00:00:00:00 - 00:00:29:24
GUEST
It was soul destroying in many ways at the time, and it also it did. I think it’s fair to say it didn’t suck energy away from the opportunity that presented itself. We were quite focused on patching up the problem assets, not focusing on. And that’s the lesson I think that’s come out of that term for today is whilst of course, and we’re very focused on looking after the stresses carried on portfolio, but but we can’t make it at the expense of new opportunities, which I can understand.

00:00:29:24 - 00:00:49:08
GUEST
Those would be say the most dangerous wise investment are it’s different this time. So I think you’re right. I think, yes, it’s it’s easy to forget, and it’s easy to be caught up in the moment. And I think most of us are in this business because we’re optimists. And, you always hope things will be different.

00:00:49:08 - 00:01:01:22
GUEST
Yeah. But and and it is a mark Twain was that I think that history doesn’t repeat itself and it does rhyme.

00:01:01:24 - 00:01:30:10
HOST
Welcome to the People Property Place podcast. Today we are joined by Rob West, managing partner and co-founder of Clear Bell Capital. Rob’s specific responsibilities are for developing new business and deal origination, and he’s also a member of the investment committee and head of the ESG committee. Over his 30 years in the real estate industry. He’s been involved in the leasing, investment and asset management of approximately 2.5 billion pounds worth of UK property.

00:01:30:12 - 00:01:32:16
HOST
Rob, welcome to the podcast.

00:01:32:18 - 00:01:33:23
GUEST
Thanks, Matt. Nice to be here.

00:01:34:00 - 00:01:47:00
HOST
Not at all. Well, look, I’m really excited about unpicking your career a little bit and understanding a little bit more about the businesses that you’ve set up and views on the markets. But a place that I always like to start this conversation is how, how and why did you get into real estate?

00:01:47:02 - 00:02:05:15
GUEST
Well, as an anthropology graduate, it wasn’t an obvious connection at first sight, but I had thought about research before going to university. But I didn’t want to go necessarily read Land Economy. I tried to get into Cambridge and they decided they didn’t want me. And I’ve grown up very near Reading in Oxford. Didn’t really want to go to Oxford Brookes.

00:02:05:17 - 00:02:24:22
GUEST
So I suppose it was or reading. I want to go a bit further afield, do something else. And I was also keen rower and rugby player and Durham appealed to me quite a lot. In fact, I won’t go to university at all. And I was on holiday in Cornwall with a cousin of mine when I got my A-level results and he said if you wanna have a really good time, go to have a college.

00:02:24:22 - 00:02:34:01

GUEST
Durham read anthropology and that’s what I did and he was quite right. And in fact, ironically, he is now chief executive. The jockey Justin Young.

00:02:34:02 - 00:02:35:08
HOST
Yeah, he’s got a tough job there.

00:02:35:09 - 00:02:38:22
GUEST
He certainly has got his work cut out there. Yeah. As he as he admits.

00:02:39:01 - 00:02:46:03
HOST
So you went to Durham. Did anthropology? Yes. Did he what what did you think you would do after you did anthropology?

00:02:46:05 - 00:03:01:15
GUEST
To be honest, at that age, I wasn’t really thinking very far ahead. I didn’t really have much idea, but I had this inkling that I wanted to go into real estate. So I remember my father sitting me down in my last year at Durham and saying, now, what are you going to do? It’s it’s high time you sort of grew up a bit and acted responsibly.

00:03:01:17 - 00:03:22:23
GUEST
So I said, well, I’m interested in in property as a, as a career. Yeah. So he said, well, my father was a lawyer, did a lot of property work, and he had a few connections in the property industry. And even though this was now 1990 and we were going into at that point the early parts of a major crash, a major recession, a real estate downturn.

00:03:23:00 - 00:03:41:05
GUEST
Through his connections, I was able to get a job. So I got an interview with a firm that just happened to be looking for a graduate at that time. So I was very lucky. And I got a phone call, Danny Watney, in September 1990, which I think if you look at the charts, was when the city market went into freefall, and that was the market I was in.

00:03:41:07 - 00:03:50:19
HOST
So where did real estate factoring, where where did that kind of enter your psyche, I think, prompted you thinking kind of real estate is a kind of a viable career options that you wanted to explore?

00:03:50:21 - 00:04:08:23
GUEST
I think there is a connection between geography. That was always my strongest subjects in school and real estate. I went on to City University, to do the real estate. Well, I actually went to the premier property valuation and at the time, which is now a masters at base, and actually most of my peers, a lot of my peers had come from a geography background.

00:04:09:00 - 00:04:30:06
GUEST
So I think there is a connection between between the sort of human geography side of things and being interested in how towns work and how demographics interact into into real assets. And I also liked there was some sort of like the sort of the income producing side that you could own a building, you could

collect rent and you could, you know, you can make money.

00:04:30:06 - 00:04:36:15
GUEST
It was a sort of monopoly side of things that that that appealed as well as the academic side coming from a geography background.

00:04:36:15 - 00:04:43:23
HOST
Blending, blending it all together. Yeah. So real estate is a is an interesting section because I guess through your father, you've probably been exposed to a few different industries.

00:04:43:24 - 00:05:07:18
GUEST
Yeah, he was involved in some quite interesting deals. Like the rod exchange. He might have a lot of city livery companies and that sort of thing. So I picked up a bit of that, and my mother's family have a bit of a property interest as well, which is still going, although it's pretty diluted today. But but I've been involved in that and that, that again gave me an interest in a couple of small buildings in the West End that I was able to see how they worked and how the tenants worked.

00:05:07:18 - 00:05:29:05
GUEST
And, and, and how the value went up, you know, and there's money to be made and that, that is appealing when you think about what to do. Yeah. That was, you know, an attractive, you know, side of it that, that it you didn't have to be traded at all. My friends went to the city. So a lot of my contention down qualified accountants that didn't really appeal to me all the way to the city.

00:05:29:07 - 00:05:35:24
GUEST
And at the time, getting up at five in the morning didn't really appeal to me. So I thought, actually, real estate is something that is is a better work life balance.

00:05:36:00 - 00:05:36:21
HOST
Yeah.

00:05:36:23 - 00:05:43:14
GUEST
And, and there's something that interests me. So you give it a go. And I also like the fact that not many of my friends were doing it either at that time. Interesting.

00:05:43:16 - 00:05:49:20
HOST
So you landed on your money and the market was going put on as a graduate or.

00:05:49:20 - 00:06:14:11
GUEST
Well, sort of graduate. I mean, at the time, they didn't really know what to do with that non-cognitive graduate. So I sort of came in on it on a trial basis. And after about six months, it was clear that if something I wanted to, to carry on doing. Yeah. So I then applied to City University, which at the time ran an evening class, for people who needed to convert, from non-cognitive backgrounds into a tourist type background.

00:06:14:13 - 00:06:32:17
GUEST

So I joined a financial course there, which was two nights a week for for two years. So it was pretty high level. Yeah, really. But it was it was an interesting people on that course who I've stayed good friends with. They've all, you know, done well. Okay. For people like Toby Courtauld, David Marks was on the course at Brockton.

