on, on the whole piece from inception to completion.

00:18:57:01 - 00:19:16:09

HOST

So you were Threadneedle for about five years. And so who it was city. How did that come about? And also, there's a bit of a step change from moving from an asset manager. It's as you said, I've touched on that quite, quite a wide ranging scale to being a director. You just talk to me about about that experience.

00:19:16:11 - 00:19:19:18

HOST

So.

00:19:19:20 - 00:19:47:10

GUEST

Again, it was one of those pauses, kind of a bit of a natural pause, having spent five years threads thinking, where can I potentially take this skill set and continue to grow it? I was introduced to city and which is a private equity business, had actually raised and, invested significant, sums in a UK fund primarily into offices, one big shopping center as well, which I'm pleased to say I didn't deal with.

00:19:47:10 - 00:20:15:15

GUEST

But, it was a sort of a natural progression of my, desire to continue to grow and evolve with the office market. I wanted to deal with bigger toys. City had a number of big toys, within their portfolio that it was purely an asset management role. As I say, it was a closed ended vehicle, highly leveraged at the time as everything was in sort of 2007, eight, nine and and so on, as people know.

00:20:15:17 - 00:20:47:10

GUEST

But it was that opportunity to take that skillset and then to apply that skillset to big buildings, temporary place, which actually remains one of my most favorite buildings in the market to this date. Designed by Skidmore, which is an amazing office building, just remarkable external design and how we could continue to evolve that building, dealing with tenants, working with your customers, tenants, and how you could generate value by actually collaborating with them, whether it be recurring leases.

00:20:47:10 - 00:21:02:15

GUEST

Understand their needs, where they might need to shrink, and indeed, where you could engineer situations where tenants, where you moved them around the building. A very focused on income, primarily because of the situation that the fund found itself in. It was a closed ended vehicle.

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HOST

So so someone listening to this who, who doesn't know where closed ended vehicles, can you just explain so it's a Peter.

00:21:08:13 - 00:21:31:03

GUEST

Yeah. Pete. Well, yeah, on the whole. So a closed ended vehicle is a, a fund that's raised for a finite. That's how you raise your capital. And then the fund has a finite life. That would be three a generally not that mostly five years. And at the end of the five years, the investors in the fund, can vote typically for an extension, 1 or 2 year extension.

00:21:31:03 - 00:21:56:02

GUEST

And if the investors don't vote for that extension, then the fund has to divest of the assets and return the

capital to the investors. Of course, the, the the principle behind that is that you make a return for your investors within that five year period. So, once the investors have actually invested into the fund for the first initial investment period, which, as I say, is generally five years, they're unable it's not a retail fund.

00:21:56:03 - 00:21:59:13

GUEST

So you can't take money in and out within the within that closed ended.

00:21:59:17 - 00:22:06:09

HOST

It's locked in for that period at the discretion of the investment manager or the private equity business.

00:22:06:13 - 00:22:13:07

GUEST

Yeah, there are different ways of doing it, whether it's semi discretionary or discretionary. But at city it was pretty much discretionary vehicle.

00:22:13:12 - 00:22:19:14

HOST

And in terms of the the capital behind that vehicle, was it high net worth individuals.

00:22:19:16 - 00:22:20:19

GUEST

Fees from.

00:22:20:21 - 00:22:22:12

HOST

Products, other additional products.

00:22:22:12 - 00:22:28:12

GUEST

You know all over

00:22:28:14 - 00:22:51:17

GUEST

Some overseas pension funds, I think Franklin Templeton, who I don't remain I don't I'm not in contact with but they were investor in it, so. No, I'm sort of a a, co-mingle. Yeah, I it's not a club as such because it was raised as a, as a, as a, a standalone fund. I think it had about two, 300 million pounds worth of equity committed to it.

00:22:51:19 - 00:23:18:14

GUEST

But no, I sort of relatively broad cross-section of investors. I think NatWest property investors might have had some money in it. So again, it was raised off the back of cities. Very successful track record of, of, executing sort of private equity style deals of buying assets, holding them, executing the business plan on a highly leveraged basis, and then, exiting and returning significant returns to the investors.

00:23:18:16 - 00:23:24:22

HOST

In terms of like a culture that compared to spreads, stock difference.

00:23:24:24 - 00:24:12:07

GUEST

So it was much smaller, both very entrepreneurial. Both run by quite big characters. So now a lot of the skills that I learned at threads were easily transferable into city. But what you had to have with city, you

were dealing with, much bigger lot sizes, bigger buildings, bigger sums of money. So it's that confidence that you've gained at threads in dealing with smaller lot sizes, smaller deals, smaller leasing deals, perhaps smaller CapEx, strategies, smaller refurbishments and and taking that experience and that confidence, and transferring it into something where you were doing to a large extent the same job but with much bigger numbers.

00:24:12:09 - 00:24:52:13

HOST

Yeah. More zeros at the end have had more to to lose or gain depending on which way you looked at it. You spoke a lot previously about relationship, tenants and casting. Casting. Yeah. I back to that period oh nine 2030 was that, would you say the start of that kind of, you know, custom, relationship between landlord and tenant or was, you know, a city very much on the front foot in terms of kind of trying to drive that, that relationship rather than just be a an old landlord leased building to a to a tenant for 25 years and collect rent checks before.

00:24:52:15 - 00:24:54:02

HOST

Yeah, four times a year.

00:24:54:04 - 00:25:14:07

GUEST

Well be to some extent it had to be because it was obviously a lot of distress around the post, global financial crisis. And, yeah, I'm not ashamed to say that, you know, we, let's sit out a number of buildings where we were not only working for our investors, but potentially for for some of the banks as well.

00:25:14:07 - 00:25:43:15

GUEST

But the key to keeping investors and banks on board was cash flow. And who generates that cash flow? For a real estate investor, it's your clients. It's the people who pay rent. So and clearly they were going through significant, so distress as well. So being close to them, understanding their needs was key, but also ensuring that that, that cash flow, the contractual cash flow that is due under the lease continued to flow.

00:25:43:15 - 00:26:00:04

GUEST

You know, we all had, sort of interest and amortization payments to make to the banks because of the fact that these things had, had considerable leverage on them. But, you know, ultimately it was down to the asset manager to ensure that that that cash flow continued to, to, to flow into the funds and was able to, to service the debt.

00:26:00:04 - 00:26:23:00

GUEST

So that building that relationship with your customers at that point was key. I think it was born to some degree, out of necessity because of the global financial crisis and the distress that property was suffering. You know, valuations were just catastrophic. So, but the key element to maintaining these assets and keeping them afloat was, was cash flow.

00:26:23:02 - 00:26:41:23

HOST

I guess that applies across all sectors. And, yeah, you know, at the time, probably every everything, everyone's doing exactly the same thing to try and retain, maintain that, that income and get through the recapitalization or restructuring of that business to make sure that they could press ahead, in the best shape possible. We'll give the keys back to the bank and move on.

00:26:41:24 - 00:27:01:12

GUEST

Yeah. At the time, it was just trying to preserve as much value as you could for your investors. And I think, you know, with valuations in the levels of distress and the lack of liquidity in the market in terms of the capital markets, no one was sort of, at least we weren't we weren't daft enough to think that, you know, we were going to be making a huge return for our investors.

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

GUEST

It was about returning as much equity as possible.

00:27:04:14 - 00:27:18:19

HOST

Was that the kind of the second time that you'd been to a challenging period in the property space just from a cycle, and do you kind of learn anything that set you in good stead to kind of ride through that period of, of that, that early period as well?

00:27:18:21 - 00:27:39:00

GUEST

That's a good question. I mean, the first period of time I experienced was probably, the.com crash in 2000 when I was at Charles and Partners. But that was so sudden, and had such a fundamental impact on the sort of the office market. I don't think anyone had seen anything like that for quite some time. And then, of course, unfortunately, September the 11th happened as well.

00:27:39:00 - 00:27:40:23

GUEST

I can actually remember where I was.

00:27:41:00 - 00:27:42:01

HOST

00:27:42:03 - 00:28:09:15

GUEST

But the the far reaching consequences of the GFC and the effectively, infected, for want of a better word, all sectors, to the extent that it did, meant that we were, all learning from each other. I was learning new skills, you know, the Threadneedle was a fund or the funds within Threadneedle at the time. The majority of them were institutional funds, so they didn't take up debt.

00:28:09:15 - 00:28:29:10

GUEST

So again, you were learning new skills in terms of dealing with lenders, who to a large extent became your clients as well because you were working to service the debts as well as working to try and return as much capital to your investors as you could and keep the properties afloat. So there was a little bit of learning on your fee, that point.

00:28:29:10 - 00:28:57:08

GUEST

But the the core skill set of, of of actually asset managing was something that now remained sort of constant and that that piece of engaging with your customers. Of course, rightly or wrongly. Environmental standards were, perhaps nowhere near as stringent, then as they were. We weren't talking about sort of, ESG as one of the pillars of your investment thesis.

00:28:57:10 - 00:29:27:23

GUEST

I think again, at that point in time, it was more about the, the location, and the quality of the space, which,

you know, feeds into the wellbeing attributes. And, and, what makes space attractive to, to, to your clients. But, there are a lot of it was primarily down to sort of location and indeed some of it was potentially down to who the owner was and the identity of the owner, and perhaps how, clients, felt about and how easy it was to deal with some owners or not, as the case may be.

00:29:28:03 - 00:29:29:17

HOST

In terms of what letting the space.

00:29:29:17 - 00:29:42:07

GUEST

Or letting the space or perhaps how, should we say, punky some owners were, at that point in time, of course, you know, at the time of crisis, you had to be pragmatic.

00:29:42:12 - 00:30:01:17

HOST

Yeah. Talk to me. Because I know one of the reasons why you were interviewing estate was for kind of the design aspects. Did that did that ever come into to to the frame that, that city that, that interest in design or was that maybe a little bit more prevalent when it comes to HB, HB Reavis and your move to.

00:30:01:19 - 00:30:20:06

GUEST

So say it had two arms, it had an asset management and a development arm. So when I was at CRT, I was lucky enough to be that when they kicked off Southbank Tower, which was the old I think it was an IPC tower, down in SC one. So again, there was taking that sort of market facing experience.

00:30:20:08 - 00:30:46:02

GUEST

What tenants want product definition, as I sometimes call it. So feeding into the development brief was something that, myself and the development team looked up quite strongly with the leasing agents as well, because and the leasing agents and the, the leasing brokerage teams have a very important role to satisfy at the front end, as well as trying to introduce prospective clients and then helping us as a developer and a landlord close those deals.

00:30:46:02 - 00:30:54:12

GUEST

So yes, there was a lot, a lot more done at the front end in terms of what is it that our customers actually want out of these buildings?

00:30:54:14 - 00:31:17:01

HOST

Did you ever think of transitioning out of asset management and being a bit more investment focused, or. Yeah, because a lot of people do, you know, did you kind of see yourself as a your skills, your personality really lends itself to being a really excellent asset manager and actually it's best to kind of double down and and be a subject matter expert in a particular, particular niche and own that.

00:31:17:03 - 00:31:38:19

GUEST

Yeah, I think once you start building up sort of a track record, which is something that I believe I'd started to build up, and you built up a series of market contacts and of course, everyone when I started real estate, at least it used to be the case is how I'm going to be an investment agent for probably highly unlikely.

00:31:38:19 - 00:31:54:13

GUEST

I don't have the stats to back that up, but I'd say it's probably highly unlikely. And what you know what I came to realize, and I think a lot of people come to realize now, is actually it's more of a joint process now, than perhaps it was in the past, but in the past it might have been seen to be a little bit siloed.