00:06:32:17 - 00:06:48:09
GUEST
Jay Fruit and Jack Pitman from Paloma. I really, Nick Preston, tri tax. So it was it was a it was a good cohort. It's relatively small, but we, we got what we needed, which was a diploma in property valuation and law, which got us to our qualification. And, it was good. It was, it was hard.

00:06:48:09 - 00:06:59:12
GUEST
But then because I was doing city agency by then, and you're running around all day doing viewings, and you go and sit in a hot lecture theater and listen to a three hour long lecture. And it's a question of how long it takes you to fall asleep.

00:06:59:15 - 00:07:00:01
HOST
Yeah, I can.

00:07:00:02 - 00:07:03:18
GUEST
Imagined, but but but as I said, it was it was a well-run course and,

00:07:03:20 - 00:07:04:14
HOST
Had some mates there.

00:07:04:19 - 00:07:09:17
GUEST
Yeah, we made some connections and we got what we needed, which was to get the qualification.

00:07:09:19 - 00:07:17:16
HOST
So you did five years or so or six years at under what ni what what prompted you to leave and why did you leave? Because you landed at Nelson Bakewell.

00:07:17:18 - 00:07:35:05
GUEST
I'd been trying to leave for some time because I was doing, by then sort of doing rent reviews, which was great. Background. And then I read City Agency, which was a really good thing to do at the time because there was a huge amount of development coming out late 80s that were sitting around empty, and every day there was another launch party or relaunch party.

00:07:35:07 - 00:07:54:24
GUEST
So it was very social. I hadn't got to know. A lot of people got to learn about the business, but by then I'd worked out that I wanted to move into the investment side of things, and we didn't really have an investment department. So, the I tried a few things, and actually, though, I answered an advert from the Estates Gazette for an investment about Nelson Bakewell, and I was lucky that I worked with charcoal.

00:07:54:24 - 00:08:09:19
GUEST
Simon Marriott, previously who'd buy, then moved on to Henderson. And he was at Nelson Bakewell and

was good friends with Rob Noel, and it was Rob Noel that was recruiting for the role. So somebody that could work with me, and I managed to get the job with Rob to do, to join the investment team at us.

00:08:09:19 - 00:08:25:13
GUEST
Becker, which was, which was really thriving at the time. They Rob Rob was a really effective Asian. And Charlie Allison ran the buy side, and we were doing a lot of business with G capital. Yeah. And a lot of, quite a lot of public to privates going on. And it was just a, it was just a really exciting, dynamic business.

00:08:25:14 - 00:08:37:02
GUEST
It when I started there, there were 120 people. Yeah. But I left five years later there were 350. Wow. So it was it was a fun. It was a really fun, work hard, play hard environment. And I really enjoyed investment agency.

00:08:37:07 - 00:08:40:05
HOST
What? Why investment agency?

00:08:40:07 - 00:09:01:18
GUEST
I guess partly financial. It within the agency world, it’s the the highest earning part of the world. And also struck me as being the most challenging and the most interesting. And that would lead on in due course to, to move clients I, which was always from quite early in my career, something that I was keen keen to do at some point.

00:09:01:20 - 00:09:04:10
GUEST
But but agency was great fun while it lasted.

00:09:04:13 - 00:09:23:18
HOST
And what was that? The client side piece? Was that because you wanted ultimate decision making, responsibility or ownership over what happened? And actually breaking few deals was great. But you can see the business plan and the implementation. What happened post you selling the the building to a fund was that was that was a big motivation.

00:09:23:18 - 00:09:36:05
GUEST
Why that was big motivation. You write a business plan, you then you just hand it over to someone else. In fact, I have to say now living, working through a downturn as we are now, the idea of walking away the building once you’ve solved it, is quite attractive.

00:09:36:09 - 00:09:36:21
HOST
Yeah, I can.

00:09:36:21 - 00:09:55:04
GUEST
Imagine, but no, but that was that was definitely a motivating factor. And I think also it’s again, it’s the, the challenge. I think I felt that that was you know, it’s harder. There’s no there’s no question. Is it difficult to make the right choices. Yeah. And and to challenge yourself to do that regularly is is appealing.

00:09:55:06 - 00:10:02:11
HOST

So how did that client side move come about then. Because you know, some of just shy of five years I think they sold capital one day.

00:10:02:17 - 00:10:30:20
GUEST
So I left before they sold to capita. I was approached by, a couple of guys who were setting up a new agency business on the back of Smith's Autos s SG commercial, Smith's go commercial, but it was a standalone niche investment business. But I was only about 30. But it gave me the confidence to go and set up on my own, knowing that we had that, that wrapper, that actually, in hindsight, didn't actually lead to too much in terms of business generation.

00:10:30:22 - 00:10:48:02
GUEST
But, but but Nelson Baker was quite an entrepreneurial culture because he'd been set up by the principals. And so there were a lot of people did leave to set up their own businesses. It was quite a sort of, a thing that other contemporaries of mine had done. So that was appealing to set up, on my own with two partners and a blank sheet of paper.

00:10:48:04 - 00:11:08:16
GUEST
And we said, we have a sheet of paper and a phone and a desk when we first started, we share the phone. We literally analog handed the headset, the handset between the two of us, just James Donovan, myself. So it was, an interesting time. And it was it was great to be, you know, three young guys, with a new business and building that up.

00:11:08:22 - 00:11:10:18
HOST
And how did you know those guys? You work with them?

00:11:10:20 - 00:11:35:07
GUEST
I've done a deal with James Nelson Bakewell. So he was selling a portfolio for the electricity supply nominees, ESN. And I bought it for some quite spiffy, investors backed by Indian capital. And it's taken a long time. And it had been, an interesting process. But we got there and we got to know each other quite well through that and that, that was how, it came about, that connection.

00:11:35:09 - 00:11:36:12
HOST
And because he's a retired.

00:11:36:12 - 00:11:47:19
GUEST
Now, he's trying to. Yeah. But he wanted a partner to set up front, who was more agency focused as Colin Godfrey was a he didn't like Colin as someone who really wants to work with. And that's been borne out by what they've done at Trinity.

00:11:47:21 - 00:11:48:21
HOST
He's also at tri tax.

00:11:48:21 - 00:12:05:22
GUEST
But at the time, Colin wasn't an agency. He was a fund manager. Fine, too. And someone with more of an agency background to bring in. I think Colin spent the whole of that first, our first financial year working on a deal for tri tax. That never happened. But clearly it's gone on to produce tremendous returns for the for

them.

00:12:06:01 - 00:12:13:12
HOST
Yeah. Quite so Smith Gore, the backing or the going to kind of insulate your past business your way.

00:12:13:14 - 00:12:33:20
GUEST
And that was no doubt. So at the time, private investors were becoming more influential. High net high net worth and ultra high net worth in the real estate market. And we thought that Smith's goal would give us access to that client base. As it turned out, you've got an old established land agent in Yorkshire. The last thing he wants to do is introduce three Smiths from London to his favorite client.

00:12:33:22 - 00:12:42:15
GUEST
So it was it didn't generate the the returns that we thought it would. But but other things happened and turned out to to become a great success.