00:31:54:15 - 00:32:20:22

GUEST

Whereas now it's it's certainly the way we operate in the UK. Ivanhoe is it's a much more joined up process. I'll give you some examples when we get on to talking about Ivanhoe, how the asset management and, investment teams have actually worked very closely together, also with our, corporate teams. And, I had of strategic partnerships in terms of closing a deal that was a multifaceted deal that required different disciplines.

00:32:20:24 - 00:32:28:06

GUEST

And but ultimately it was ultimately it was one deal, but the different disciplines had to feed into it. And work together.

00:32:28:08 - 00:32:46:19

HOST

In terms of scrutiny on a deal. When when did you see kind of like back of the fact packet analysis shift to being much more like Excel? Yeah, I know you're laughing here, but like much more like Excel and specific, you know, analytical skillset coming into kind of real estate.

00:32:46:23 - 00:33:18:12

GUEST

That's when I joined sit. Sit was a private equity business that had, a degree of focus on financial engineering. And they'd been very successful. More London's probably a good example where they develop these assets and then securitize them, and sell them off as bits of paper. But that's when I was first introduced to proper investment grade cash flows and working with analysts.

00:33:18:14 - 00:33:40:03

GUEST

You know, they had two separate analysts, a separate, team who built and then maintained cash flows with inputs from the asset management team in terms of the assumptions. And, so, yeah, it was the first time that I've, we've ever sort of knitted together financial engineering, the first time I've ever knitted together true financial engineering experience.

00:33:40:05 - 00:34:04:08

GUEST

From people who weren't even necessarily, property experts, together with that sort of property background and together use working through the models. And some of them are very complex cash flows, with senior debt and mess that, put in there as well to try and generate high returns. We all know that back in the global financial crisis, that didn't end well.

00:34:04:08 - 00:34:27:19

GUEST

But, there's always still the opportunities that where you do put debt into deals, you can obviously, add a little bit more in terms of your returns. So that was the first time I'd seen that sort of marriage come together and say, our team were very good at bringing those two disciplines together, because I think there there was at the time some people who were very good at financial engineering and some people who were very good at asset management.

00:34:27:21 - 00:34:30:12

GUEST

And perhaps they didn't marry those two skill sets together.

00:34:30:18 - 00:34:48:12

HOST

And yeah, actually, the benefit of coming through and being a chartered surveyor and understanding that, like the property fundamentals is one thing. And then kind of what taking something a bit more of a banking or a financial aspect to clearly very bright and intelligent, and we can learn from the estate piece quite, quite quickly, but actually.

00:34:48:15 - 00:34:50:13

GUEST

Well, you'd be surprised. Sometimes they don't.

00:34:50:17 - 00:34:58:08

HOST

They need to like draw on your experience in terms of, you know, actually where rents and yields very much submarkets are actually going.

00:34:58:08 - 00:35:21:12

GUEST

Yeah. I mean, as you grow within a business and as you become more senior and you become more experienced, then you start to have a greater understanding and even a feel as to where the returns should be, how you can generate those returns. And then it's working with the the analyst to ensure that the cash flows. I quite often look at cash flows and I think that's not right.

00:35:21:14 - 00:35:38:17

GUEST

I wasn't trained as an analyst. So I go in and I sit with our analysts and we interrogate the, the formula. But and I know that something is wrong, and we can have another look at that and, and really understand why it's going wrong or whether or not we've got our assumptions wrong or whether the cash flow is wrong.

00:35:38:17 - 00:35:44:04

GUEST

And as I say, the first time I really witnessed that was was at City.

00:35:44:06 - 00:35:59:20

HOST

Talk to me about the move to HP reverse, because, you know, you're kind of in quite an intensive asset management role, and then it's going to be a director of leasing. And obviously leasing is a key part of asset management, but it's only one facet of it.

00:35:59:22 - 00:36:35:05

GUEST

So HP Reavis was an extremely interesting move for many reasons. I was asked to go and talk to them as their first UK employee. At the time, the only person who really had any exposure to the UK was an individual called Thomas Sherlock, who I remained friends with today, and it was an opportunity that I felt was too good to pass up in terms of their, appetite for growth, their appetite for risk.

00:36:35:07 - 00:36:54:02

GUEST

Again, it was that continuation of being able to apply a skill set that I've already learned, again, dealing with bigger toys, more zeros, which isn't an egotistical thing. It's just as you grow in your career, obviously you want to be generating bigger value and and dealing with with with with more product.

00:36:54:04 - 00:36:56:07

HOST

Yeah, it's very challenging yourself.

00:36:56:09 - 00:37:15:18

GUEST

But it was also the origination of deals and one of the key aspects of it, which I found, was probably the most appealing at the time, was it was almost, an ambassadorial role as well, because HB Rebus weren't well known in the UK. We just closed on King William Street, which was going to be a knock down and rebuild.

00:37:15:18 - 00:37:37:19

GUEST

And my primary role was to obviously try and prevent that. And we were doing presentations to know we were almost trying to persuade some times brokers to to come talk to us like, sorry, who's HB Reeves? So it wasn't just about trying to sell the product that we were going to deliver. It's about selling the credibility of that business as well, how we procured, how it developed.

00:37:37:21 - 00:38:14:02

GUEST

They had a track record, obviously, in Eastern Europe. And there were the strategy was to try and blend some of the best bits of how they developed in Eastern Europe, with some of the best bits of of how we develop in the UK and Western Europe. And, you know, that posed some, some significant challenges, some of which were, not easily overcome, but at the same time it was, being in the market and actually being a, as I say, a true ambassador, not only just trying to sell the building, but also selling the brand and to banks, to prospective tenants.

00:38:14:04 - 00:38:35:18

GUEST

And then, of course, as we were going out and trying to buy more sites, because the objective was to grow and develop more and more sites, it was also talking to, vendors because of course, one of the biggest elements of selling a site is execution risk. You know, who you going to sell it to? And are they actually going to follow through in the promises they've made to you in, and, and, heads of terms for sale?