00:12:42:15 - 00:12:58:02
HOST
So what were those other things when you kind of realized, and how long did you realize that, you know, getting introduced to this landed gentry or the high net worth individuals who try to access the commercial space rather than the residential space wasn't necessarily going to, supercharge your business plan. How did you pivot to what did you pivot to and what did that look like?

00:12:58:07 - 00:13:14:19
GUEST
Well, we didn't that was always a sort of something that we would do it alongside working with our assisting clients. So so we'd all sat down with the people we work with before we started and said, do will you support us, in this new venture? And they were all really positive about it. So we all came in with a with a client base to a certain extent.

00:13:14:21 - 00:13:35:04
GUEST
Yeah. And we work with that client base. And that grew and new clients came along the way. Yeah. And we did it. We did try quite hard harvest Moscow, we did a roadshow. We went to all the local regional offices, and we sat down. We had some quite interesting experiences, in freezing cold houses in July in Dumfries and things like that as we went round.

00:13:35:04 - 00:13:43:01
GUEST
But it was, it was, it was a useful experience to go round and present and do the roadshow, even though it didn't yield anything. I think it was it was a good experience.

00:13:43:03 - 00:13:48:09
HOST
And then how did that business kind of evolve and what did it evolve into? What did that look like?

00:13:48:11 - 00:14:14:11
GUEST
So that was that at that time became a general relationship business. So subsequent to my departure, it migrated to try to effectively, so that then became project. So when I was there, it was pure agency. And while I was there, my biggest client in the latter years was a business called Matt Grange. And they set up with Matt Bergman, as was, a joint venture called UK Capital Partners, which was a friends and family fund.

00:14:14:13 - 00:14:34:17
GUEST
We had investors like the McAlpine family. Another and it was the Wilson Connolly family. And, we built up a portfolio as a sort of precursor to both those businesses going on to become for management businesses. It was a sort of trial, if you like. And whilst I was a statutory commercial, I bought all the assets for them.

00:14:34:19 - 00:14:55:18
GUEST
And chuckle Robert, behind the time was at Matt Bergman and Rob left there to move on and as he left he said, why didn’t I set up my own business to take over the asset management? So that’s what I did. And it was a move to get me onside. So that’s, that’s what I felt was a was an opportunity to become an asset manager, to participate in the performance of the assets.

00:14:55:18 - 00:15:00:08
GUEST
Yeah. And and to, to develop my career in that new direction.

00:15:00:08 - 00:15:08:24
HOST
New skills could be transactional. Yes. Ability and understanding this is your opportunity to be responsible for delivering the business plan that you are you are selling or setting.

00:15:08:24 - 00:15:15:09
GUEST
Exactly. Yeah. And the market was booming at the time. It was 2005, 2006. So it was exciting times.

00:15:15:13 - 00:15:26:15
HOST
And was there a personal cost to that at this stage in terms of, you know, walking away from well established business and, you know, a skill set and something you sort of mastered and you were quite good at, clearly.

00:15:26:17 - 00:15:46:08
GUEST
No, because I didn’t stop doing that. So I did carry on doing some agency work as well. Which would, which helped to pay to pay the bills. So, so that, that that certainly didn’t made the transition relatively smooth process. Yeah. And I joined up with two guys. I used to that. Nelson Baker had an office in Brooks Mews.

00:15:46:10 - 00:15:56:14
GUEST
And we said we were co-working before people took that co-working. Yeah. So it was relatively low cost, low barrier to entry. But, but a productive process.

00:15:56:14 - 00:15:58:12
HOST
A mountain range with your kind of principle.

00:15:58:12 - 00:16:03:06
GUEST
So they were my principles around. I did work for other clients as well. But Mac Grange was. That was the key one.

00:16:03:12 - 00:16:15:01
HOST
How was it difficult to generate new business at that stage, or is it all about. I guess it is all about relationships and network, you know, how did you go about trying to build your book and build your business at that stage?

00:16:15:05 - 00:16:30:18
GUEST
Well, it was it was actually relatively easy time to generate new business because the market was booming. So people were keen to do to do deals. So, you know, at the time, I probably thought it was it was down to my, my persuasion and my skill. But I think a lot of it was to do with the market momentum.

00:16:30:24 - 00:16:45:21
GUEST
So that that was really helpful. But it clearly it’s a relationship thing too. And I had a good relationship with that Grange, which I, which I built up. Yeah. And that that’s to me in good stead. And that also takes the pressure off because, you know, you’ve got some regular income coming in to pay the bills.

00:16:46:02 - 00:17:00:17
GUEST
It and I think, it helps certainly the agency. Well to, to, to be more relaxed if you’re desperate then I think that is you can take it up. You can smell it. Exactly. You know, you know yourself if you’re if you’re desperate to sell something, it’s offputting for people.

00:17:00:17 - 00:17:01:13
HOST
Yeah.

00:17:01:15 - 00:17:16:00
GUEST
So so that was, that was certainly helpful to have that. And it gives you something to talk about. It’s very important, I think as an agent as well, in anything we do to have to have. Yeah. When you got to. Yeah. You’ve got a good story to tell. Yeah. It’s that that certainly helps your confidence and helps the process.

00:17:16:01 - 00:17:29:08
HOST
How did the fund perform at that time? Because, you know, as you mentioned, in 2005, you know, markets booming, but we all know that it didn’t go on for years and years and years. You know, it’s probably a couple more years in it before.

00:17:29:10 - 00:17:52:02
GUEST
We exit vast majority of assets pre 2007. Well we actually by the summer of 2007. So the market was still pretty. Everyone could see I remember like in March saying it’s like a restaurant, you know, went a year ago that was it was fully booked and there was a waiting list the same again. At that point it was fully booked, but there was no waiting list.

00:17:52:04 - 00:18:00:09
GUEST
And you could see very soon there would be some some gaps, the tables and things, prices would start to fall. But we got out just in time by luck.

00:18:00:11 - 00:18:01:18
HOST
Lack of judgment.

00:18:01:20 - 00:18:20:16
GUEST
More lack of judgment. Really? Yeah. I think it's fair to say. I think you could you could tell it wouldn't couldn't carry on forever. And as I said, it, it was a relatively slow car crash in some ways because it started earlier in 2000. We've made late 2006 so you could see it gathering. And then there was a credit crunch in the summer of 2007.

00:18:20:18 - 00:18:32:10
GUEST
But it's one thing seeing it in state, another thing being able to exit. Because if your assets aren't ready, if you've got land without planning consent, then it can be very illiquid, particularly when people sense that things are a bit choppy.

00:18:32:12 - 00:18:47:10
HOST
What are the kind of indicators you look for to kind of give you a bit of an early warning, or is it. And then two other too many. It was, is it gut feel? Is it how do you kind of get a bit of a read on on the what do you mean to a couple now? Yes.

00:18:47:10 - 00:19:03:08
GUEST
I mean, I think there are two things. So, so I think that there are two key drivers obviously to it to a data. One is investor confidence, one is tenant confidence. And what is happening in those respective worlds. And you can sense certainly investor appetite. You know if you're putting something on the market and you get ten bits then the market's in rude health.