00:38:35:20 - 00:38:53:22

HOST

You touched on the business. So it's kind of like an integrated model. Yeah. Can you just expand on and also for someone who doesn't know HB Reavis at the time, can you just talk on that legacy in terms of Eastern Europe and actually why they were moving to the UK and why they wanted to apply that model?

00:38:53:24 - 00:39:23:13

GUEST

Yeah, I guess it was diversification for HB revisits the Slovakian business. They had a huge appetite for growth. They were very confident in the way that they, procured and built buildings. Whether that was wholly correct for the UK, I think it's still a work in progress. But obviously they have procured, built, left and sold, a number of buildings now in central London.

00:39:23:13 - 00:39:48:19

GUEST

So, you know, the proof has been that they've been able to divest and take profits from these buildings, thankfully, one of which I was intimately involved in, which was King William Street. So. As they continue to expand west, because obviously they were the business was, sort of conceived in Slovakia and then went to Czech Republic and Hungary.

00:39:48:21 - 00:39:55:09



GUEST

And then they made a bit of a leap to, to come to the UK and then post the UK. They opened up shop in Germany as well.

00:39:55:11 - 00:40:12:24

HOST

Where did you not see it? As a pretty big risk taking a bet on the Slovakian investor. Developer? Yes. They've kind of expanded their footprint, but ultimately, yeah, an individual controls the business, I believe or is it a family office?

00:40:12:24 - 00:40:14:18

GUEST

So,

00:40:14:20 - 00:40:20:09

HOST

Yeah, they could turn the taps off quite quickly. So there's an inherent risk there in terms of making that move.

00:40:20:10 - 00:41:05:14

GUEST

There were to the appetite for growth and the risks, calculated risks that they were prepared to take to achieve that growth. And their track record in parts of Eastern Europe, in Slovakia. Yes. Okay. There were a privately held company. So you didn't have sort of, the same level of, transparency. But I think given a where the market was be there, sort of very clear statement of intent, having gone in and bought King William Street when there were other, more established UK players looking at it, some of which tried to sort of Pooh Pooh Pooh was buying King William Street, and it was a site not without its challenges, primarily because

00:41:05:14 - 00:41:24:22

GUEST

they were, digging the new bank station upgrade directly below it with a shaft, that was going to be sunk, pretty much where the front door was. So there were those that were say, they'll never make it work. And yet whilst it faced its, fair share of challenges, both in terms of construction and procurement, ultimately it was an enormous success.

00:41:24:24 - 00:41:35:17

GUEST

And now sits there on King William Street, having sold it to, to Wells Fargo. Who bought it? I'm pleased to say I think it was about four weeks after the Brexit vote. So that was a bit of a squeaky bum moment.

00:41:35:21 - 00:41:39:23

HOST

I bet. But in terms of, you know, taking that risk.

00:41:40:00 - 00:42:17:07

GUEST

If I can see having done due diligence, what I think the risks are, we all take risks every day when re-instate. So, you know, we all, look at risk adjusted returns continuously. But in order to generate returns for our investors, depending on what the cost of capital is, we'll take risks. So, yes, there was a bit of risk in the personally, I think I actually liked the idea of being able to, mitigate some of that risk as the business grew and myself and some of the other people within the business were responsible for sort of growing the business, growing the team, and as we grew the business that we grew the

00:42:17:07 - 00:42:46:06

GUEST

team, we could see how those risks were being mitigated. You can't mitigate all risks. And, and, indeed, there were some risks that we were unable to mitigate. And indeed, at some point, perhaps, you know, for that incumbent team at that time became unworkable. But, now I sort of if I look at and do my diligence on those risks and personal risk is something that as long as I can see that I can work through it and I can mitigate those risks.

00:42:46:06 - 00:42:48:22

GUEST

It's something that actually I revel in.

00:42:48:24 - 00:43:00:11

HOST

The role was head of leasing. Can you just talk to me about that role and what it is that you did? Because I, I can only imagine, just based off what you've just said, that it's much more than just leasing.

00:43:00:13 - 00:43:22:23

GUEST

Yeah. So again, going back to the product definition piece, because it was such a small team in the UK, I became embedded in the design team, which was led by John Roberts Architects. John is an incredible architect and King William Street is just, a triumph of the building. That's putting it in sort of flowery language.

00:43:22:23 - 00:43:55:07

GUEST

But it's an amazing building. And, you know, hub really should take up a huge amount of, credit for, for that as well. So was really defining the product, funnily enough, as working quite closely with core as well to begin with, who's a party I work with very closely to this day. Being able to sort of filter into, that product definition piece, the stage two, stage three design about what it is that the UK demands, what our customers want, our clients want.

00:43:55:09 - 00:44:18:07

GUEST

How do these structures, actually, how they potentially impact how you going to procure this build on the sort of warranties and what it is that tenants and customers expect from a developer? Because signing a lease is all well and good. But of course, when you're signing significant off plan, that's then your customers have are placing significant degree of trust, in you as a developer.

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GUEST

And they obviously, having to have their own risks in respect to that development, then they want to be able to have those risks, articulated to them by their own team, but also for the developer, where it's all possible to mitigate those risks. Now, on a big seller, I've been lucky enough to close a deal, in the last couple of years with Travis Smith.

00:44:38:04 - 00:45:06:13

GUEST

So where a developer can work with a client to sort of mitigate and and lessen pose risks and of course, of course, we can't deal with every risk that a tenant may face in terms of signing an off plan. Let's. So it was spending a huge amount of time both selling because that's what leasing is. Ultimately it is selling, selling the space, but also, really being that the sort of the UK face along with Thomas third act of, of HPR.

00:45:06:13 - 00:45:12:10

GUEST

So that's where it was much broader. Rather than just selling office space.

00:45:12:12 - 00:45:20:08

HOST

You're there for two shots three years. And then I see Ivanhoe Cambridge came knocking and said, you've got a story about how they've gone about.

00:45:20:08 - 00:45:48:03

GUEST

Yeah, actually, so I went to Lendlease for a couple of years post HB Reavis. And it's interesting with HP Reavis that the team that managed the business in the UK sort of set itself a goal. I did anyway, personally, of, seeing 33 King William Street through to, an eventual sale. Both in terms of my own personal satisfaction.

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GUEST

And obviously I was going to be remunerated on a successful outcome of that deal. So I was very pleased to say that that that was, we managed to close that down, as I say, a few weeks post the, the Brexit vote, which, yeah, that was a real squeaky bum moment. But, and then I was approached by Lendlease, to go and look at and help them with Cql, which was another new challenge.

00:46:13:06 - 00:46:34:00

GUEST

It was a campus challenge. It wasn't quite as, as cool or should we say, or in the core, clearly it's, it's an East London campus. And and that again came with it, with it sort of with its own challenges. But that, again, was a, a director leasing role, but it expanded considerably into a role that was around product definition and working with Lendlease.

00:46:34:00 - 00:47:07:07

GUEST

Lendlease obviously is a big global brand and and has a lot of credibility behind that brand. But again, it's talking to people about and it is the first time I'd ever dealt with, talking more about wellbeing and campuses and the space that binds the buildings together, not just talking about the buildings themselves. So again, when I referred back to or I was talking earlier about what you think you're going to learn of what you have learned, I like to reflect and also look forward.

00:47:07:09 - 00:47:23:05

GUEST

Going to Lendlease was something new for me to learn about, talking about offices and real estate in a in a different way to how I potentially did HPE rebase, where it's very focused just on the building, whereas this was focusing a lot more on on the place.

00:47:23:07 - 00:47:31:11

HOST

And the curation and the other absence of what drive overall return complete, you've got to incorporate whether it's SMB or it's.

00:47:31:11 - 00:47:35:05

GUEST

All I mean people took in own seismic experience.

00:47:35:07 - 00:47:36:04

HOST

Yeah.

00:47:36:06 - 00:47:53:14

GUEST

Amenity you know, is it's amenity rich how much people can feel within the space. How does that contribute to their wellbeing? When I say space, I mean the indoor and the outdoor as well, because Ikea was a was a neighborhood as such, rather than just the development of a single building.

00:47:53:16 - 00:48:16:20

HOST

Do you consider yourself, restless when it comes to, to, to, to some of the moves? Because I know you've had a few short moves. Is that, you know, and I know people don't have kind of 30 year careers in one particular company anymore. Do you see, you know, those moves as an opportunity to kind of go learn, have an impact, acquires certain set.

00:48:16:21 - 00:48:35:02

HOST

But you've just got an insatiable and insatiable appetite just for kind of like professional development and learning and, and stacking all these different skills because. You, you know, it's very logical and it makes sense why you've made the moves when you have the kind of different skills and the facets you've kind of put into your armory at each move.

00:48:35:02 - 00:48:54:14

GUEST

So there are different elements to it. And, you know, we're all human beings at the end of the day. So if there is some changes in personnel within organizations, and perhaps you don't fit with those changes that happened during your, period that year within those organizations. And, you know, clearly that can lead to, matters becoming unsettled.

00:48:54:14 - 00:49:14:13

GUEST

But I've always looked back and thought, I've been able to achieve what I set out to achieve in each of the roles that I've had. And then, partially through, or predominantly through my own making, but to some degree, a bit of luck, and we all need a little bit of luck that that the moves have happened as well at times that have really suited my career progression.

00:49:14:13 - 00:49:38:01

GUEST

So yes. Yeah. I've been there for about two and a half, three years and it was a, it was a really good time to move on from HBL having just closed 33 King William Street and moving on on a high. And then with Lendlease, there was the opportunity to potentially go out and I actually looked at doing something for myself for a little while.

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GUEST

But then a headhunter I was working with quite closely to introduce me to different sources of capital, not in terms of fundraising, but just going in and doing almost like white label asset management. Just approached me one day, who's still a friend to this day, and said, do you fancy a job? And I thought to myself, I'm not sure I do.

00:49:58:14 - 00:50:14:11

GUEST

I quite like the idea of doing something for myself, being my own boss to, to a certain degree. And, he said, no, I really think you're going to talk to these people. And, so I went to home and spoke to my wife at the time, and she said, no, I definitely think you should take a job.

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GUEST

So I went off and had a chat with Ivanhoe Cambridge, which had some relatively similar, similar characteristics to Berenice insofar as, they had big exposure to, similar characteristics insofar as they already had big exposure to, the UK, whereas sprint was trying to grow their exposure. But I was going to be the first UK employee for Ivanhoe Cambridge for some time.

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GUEST

So again, I'm quite, comfortable with turning up in an office on the first day. In first I age, Berenice, I turned up. I was the only person in the office. First I turned up overnight. Cambridge. I was literally the only person in the office for Ivanhoe Cambridge. So. And that's something that I'm to some degree comfortable with because I'm confident in my own ability to to get on with it.

00:51:01:09 - 00:51:09:13

GUEST

And I'm very comfortable in my own ability to, where I have autonomy to do so, to make decisions and move forward.

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HOST

What was the why were Ivanhoe Cambridge expanding here? Why did you fundamentally so what was your remit?

00:51:16:17 - 00:51:54:07

GUEST

Ivanhoe have always had exposure as well. So it was I've had exposure to the UK for, for some time. They perhaps have not had the same level of public, prominence as perhaps some of the other Canadian investors. But they've generally done, investments through partners, operating partners. There was a move to try and, just influence the direction of travel a little bit more in terms of some of the assets that we already owned and indeed have a bit more of a hand on the tiller in terms of the acquisitions that we were looking to make.

00:51:54:09 - 00:52:19:02

GUEST

So I joined, and about three months later, a colleague of mine who's head of investment in the UK joined as well. I could I took a full, so we were there primarily to we had some a portfolio of office assets that were performing very well, but we wanted to sort of continue to grow those assets and potentially look at an ultimate, exit on those assets.