00:19:03:10 - 00:19:26:20
GUEST
If you get one bid then then there's clearly a lack of capital. So in 2000 it's just got two crazy I mean everyone did the market. And then I think people just like to work out. And then the cost of debt starts edging up. And then people start to get concerned and they start questioning. And then the whole veneer of confidence can disappear pretty quickly, as we've seen over the last 12 months or so.

00:19:26:20 - 00:19:47:22
GUEST
I mean, this time actually, this time last year, we had three months or so, hadn't we have? Yeah. Of people thinking actually the party might just be over. Interest rates are going up. What's happening? Where are we going to go? Yeah. So so I do think and I think slightly over the last ten years outside logistics, a lot of returns have been driven by interest rates falling.

00:19:47:22 - 00:20:08:16
GUEST
So we've become particularly sensitive to rising interest rates. We've also had a period of pretty anemic GDP growth. Yeah. So that's the other key driver that will so if you see the economy side to tank then then that's a time to worry about real estate. Whether it's it's a late cycle indicator. And it will respond later to, to wider economic circumstances.

00:20:08:16 - 00:20:10:04
HOST
And then occupier piece.

00:20:10:06 - 00:20:19:06
GUEST
Yeah. Well again that's a big GDP thing that's about growth. If companies are confident they're going to

grow yeah they will commit to space and they will make those investment decisions.

00:20:19:08 - 00:20:22:02
HOST
And that’s just what being a good asset manager a good tenants knowing what’s good.

00:20:22:02 - 00:20:40:12
GUEST
Yeah I think so. And talk to your agents I mean it’s about hearing what’s happening on the ground. Yeah. And we had an annual meeting in January this year and we were we were saying, would you look at the stats for synergistic take up in 2022? They were gangbusters. Well, yeah. Second best year ever, I think from memory, and right up there.

00:20:40:14 - 00:21:02:07
GUEST
But by even then you were saying that in Q4, new requirements had fallen significantly. And there was definitely a slowdown coming, which coincided with a development spike coming through. And it’s those sort of things that it doesn’t take a genius to know that that is going to lead to rental growth slowing significantly if not falling. And I think we’re seeing that in in many markets across the logistics, just.

00:21:02:07 - 00:21:08:19
HOST
Having a crystal. I also taking the Amazon piece out of that, that logistics report because I made up a bulk of it. Yes. You know, I mean that has.

00:21:08:19 - 00:21:30:11
GUEST
Been a factor for many years now. Look, I know I can’t go on like this, you know, and eventually the music did start with Amazon. Yeah. But we sold it to just six portfolio to Blackstone in around about 2018, I think 2019. We worried then about the proportion of take up that was Amazon. Interesting. So it was you know it’s been a factor for for a long time.

00:21:30:11 - 00:21:49:11
HOST
But as an industry and I’m certainly not not a not a fund manager. But I talk to enough people in the space seems to be kind of a short term short term memory. It is that is that would you say that’s the case? People kind of, you know, forget or quite easy at forgetting or is that, or am I incorrect with that?

00:21:49:11 - 00:21:59:05
HOST
And actually the good operators, the good fund managers and the and the good business owners actually don’t forget. And they learn the lessons and, they can kind of see it when the next one, the next slowdown comes.

00:21:59:08 - 00:22:17:16
GUEST
Yeah. What do they say the most dangerous words investment are it’s different this time. So I think you’re right. I think yes, it’s it’s easy to forget, and it’s easy to be caught up in the moment. And I think most of us are in this business because we’re optimists. And, you always hope things will be different.

00:22:17:18 - 00:22:38:05
GUEST
Yeah. But. And that is a mark 22. It wasn’t it. I think that history doesn’t repeat itself, but it does rhyme, you know, things and it’s there are differences. But overall the the slide will be repeated. I mean, this is unprecedented in many ways that we’ve had 15 years without interest rate rise. And we have effectively

zero interest rates for most of that period.

00:22:38:09 - 00:23:05:13
GUEST
Yeah. So so it is different factors at play. And we've come off the back of a slightly muted boom to a certain extent. So if you strip out logistics in the UK because we've had we had Brexit, then we had Covid, then we had Liz Truss. And so there have been a lot of bumps in the road that have that has meant that not everyone, you know, as I said, if you go outside certain living sectors and logistics, a lot of people will feel this.

00:23:05:15 - 00:23:21:03
GUEST
This boom is rather past and by. Yeah, quite. But so it is, it is different. But but there are a lot of the key fundamentals of supply and demand. Yeah. And where that is going over the next few years, both from a capital perspective and a tenant perspective of the key drivers.

00:23:21:05 - 00:23:42:06
HOST
So going back to SG commercial then. Oh sorry about Mount. Great. You were kind of working. Yeah. When did that kind of. Oh sorry. It was Hawthorn West which was your asset management business. Forgive me. So you worked there principally looking after Mount Grange retail fund. Capital that you did very well. Clearly with selling it in 2006, early 2007.

00:23:42:12 - 00:23:49:10
HOST
Where, how and where did Claire Bell come about and how did that transition, happen?

00:23:49:12 - 00:24:12:03
GUEST
Yeah. Yes. Well, we talked again about the, the, the boom was clearly coming to an end in 2007. And, I'd had a good run with Hawthorn West and I had a meeting with Martin Myers one morning, and he, he called me into his office and, and and I was a bit worried. He looked a bit nervous, but it's no good.

00:24:12:03 - 00:24:37:20
GUEST
He's either going to fire me, or he's going to offer me a job. And actually, luckily it was the latter. So he said, we at Mount Grange a moving from a of basically a private prop co investing our money to becoming a fund manager business, and we've got a great track record over the last few years. And on the back of that, we have retained Credit Suisse to do a private equity capital raise, and we need to build a team up to do that.

00:24:37:20 - 00:24:59:01
GUEST
And we need property people. So so that's why, I came in as someone that we knew each other and I really like working with Martin. And, that's, that's how that came about. So I got in the early stages of that, and I remember doing a video conference call with Credit Suisse around the world from their office in Canary Wharf in 2007, when no one really understood the tech.

00:24:59:01 - 00:25:20:11
GUEST
And it was awful, like, you remember on the the latency on those sort of calls and stuff. But it was a really interesting space. So I was in at the beginning of migraines, transitioning from Mount Grange Capital, which was the private property company, to Matt Grange Investment Management Limited, or MIM, and actually became separate businesses. And I was there through the capital raise through 2007, 2008.

00:25:20:11 - 00:25:38:09
GUEST
So that was GFC. It was a it was a challenging environment, but it was a it was, you know, a great time to raise some capital. And it was good to be involved in that process, to sell it as well, because I got brought along to meetings as the sort of the sort of market man. And did some traveling.

00:25:38:09 - 00:25:39:18
GUEST
And, you know, it was really interesting.

00:25:39:21 - 00:25:48:23
HOST
So you went on the, on the, on the road involved all the Credit Suisse conversations because you're the market man. How much money did you raise at the time and what was the strategy and what was the what was the plan?

00:25:49:00 - 00:26:09:20
GUEST
Well, first I wasn't running all that okay. So but I got wheeled out, a fair bit, but it was really Martin Miles and management who did that, did that fundraise? So we raised just under 200 million, and some of which we deployed pre payments, which, which was obviously a challenge. In fact, we did one portfolio deal which I was involved with.

00:26:09:20 - 00:26:33:10
GUEST
We bought most of the Prudential Stuff pension fund. And we literally completed on a deal that was 75% leveraged the week before Lehmans crashed. Right. So that timing was awful. Market fell significantly afterwards. And I think by rights, we should have been totally wiped out from an equity perspective. But we worked really hard. The portfolio had a lot of asset management to do it.

00:26:33:10 - 00:26:53:16
GUEST
So actually, I spent a lot of the periods of 2009, 2010 trying to put that deal right. And we worked closely with we Christian Capital was our partner as I became Christian during the time, and we are quite proud of the fact that we never had to put any more equity into the deal. And we ended up sharing a 1.2 equity multiple.

00:26:53:20 - 00:26:58:11
GUEST
So not a stellar deal, but in the circumstances, a pretty good a pretty good result.

00:26:58:15 - 00:27:03:01
HOST
How did you avoid being in negative equity or you're actually wiped out?

00:27:03:03 - 00:27:25:21
GUEST
We had some that early wins. So we have managed in fact, the market bounced back quite quickly for Prime. There was a bit of a dead cat bounce back soon after, and we managed, ironically, to sell a couple of the buildings back to the prove that we'd bought from them. That helped. And then we, we had a shop in Chichester where the tenant was Woolies went bust.

00:27:25:21 - 00:27:36:02
GUEST
We made it very quickly to boots, and we got a good uplift there, and we sold that, which helped stabilize

the portfolio too. So we had some good asset management wins. Yeah. And that really kept the whole thing afloat and.

00:27:36:02 - 00:27:36:21
HOST
Gave confidence to the.

00:27:36:21 - 00:27:37:24
GUEST
Lenders.

00:27:38:01 - 00:27:43:19
HOST
Your partners that you could actually. Yeah. Get through this and and drive a bit of a return. Yes. And it was a multi sector.

00:27:43:21 - 00:27:45:21
GUEST
It was totally multi sector.

00:27:45:23 - 00:28:03:11
HOST
And what, what what would be multi-sector in those times is that office retail and industrial. Because I guess that’s still multi-sector now. But you know you’ve got all the alternatives becoming more and more mainstream I guess. Yeah. Just to really try and drive. What was mode sector, what were the kind of things you’re looking at? What was the return profile.

00:28:03:11 - 00:28:20:07
GUEST
Yeah, yeah, you’re quite right. It was, it was the the three main food groups as they were at the time. So it was mainly offices and retail. There had been some industrial, but it was quite a small part of the portfolio as it was in most portfolios in those days. We had some retail warehousing, which we did better than the high street.

00:28:20:07 - 00:28:43:12
GUEST
But the high street actually, in terms of occupationally held up better than it was any subsequent that we had the big retail crash in terms of rents, and that’s a thing. So we managed to get out of the retail before we got hit. By the by the problems that happened there from a rental perspective. And then, yeah, they have some offices, we do some office refurbish, some repositioning.

00:28:43:14 - 00:28:44:05
HOST
Yeah.

00:28:44:07 - 00:29:16:01
GUEST
But it was, it was, it was soul destroying in many ways at the time. And it also it did I think it’s fair to say it did suck energy away from the opportunity that presented itself. We were quite focused on patching up the problem assets, not focusing on. And that’s a lesson I think that’s come out of that in the term for today is whilst of course, and we’re very focused on looking after the stresses that occur in our portfolio, but but we can’t make it at the expense of new opportunities which are going to present themselves.

00:29:16:01 - 00:29:17:08
HOST

Balancing attack and defense.

00:29:17:08 - 00:29:19:00
GUEST
Exactly. Yeah.

00:29:19:02 - 00:29:31:24
HOST
And so was that a kind of 3 or 5 year business plan, portfolio fund duration? And then, you know, we involved we kind of raising the next one when you're halfway through kind of the business plan or that. Yes.

00:29:32:01 - 00:29:34:21
GUEST
We could we were allowed to raise we were 75% invested.

00:29:35:00 - 00:29:37:10
HOST
Is that is that a CAC thing or.

00:29:37:12 - 00:29:49:02
GUEST
No. That's typically in the fund documents. So that will be in the the limited partnership agreement. It will say your investors are happy for you to go on the road again. Once you've got to that level of, of committed capital.

00:29:49:02 - 00:29:54:06
HOST
And that's either going back to the existing investors to, to also more comfortable going and raising from new or.

00:29:54:06 - 00:30:06:13
GUEST
Fresh life from an the the target. The ideal is to have 100% rehabs from your existing investors. Yeah. Ideally putting more money in. Yeah. And jobs done in the dream in a couple of months. And then you can move on 20% IRR.

00:30:06:13 - 00:30:09:15
HOST
Yeah exactly. Unfortunately for unfortunately.

00:30:09:15 - 00:30:25:04
GUEST
It doesn't have to work out like that. Yeah. So but I think one of the legacies of raising capital through the GFC was that we'd had a hell of a lot of meetings that a lot of people had a great, contact base. And on the back of that, we didn't need to retain a placement agent for our second fundraise.

00:30:25:09 - 00:30:29:09
HOST
Someone listening to this who doesn't know what a placement agent is, can you just show them?

00:30:29:09 - 00:30:50:18
GUEST
Know a placement agent is someone who helps you. You raise the capital. So at the time, Credit Suisse had the marketing team. Yeah. And they subsequently broke up and became House file and became

other other entities. Lazards leading one in the UK probably now. Yeah. So it's very effective. Investment banker who has the relationships with the big global investors.

00:30:50:18 - 00:31:07:11
GUEST
Yeah. The limited partners LPs as we call them. Who they will say that this is a it's a good fund. We've checked out. These guys are good. You should invest with them. And they run they manage the process to a certain extent to. Yeah, but they're expensive. So if you can avoid paying management fees, then it's better.

00:31:07:13 - 00:31:08:10
GUEST
Better for the manager.

00:31:08:14 - 00:31:24:02
HOST
So you spent a lot of time talking and building your I can see your relationships in networks with various LP is when it came to the second fund, was it a case of utilizing a placement agent for some for some capital raising, but also you had a lot of existing investors to re-up, and you could also leverage your own network as well.

00:31:24:04 - 00:31:54:00
GUEST
Not for the second fund, actually. Second fund where we did, have a break was getting support from two of the big consultants. So, rather than having presentation, we had Willis Towers Watson and Townsend or Aon actually, rather than insurance business. Well, they're both, pension fund advisory businesses and insurance as well. So they have a big actuarial side, that advises pension funds on strategy.

00:31:54:02 - 00:32:10:00
GUEST
And we got rated by both of those entities, which meant they were comfortable advising their pension fund clients to come into our funds. So we picked up quite a lot of Australian superannuation funds off that. And also some, some quite big UK pension funds out of that process.

00:32:10:00 - 00:32:33:01
HOST
And that was for a a commingled fund vehicle. Yes. And did you have a preference for type of investors because at this stage in your work with high net worth into your investors pension fund capital, you know, you said AGW interest and were kind of active on another previous do. Did you have a preference for the the type of capital you wanted in that fund, or is it literally just when it off 3 or £400 million target?