00:52:19:04 - 00:52:40:09

GUEST

We had another assets, Duncan's court that had not quite gone to plan in terms of it was underwritten as a core plus acquisition, which effectively meant that the the underwriting at the time of acquisition was to repair and renew the lease with the tenant, which didn't happen. So we were facing huge void exposure there. And indeed significant CapEx risk as well.

00:52:40:11 - 00:52:54:19

GUEST

Because they had they the business plan pivoted towards, regaining the lease with the tenant towards either a significant refurbishment or indeed a wholesale, developer, a knock down and redevelopment.

00:52:54:21 - 00:53:02:15

HOST

You touched on working with operating partners. Would that would they invest in assets directly with operating partners and then build platforms?

00:53:02:17 - 00:53:24:02

GUEST

There's a many different ways to skin that cat. I think the way that we tend to operate is that we, we have sort of, assets where we have, 100% and have full control. We then have assets where we have sort of, which we call semi direct, where we have control, but we work with operating partners.

00:53:24:02 - 00:53:52:15

GUEST

And then, we have obviously discretionary funds that we invest in the likes of some of the bigger, US managers. But we tend in the UK, the assets that we look after directly are either direct or semi direct investments. And yes, the operating partners, some operating partners will put some equity in 5 or 10%. But we still like to have overall control of the, the strategy and the direction that these assets go.

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HOST

And that enables you to have quite a small lean team. Exactly. It's about round.

00:53:56:22 - 00:54:19:16

GUEST

Ultimately it's about resource. At the end of the day, it's about being able to turn on and off that tap when you need that resource, but also working with good people. We I've, pleased that I've been able to hire, someone just recently, but that was quite a long and complicated process. So finding the right talent at the moment is incredibly difficult for numerous reasons.

00:54:19:18 - 00:54:27:15

GUEST

So with working with trusted partners, you can access that talent without having to go into the market and hire it yourselves next time.

00:54:27:15 - 00:54:44:24

HOST

We make it much, much more easy and much more enjoyable, to, to, to hire a top performer. So make sure you give us a call next time. So how how do you how do you go? Well, how does one go about working with Ivanhoe Cambridge? Yeah. From an operating budget. How how do you form that joint venture?

00:54:44:24 - 00:54:58:13

HOST

How do you how and what do you look at. Because I appreciate it. So I see the deals that they bring to the table. But it's also the quality and the credibility of the, the partnership or the team behind the, the operating partner as well.

00:54:58:15 - 00:55:20:09

GUEST

Yeah. So I, I guess I can only primarily speak for the UK or that we have partners that we operate with globally. Some just within Europe, others just within Asia, and then others just within North America. But, with some of the larger partners that that relationship as a, as a global relationship, whether it with Blackstone or Hines.

00:55:20:11 - 00:55:41:06

GUEST

But in terms of the way that we've historically operated in the UK, that the UK team has grown since myself and AJ joined, we're now seven as opposed to two. So we are bringing in more and more resources. The portfolio sort of matures and we we take on a little bit more in terms of, the direction of

travel that we want to go in.

00:55:41:08 - 00:56:02:15

GUEST

But now we've tended to work with office operating partners where they have brought the deals to us. Whereas now we tend to be a little bit more standard, our own two feet in terms of originating deals. We would operate with residential partners, actually, Greystar one of our biggest residential partners, who we have a global relationship with.

00:56:02:15 - 00:56:36:16

GUEST

They would bring us deals and then put equity into the deal as well. We put it into a sort of GPL pay structure. PLP, who we do, most of our, logistics within the UK, which is a developed core fund where again, that was brought to us actually by Macquarie before I joined. And that was a platform where we actually invested into the Manco, the business, as well as actually, providing the majority of the equity funding for the, for the, for the deals themselves so we can skin that cat many different ways.

00:56:36:18 - 00:56:57:23

GUEST

I think at the moment, in terms of, because we're quite a thematic investor, we are a pension fund as well. So whilst we, we're not, we're happy, to look at risk. And in the UK we tend to move a little bit higher up the risk curve than perhaps we would do in other, in other geographies.

00:56:58:00 - 00:57:28:09

GUEST

So we will work with operating partners within our existing portfolio, where we might bring an operating partner in to, fulfill our, a skill set that we can't resource internally. So probably a good example of that is, a couple of big office developments that we're looking at at the moment, one of which is, coming out on the ground at the moment, which is Stonecutter Court, where we're working with, core as, as a delivery partner rather than, sort of a true operating partner.

00:57:28:13 - 00:57:46:09

GUEST

And, you know, that's a relationship that we really value. So that's one way where we actually go out and source the operating partners ourselves. And, you know, we pride ourselves both for the whole of the UK and European team pride ourselves in actually knowing a number of partners of who to approach it depending on the characteristics of the deal.

00:57:46:11 - 00:58:07:12

GUEST

Obviously we we have partners who bring us deals as well. And yeah, this is an evolving space where there's always new people who are setting up. And you've probably had some on your, on your podcast to set up as, as operating partners, having come out from bigger shops and are now looking to, to bring deals and source new opportunities with funds like ourselves.

00:58:07:14 - 00:58:31:08

GUEST

And you know, they are they're really quite interesting people to talk to because they whilst they might not have that sort of track record, they've got that track record within their previous shops, but it's also that degree of enthusiasm and the different skill set they can bring to it. Because, you know, I think the way that we, we look at real estate is, is ever evolving in terms of how we provide that service to our clients.

00:58:31:08 - 00:58:55:07

GUEST

What are the characteristics, how do we talk about real estate nowadays? You know, what's the key

drivers of value? You know, what are our main pillars when you look at Ivanhoe Cambridge? And yes, we're here to generate a return for our investors, but the ways that we might look to generate and the levels of those return that we might look to generate in consideration of some of the challenges that we face at the moment, may may be different.

00:58:55:09 - 00:59:05:13

GUEST

And I think some of the younger operating partners actually look at that with a slide through a slightly different lens, and perhaps some of the more, established operating partners.