00:32:33:01 - 00:32:36:19
HOST
And we're not overly concerned by the make up of it.

00:32:36:21 - 00:32:59:15
GUEST
That, yes, to a certain extent it was more scale. So we wanted institutional investors with, with, you know, who could do 10 to 30 million ideally or. Yeah, 40, 50 million, ticket sizes into the fund and that that's what we had. So we've always been predominantly pension fund investors. Yeah. And equally split between UK and Europe.

00:32:59:17 - 00:33:23:02
GUEST
US and Australia has been a typical make up of our mess. But it's shifted latterly to be more European. In

our most recent fundraises, and one of the changes we've had is with Australian investors who have both changed their template in terms of where they look to invest, because they've become very sensitive to feel out on their investments.

00:33:23:04 - 00:33:43:14
GUEST
So the private equity model doesn't really fit with a lot of AustralianSuper at the moment. They've also consolidated. So they've become much bigger entities and therefore a relatively small country specific fund is not where they want to be deploying capital, because if you're if you're a hundred million check and you want to frame and empower Fund, you're a third of the fund.

00:33:43:16 - 00:33:52:11
GUEST
And that is an uncomfortable place to be. So we've had that issue to a certain extent, which is which is why we're looking to pivot the business at the moment away from that model.

00:33:52:11 - 00:34:08:15
HOST
But you're not the only one who's had that issue lot, a lot of other people have. And that's where there's been a demise of that kind of mid mid-cap size investment manager. Right. Because as you said, some of these super funds, you know, they want someone to go and deploy, a 100 million quick ticket sizes regularly. Yeah.

00:34:08:15 - 00:34:11:14
HOST
Because I've just got so much cash. Right. And that's a bit of a challenge.

00:34:11:14 - 00:34:39:05
GUEST
It's definitely a challenge. And there is also a limit to how big you want to be as a UK, any fund. So one is a cap and the other is, you know, you know when is too much of a floor and the other is too much of a cap. So the two things don't quite reconcile. So we're looking at changing to raising capital on a more thematic basis now and a more, sector specific thematic and a different, maybe make up of capital as well.

00:34:39:09 - 00:34:44:08
HOST
So is that this is under clear bell or rather Mount Granger, I don't know.

00:34:44:09 - 00:34:45:13
GUEST
Yes. So, so yes.

00:34:45:13 - 00:34:52:00
HOST
It's just making sure that we've got the distinction of whether Mount Grange pivoted into Clear Bell and what that. Yeah. Like and who is involved as well.

00:34:52:01 - 00:35:01:04
GUEST
So Martin Myers retired after our first fund. And so when we went to raise our second fund we changed from being marriage investment management to clever.

00:35:01:05 - 00:35:02:04
HOST

Got it.

00:35:02:06 - 00:35:06:19
GUEST
So funds two, three and four will be raised on the global umbrella.

00:35:06:21 - 00:35:11:18
HOST
And, and the partners are clear about who are those individuals within the business.

00:35:11:22 - 00:35:35:11
GUEST
So when, we made that change when Martin retired from the business, Nick Barry sounded on it and our finance director, Rob Mills and myself joined as partners, got it. So it became five partners in the business. Yeah. And we yeah, raise capital on that basis. And we now to today we now have four partners because Nick Barry retired from the partnership last year although he stayed on as a consultant.

00:35:35:14 - 00:35:36:16
HOST
Yeah.

00:35:36:17 - 00:35:39:01
GUEST
And with the four partners.

00:35:39:03 - 00:35:59:08
HOST
And so you touched on kind of raised four different vehicles. Have they all have they all been kind of maybe more. Yeah. Office industrial, logistics focused or have you kind of pivoted, the kind of the property type in the mix there? And how would you go about it? Because you come onto thematic investing as well, which is kind of what you're looking at now.

00:35:59:08 - 00:36:07:10
HOST
I'm keen to see the evolution of how you got to that. Yeah. Decision to kind of maybe back certain thematics rather than kind of co-mingle type funds.

00:36:07:14 - 00:36:24:23
GUEST
I think for, for where we sit today, we have a clear advantage in terms of the business we are because even in the early Man Grange days, there was quite a big, focus on operational risk state. So Manish and Martin sort of business called Trillium in around about 98.

00:36:25:00 - 00:36:26:03
HOST
To, as Intel tell.

00:36:26:03 - 00:36:31:24
GUEST
You, as Intel chairman of Trillium. Yeah. So that was a property outsourcing business, but hugely operational.

00:36:32:01 - 00:36:34:07
HOST
They had like BT that's.

00:36:34:09 - 00:36:36:17
GUEST
Where it’s sort of a really big government, contract.

00:36:36:17 - 00:36:38:03
HOST
That’s right. And the normal thing.

00:36:38:03 - 00:36:42:00
GUEST
Yes. And then picked up BT and actually Royal Mail I think went to meet, which was a competitor.

00:36:42:00 - 00:36:47:16
HOST
Yes. Yeah. You all right? I was thinking Duncan Jarvis. Oh yes. Yeah. Clever. Yes. He was at.

00:36:47:18 - 00:36:48:12
GUEST
Duncan. Yes. It was.

00:36:48:12 - 00:36:49:13
HOST
Amazing. Yeah. Sorry. Yeah.

00:36:49:14 - 00:37:11:07
GUEST
Yeah, exactly. So that was an operation. Businesses then and again prickly about three matters. Investor manager Manish was on the board of I think he was chairman of NCP car parks. So again another real estate operating business bought in by Sylvan got who bought that. And Trillium was backed by Goldman Sachs and manages Martin’s time.

00:37:11:07 - 00:37:31:01
GUEST
So we had that operational background. And right from fund one clear out, we invested in a hotel business, a budget hotel business. It was called Tune Hotels, which was a which was a very successful investment. We sell that to Wellcome Trust, who’ve just recently exited again, setting it as point A hotels to trust in capital. And so it’s gone on to be a really strong, really strong business.

00:37:31:03 - 00:37:46:05
GUEST
So we’ve always invested in both. That’s an operational real estate side of the business that we that we are comfortable with and we like and we’ve, you know, made good money in in the past. So I think that sets us up well for what we’re trying to do today and also where the capital is today, what the capital wants to do.

00:37:46:08 - 00:38:03:04
HOST
Yeah, I was going to say I people listening to this, you haven’t heard operational real estate is a family living under a rock. But for those who are living under a rock don’t know what operational real estate it’s it’s a key buzzword. Yes, it has been for a little while. What is operation real estate and why is that different to traditional real estate investment management?

00:38:03:06 - 00:38:24:18
GUEST

Well, I, just come off a call actually, with a investor of ours about a platform we're looking to set up in the student housing work call Casa, which is Claire Bell. Affordable student accommodation, also home in Spanish. So. So it's a it's a name that we like and we're marketing it. And one of the key issues we looked at was the operational side of it.

00:38:24:18 - 00:38:46:01
GUEST
So running student housing is a good example. So we charge students a weekly rent, which they pay on a 41 week or a 51 week term. From that income, we then have to pay a number of costs. So it's the cost of operating that as an operational cost to produce the real estate income, I think is how I would define it.

00:38:46:02 - 00:39:09:15
GUEST
Yeah. And it applies to most of the bed sectors, most living sectors, it applies to self storage. It applies to other, other spaces that are growing fast. And it's at one point we call it customer focused real estate, or real estate as a service. Yeah. So it is about, delivering the property assets in a way that the customers really want it to be live.

00:39:09:15 - 00:39:15:18
GUEST
And that is one price for the whole thing and how it's run, how it's operated. That's someone else's problem. That's a landlord's problem. That's not our problem.

00:39:15:18 - 00:39:21:20
HOST
Yeah. But typically real estate investors would buy the real estate and then an operator would operate it, but.

00:39:21:22 - 00:39:28:20
GUEST
They would have a lease on a free terms. Yeah. Which would mean all they got was for rent checks a year. And someone else can do with all the happy with all the hassle.

00:39:28:20 - 00:39:50:19
HOST
But now increasingly so real estate traditional do they invest investors are looking to own operating businesses as well, and capture what capital and income and the upside from both sides, right. Yes. But it's a slightly different mindset. What's the risk element to owning operating businesses. So you I guess you have to how do you get your head around that and how do you set that up properly.

00:39:50:21 - 00:40:12:11
GUEST
Well, it's a good question. It's about the people really I think that's the key is do you have the right people running it who you trust? And it's about creating the right alignment of interest. So those people have to have skin in the game if they are going to be responsible for, for running something prudently and not letting cost get out of control and maximizing the NOI.

00:40:12:11 - 00:40:29:19
GUEST
And that's the key word is what is your net operating income out of your operation? Going to say that you have to clearly have the right people operating it? Yeah. And I think that's what we've been good at over the years, identifying the right teams and the right people to, to produce the, the, the right net returns.

00:40:29:21 - 00:40:39:21
GUEST

And point out hotels is a good example. So I said that’s gone on to, to to do really well for. Yeah subsequently. And it’s always good to see deals perform strongly for people to do something to.

00:40:39:23 - 00:40:57:16
HOST
So management C has got had a lot of experience in terms of the operational real estate piece. And you’ve obviously done done that as well. Moving on to the other themes, and you’ve obviously identified student accommodation with Casa as a as a clear interest. Now what what are the other areas, that you’re seeing? Are interesting in the market?

00:40:57:18 - 00:41:16:19
GUEST
A couple of things before I answer that question. One is it’s fair to say that Rob Mills is our it’s my partner who really focuses on running the operational businesses. Yeah. So day to day manages more for Chairman Rowe. Okay. And Mills is the guy who who’s embedded the operated businesses. Yeah. And really is the expert. He comes from an accounting background.

00:41:16:20 - 00:41:41:05
GUEST
Yeah. As well as private equity. So. So that plays to his skill set. Got it. And, before I move on to the other things. Yeah. Just want to just have a little bit of a promotion on our student housing bubble because we’re really excited about the opportunity of people looking at student and student has great, sort of features in a way, in that it’s two very important things for the moment is that it does not depend on GDP growth to perform.

00:41:41:07 - 00:42:03:11
GUEST
Yeah. In fact, there’s almost a reverse correlation in some cases in terms of student numbers. And it also is offers inflation protection because you put your rents up every year and people are customers are comfortable, well comfortable as they can be with those costs going up. Yeah. But so that’s the sort of the macro. But our real focus is on providing what we think we call affordable student accommodation.

00:42:03:13 - 00:42:20:14
GUEST
And we think that this is a really interesting space because we’re, we’re able to buy at about 35% for replacement cost. So it’s very difficult to increase the supply of that sort of space. And at that level, we can afford to give it a decent refurb. Yeah. To bring it up to standard from an ESG perspective, from an EPC perspective.

00:42:20:14 - 00:42:42:24
GUEST
Yeah. But also still that those rooms out at the bottom quartile rents in any given market. And that’s where we see the strongest growth in demand coming from is students focused on affordability. Obviously the cost of living crisis. And everyone is looking at affordability to a certain extent. But we are also seeing increasing pushes from universities for widening participation.

00:42:43:04 - 00:43:10:12
GUEST
So more and more students coming from low income households. And we’re seeing a shift in our overseas student population away from relatively prosperous EU students and Chinese students to much more budget sensitive Indian students and Nigerian students. So African students and what have you. So we see both restricted supply because you just can’t build any more space at that price point, and growing demand in this affordable space.

00:43:10:12 - 00:43:23:01

GUEST
And we also see there's an ESG benefit to providing affordable accommodation. It's a social there's a social plus to what we're doing, which we think is appealing both to us and also to investors.

00:43:23:01 - 00:43:39:14
HOST
So a, a student accommodation, investment agent listening to this. What what's the kind of criteria, what kind of things are you looking at? And are you buying kind of old blocks that you can kind of refurbish? Bring up, bring it up to speed, you know, but save kind of knocking it down completely and saving a lot of carbon.

00:43:39:19 - 00:43:41:09
HOST
What, what kind of. So.

00:43:41:11 - 00:44:02:17
GUEST
So, so we're looking for well-located. Yeah. A first, second generation student accommodation that needs CapEx. Got it. So that's typically why someone will sell it, those sort of price points, because they don't have the free capital themselves to invest in it. And everything needs investment. And EPCs a big driver to that. Yeah. We are not 100% focused on Russell Group university towns as well.

00:44:02:17 - 00:44:26:19
GUEST
We like the former polytechnics the more vocational universities because we think that's where student demand is, is growing, because people are more likely to get a job offer than doing a a, an arts degree, for instance. Yeah. So, location agnostic. But there's got to be a good story in terms of the local supply demand dynamic and the viability of those individual universities as well.

00:44:26:21 - 00:44:37:15
GUEST
Because some are not as strong as others. So it has to have a viable university, the right price point for us to come in and let out to the right level to, to a area where there's demand.

00:44:37:17 - 00:45:03:07
HOST
How how does it work in terms of setting and picking these themes and strategies? Yeah. How partners and investment, not whole teams sit together and go, this, this is an idea or this is what we're reading or this is what we're seeing or where do you get these bits of inspiration from, and how does it evolve from some ideas to an actual strategy, that you go and talk to investors and raise capital against?

00:45:03:09 - 00:45:25:20
GUEST
That's a good question. I think clearly we all have a view we're very keen to hear from the younger people in the office, because I'm 50 something now and my other partners are 40 and 60. Yeah. So we're not the ones that are determining what is going to grow in the future. So it's about it's about hearing what people in the office are experiencing.

00:45:25:20 - 00:45:45:23
GUEST
Also, my kids are all been through universities and are not trying to find flats in London. That's another area. Yeah. You know where we could talk about the growth in rents. So it's about being aware of the macro, the key secular drivers, the shifts in behavior. Yeah. But then it's also about combining that with finding the right people.

00:45:46:00 - 00:46:10:07
GUEST
So, so we’ve sometimes gone out and if you can find the right team then to deliver that, or we see a lot of teams and we say no to ten, and then the 11th will say, actually, that is in a sector that we’re interested in. And that’s happened with student housing. That’s also another one that we’re working on at the moment, which is this is called Trade Stars, which has come out, which provides micro fulfillment in zone two London.