00:59:05:15 - 00:59:13:20

HOST

I guess you can de-risk in a sense. It's given your, your understanding, the house, the house is understanding and there's different ways of structuring and rolling up the fees of this benefit for the operating partners that.

00:59:13:20 - 00:59:36:08

GUEST

You can de-risk, and then you can actually potentially end up taking a little bit more risk as well, because, you know, actually procuring and and buying, a development of, you know, several tens of millions, if not hundreds of millions of pounds is is a skill set that actually is is rarer than you might appreciate. So, you know, whilst you could find yourself working.

00:59:36:08 - 00:59:58:12

GUEST

Oh, yeah. Go and find an operating partner that perhaps looks at it through a slightly different lens. They still need that, that core skill set, if you'll excuse the pun. I've actually been able to buy and and build these buildings and building whether it be sheds, offices, built to rent, you know, it's a very complex and quite risky thing to, to undertake.

00:59:58:14 - 01:00:20:08

HOST

How do you get comfortable personally on the individuals that maybe have been in other shops who've left, set up their own businesses? How did you get comfortable with, their ability without a track record to actually show you that they can take pension fund capital and deliver a return and liability match? It?

01:00:20:10 - 01:00:44:07

GUEST

That's a very good question. I think so far we've probably erred on the side of caution and gone with more established operating partners just to date. Yeah. For some of our office developments and then, for our shared development, it's been with a group of individuals who have got, a wealth of experience. So, I think it's perhaps the way the world is, is moving towards.

01:00:44:07 - 01:01:05:03

GUEST

It's just whether we perhaps haven't, sort of gone in that direction just yet, but it's certainly something that's on my mind. I talk to again a few of these characters when I've been on your, on your podcast in the past, that talking to people who are new entrants into the market. But it's not it. You're.

01:01:05:05 - 01:01:20:15

GUEST

It bit chicken and egg, isn't it? You can create your own track record if someone's prepared to actually invest with you. So what you need to look at is what have they achieved elsewhere? Yeah, some of these parties, they would have been at relatively big shops. And if you look at what they achieved within those big shops, it's considerable.



01:01:20:15 - 01:01:41:02

GUEST

So when I, if I was to go to investment committee and recommend a partner, it's not just what would they achieve within their new shop or what have they achieved throughout their career? And indeed, what do they stand for and where can they add value here? Ultimately, not just in terms of, numerically, but what's their stance on ESG?

01:01:41:04 - 01:01:52:11

GUEST

And the E and the S and the G, you know, have all the G doesn't get talked about as much as perhaps it should do. But governance is is of huge importance, especially to us as a as a global pension fund.

01:01:52:11 - 01:02:05:03

HOST

Can you just expand of G because you have quite a few people on the focus? You. Yeah, I've c spoken about E an awful lot. So I had some a little bit more recently on the S and the impact element. Talk to me about the G.

01:02:05:05 - 01:02:35:01

GUEST

So the GS is it's difficult to quantify it from a financial aspect, but it's, it's about, how they govern themselves. What do they stand for? Is that governance, of sufficiently high quality so that we can actually get comfortable with the risks that may come from that governance? I don't think we've ever had a situation where we've had, sort of any particular, issues with the governance of a partner.

01:02:35:01 - 01:02:58:24

GUEST

But, you know, the property press does like to run some stories every now and again. And we're very focused not only on, the financial return that we generate, for our fund holders, but also the reputational risk as well. So, you know, we don't necessarily want to be investing with people who are going to potentially, take us in a direction that we perhaps don't want to be in terms of the G.

01:02:59:01 - 01:03:24:14

GUEST

I do think the and the s perhaps slightly easier to quantify, especially as we evolve into these spaces. The E in particular, it's becoming easier to quantify in terms of the financial return that we will see from the E. I think it's more about liquidity exit rather than, sort of day one value out and whether tenants will pay more rent for a building that has these sort of exemplary ESG characteristics.

01:03:24:14 - 01:03:39:07

GUEST

I think it's more about the the you're going to see this brand discount emerge and whether or not you can even lease or sell buildings that are considered to be brown or stranded. So it will just be a delta between the two sets of values.

01:03:39:09 - 01:03:46:17

HOST

We spoke of my around concept for the green IRR. Can you just expand on that? Like what is a green arrow?

01:03:46:19 - 01:04:17:02

GUEST

And so I mean we we've been looking at as all of the big funds have in terms of what we can sort of truly add in terms of our own ESG commitments moving forward. And, you know, it's clear that as we develop

these new buildings and we move towards sort of net zero carbon, there is a considerable amount of, commitment in terms of potential CapEx.

01:04:17:04 - 01:04:52:12

GUEST

And we have a cost of capital, and we want to try and achieve and exceed that cost of capital. That's the returns that we sort of promised our shareholders. But if we can blend some of the returns that we need from that capital expenditure with what we call a green IRR, which will be a lower IRR, to reflect the fact that it has, a greater degree of social benefits rather than just financial benefit, then perhaps we're going to be able to blend and look at a slightly lower, this is something that's still a work in progress, but a slightly lower cost of capital for the deal as a whole.

01:04:52:14 - 01:04:59:02

HOST

But net net is much more positive benefit. And then in terms of the ease in terms of raising capital, yeah.

01:04:59:04 - 01:05:28:14

GUEST

It's a very binary example. If you you wouldn't do it now anyway. But, let's just give a binary example. If you were looking at building a new office building, it's probably cheaper in terms of your financial commitment. Day one to buy boilers than it is air source heat pumps. But everyone would want to and even now, to comply with planning legislation and the life cycle carbon analysis that you'll have to undertake to get your planning permission, it would still be cheaper to buy boilers, but people know that you simply wouldn't buy boiler.

01:05:28:14 - 01:05:52:09

GUEST

In my opinion. We wouldn't buy, boilers now, perhaps wouldn't even buy an office building that was, serviced by gas fired boilers. But, the CapEx requirement to buy a source heat pumps as opposed to boilers is, is is higher. And therefore can you attribute a slightly lower return to that CapEx element than you would have done otherwise?

01:05:52:11 - 01:06:19:00

HOST

Ivanhoe Cambridge Pension Fund long term view index returns. You touched on the city a bit more private equity model in and out. How do you manage risk and how do you how do you allocate different pots of capital to, to maybe a bit more kind of like value deals compared to core long term secure income? Deals as well.

01:06:19:02 - 01:06:42:01

GUEST

So if we look at it on a purely UK basis, we have probably more money invested at the higher end of the risk spectrum. We do a lot of development through partners in the UK and, and that is blended with deals that we will do elsewhere and indeed existing portfolios that we have elsewhere, potentially in North America, Canada, Asia.

01:06:42:03 - 01:07:08:18

GUEST

We as a, as a business have always been quite proud of. And I think historically quite focused on development, especially in Europe and Asia and the UK. And we sort of blend that with retail portfolio that we have, we have a huge legacy which that we've been able to divest some of, legacy portfolio of retail within Canada, which has certain positive characteristics.

01:07:08:18 - 01:07:30:06

GUEST

And then, you know, we're not going to be sort of too ashamed to say that it has some negative characteristics as well, given the challenges that the retail market has faced over the last, well, many years now. So, yeah, the appetite to risk is on a risk adjusted basis. We want to find that right balance between sort of value add and opportunistic.

01:07:30:08 - 01:07:47:02

GUEST

We tend to look in the UK if we're going to do develop its developed core. So we can then potentially recapitalize those assets and keep some equity on the table and, and clip off the, the income from those assets. Or we may look to, you know, once we've executed the business plan is to divest those assets completely.

01:07:47:04 - 01:08:16:04

GUEST

Probably the best example of that is Minster building that was bought with Greycoat, which is an operating partner that we, we work with quite closely over a number of years. And we worked through a business plan of repositioning and leasing and then decided to divest that asset purely because we felt it was the right time, both in terms of the market, but also the right time for us to reinvest that capital or take that capital and reinvest it into, elsewhere, because we felt we could generate high returns by taking that equity out of that deal.

01:08:16:06 - 01:08:28:05

HOST

As we as we sit here to that end of June, can you just give me a bit of an overview of the UK portfolio just in terms of the numbers, and in terms of where, where the capital allocated as well.

01:08:28:07 - 01:09:05:06

GUEST

So at the end of Q1 2023, we were looking, the portfolio valued at around 3.3 billion, Canadian dollars. That's made up of actually quite a broad cross-section of assets. We, a partial owner of, easyhotel that we took private. We have quite a significant exposure to logistics office, and residential. But we've also been able to close throughout the, second half of last year, some fairly imaginative deals with, capital where we were, quite a significant investor into a fund that invests, into film studios.

01:09:05:06 - 01:09:27:03

GUEST

So, relatively broad cross-section. And indeed the focus looking forward we will potentially be more around as a lot of investors, the traditional sectors being bets and sheds, with sort of a, a focus to look at perhaps a branch of green strategy in terms of offices. But, definitely a focus as well on some more alternative strategies.

01:09:27:06 - 01:09:45:06

HOST

That leads us probably quite nicely as we as you draw to close this conversation, question I ask everyone on the podcast is if I was to give you 500 million pounds of equity, I know that's a drop in the ocean. So some of the stuff that you guys are managing, who are the people? What property in which place would you look to to deploy that cash?

01:09:45:08 - 01:09:58:03

HOST

And of course, you can have your team, I'm going to push you a little bit to kind of maybe think a little bit, a little bit broader. Is it that front green strategy is, so.

01:09:58:05 - 01:10:37:18

GUEST

Oh. I'm going to be a little bit contrarian in terms of the House view. And in fact, you might expect me to say this because of the, my experience with offices. But I do think that the brown screen strategy, if you can find the right product with offices, is something that, given the acute lack of stock in the development pipeline that's coming through in 25, 26 for, central London offices and the the laser sharp focus that clients have on, assets that do have these exemplary ESG characteristics, not just operationally.

01:10:37:20 - 01:11:12:08

GUEST

They're also looking at the embodied carbon within the buildings as well, which again, sits with the brown screen strategy in terms of not knocking these buildings over any longer, but repurposing and, and remodeling buildings. I do think that that is the sector that I can see some, some potential returns and value. And in that sector, if I had, let's say, stick 250 million into that, another 250 million, I quite like some of these alternative, sectors that we're looking at, at the moment, I think build to rent.

01:11:12:08 - 01:11:37:15

GUEST

If you're looking for income return, and you're prepared to take development risk so you can set on your own cost is still quite attractive given the again, very acute lack of, supply. That the build to rent sector, especially in west London, where we're developing at the moment is suffering. And again, having been round some of these film studios that we've just recently invested in, where I was, yeah.

01:11:37:15 - 01:11:48:08

GUEST

Lucky enough to tour some of the sound sets just from their personal experience. Hopefully they'll make lots of money, but, the whole experience of walking around these was, was was truly incredible.

01:11:48:10 - 01:11:50:03

HOST

Content, isn't there? You know.

01:11:50:05 - 01:11:50:19

GUEST

Context.

01:11:50:19 - 01:12:09:06

HOST

Is king, content is king as well as cash flow. And that's, I guess, what we're doing today. But, Richard, thank you so much for joining me on the podcast today, sharing a little bit about your backgrounds and your learnings, how you've kind of navigated your career, stacked a lot of different skills and how you, you've applied them in your existing role and also what you're doing at Ivanhoe Cambridge.

01:12:09:08 - 01:12:12:24

HOST

I excited to see what you and your operating partners and what a business got to do.

01:12:13:03 - 01:12:15:15

GUEST

So thank you very much. Thanks.

01:12:15:17 - 01:12:39:06

HOST

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01:12:39:06 - 01:13:06:16

HOST

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01:13:06:18 - 01:13:09:23

HOST

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