00:46:10:09 - 00:46:30:24
GUEST
So it’s microphone and studio space principally targeted at internet retailers. But actually these units also appeal to to others, as we’re discovering, as we’re launching our first site in Hackney at the moment. And that was partly led by the team who came to us. They’d had a very strong track record in dark kitchens. Yeah. Built up a good business at exited that and they said, this is the next idea we’d like.

00:46:30:24 - 00:46:51:07
GUEST
And we’ve been trying to get into self storage for a long time, which is huge, huge, right. We’d identify that as a real area. We’ve been through three different potential partners to try to get the right to get to try to find the right thing, the right structure, the right way of accessing the market. And we’d failed. Then this came along and this wasn’t quite self storage, but it had it had links.

00:46:51:07 - 00:47:02:13
GUEST
It was it was a sort of if Big Yellow offered a we were rapper. It it’s what you would end up with. So not that we were necessarily somebody you want to be advertising right. Yeah.

00:47:02:15 - 00:47:03:20
HOST
But but it’s, it’s that idea but.

00:47:03:20 - 00:47:21:17
GUEST
It’s that it, it’s that sort of slightly sort of, genre defining, you know, sector defined, niche define defining rather than defining and to create a, you know, an area which is a little bit of storage because we offer goods in goods out. So you don’t have to be there when you have deliveries and you can see things going out.

00:47:21:17 - 00:47:35:02
GUEST
But we also have podcasting rooms provided to people, a photographic space. So they can, take pictures and, of what they’re selling and provide, you know, when it gets too much for the spare room and you want to move out, then that’s what we’re offering.

00:47:35:04 - 00:47:58:14
HOST
Was it makes complete sense, because I sat down actually last week with the fund manager who’s, who’s doing the self self storage. And we were just talking about the broader economy as well. And so self storage is typically been a defensive asset class death displacement divorce you know people kind of need storage. But he said via Instagram and TikTok, you know these influencers selling perfume, you know, making millions of pounds a year.

00:47:58:15 - 00:48:16:06
HOST
They are the kind of people who need the space that you’ve just spoken about. They get their shipment in

of product in their parents house or their own flat, and it gets too much. And actually they need somewhere where they can serve a day or weeks notice, or take up space very quickly, very flexibly. And that, that completely makes sense.

00:48:16:08 - 00:48:19:17
GUEST
Because that’s like what we’re offering. But also and I don’t want to sound too we work.

00:48:19:18 - 00:48:20:05
HOST
Yeah, yeah.

00:48:20:07 - 00:48:39:15
GUEST
But there’s also a community aspect. So there is a benefit from not only providing the right sort of space, but also being located next to other people, having, you know, a coffee space and breakout space with other people running similar businesses where you can interact and you can talk and share, you know, lessons and, and advice manufacturers.

00:48:39:18 - 00:48:40:24
HOST
Yeah. And all of that.

00:48:41:00 - 00:48:42:11
GUEST
Yes. And fascinating. Yeah.

00:48:42:15 - 00:48:51:24
HOST
So it’s like that merge of like office industrial, you know, internet, you know, piece all kind of converging exactly in one.

00:48:52:02 - 00:49:10:19
GUEST
Yeah. So it’s very interesting. We’ve, committed so amount of capital from our fourth fund into the venture. We are talking in advanced to, to to other investors coming alongside the fund capital to, to allow us to grow it, but that there is a, I think a lot of investors, as you know, a risk off at the moment.

00:49:10:24 - 00:49:28:11
GUEST
So people are saying, well, come back to us in two years time when you prove the concept or two years time and you prove the concept. So we think we can get great returns. Now at the higher risk stage. But we will look to recapitalize that as we’ve proved the concept and bring in a lower cost of capital in due course, and look to grow that as another platform going forward.

00:49:28:13 - 00:49:32:18
HOST
And are there any other kind of themes you’ve identified without giving away everything? Yeah, well, one.

00:49:32:18 - 00:49:54:06
GUEST
We’re working on and I know it’s a space that you’ve been looking at a lot, is a single family housing. Yeah. We’ve, I suppose struggled, in the, say not previous space in the BTR space. We wouldn’t we were probably too cautious in terms of the returns we underwrote and said, you know, for development risk, that’s just not enough.

00:49:54:10 - 00:50:12:09
GUEST
Yeah. I think that those returns have come through because we've seen quite a marked yield compression over the period of years. So, so we, we feel we slightly missed out on, on the rental space. But we think single family housing is an interesting one to look at because it's probably the next area, less institutional.

00:50:12:14 - 00:50:36:12
GUEST
And that's what gives us an opportunity to get in a bit earlier. We own a business called Spring Move, which is in the quick sell residential business. This is owned by our third fund. So it's been like we buy any carcass for houses, which makes them a little bit flippant, but what it, the service it provides is typically for people moving into retirement accommodation.

00:50:36:14 - 00:50:57:11
GUEST
They will go to their retirement developer and retirement very often the part exchange deal on their family house in exchange for a new apartment and we will fulfill that the part exchange, part of that process, and we will buy it at a discount to market, often topped up by the retirement developer. So we have this business and it's growing.

00:50:57:13 - 00:51:21:13
GUEST
Let's it's been a challenging market for it. It's well positioned. We think, going forward. But more importantly, we have a platform that has residential coverage around the whole country. So we think that might be a channel for us to get into single family housing. And that's one thing we're exploring. Another ways as well. And the timing I think is interesting because more house builders are feeling the pinch.

00:51:21:13 - 00:51:31:10
GUEST
Yeah, clearly I wouldn't say it's distressed, but the stress around. Yeah. And I think that's something we can take advantage of and why it might be interesting time to get into that market.

00:51:31:12 - 00:51:48:15
HOST
The we buy any house models interesting though. And I get get it completely. But you're not going to be buying you know 5 million pound house and then a 200 K house. There must be a strategy there in terms of the types of yes houses and and using, you know, curating a portfolio of statements because I guess the exit for you is amalgamating it all.

00:51:48:15 - 00:51:52:21
HOST
And then at a premium selling it on someone else. Right. Where is that located and how do you manage that.

00:51:52:23 - 00:52:12:08
GUEST
So I think it's important to, to, to separate the strategy that spring move has at the moment, which is, yeah, within that quick sell residential market and how we might use that platform going forward. And I think the focus on single family is much more on new build. Got it. And acquiring new ones at a discount because developer needs liquidity fund.

00:52:12:10 - 00:52:25:00
GUEST

And building up a portfolio that way of that that way. But we have it means we have the feet on the ground and we have the pricing expertise and we have the management capability. Yeah. In a platform which we already control.

00:52:25:02 - 00:52:43:12
HOST
How does one, become so flexible? You know, building, you know, years ago, instead of set up a business, it’s kind of an office, industrial, retail. And now it’s, as you said, the kind of thematic operational real estate in kind of sectors that you probably wouldn’t even touch years ago. Whether you had an understanding, I guess the business plans evolve.

00:52:43:12 - 00:52:55:21
HOST
How how have you been able sort of pivot and bring investors on the journey and bring the team on the journey and bring in new skills to kind of enable you to constantly evolve and be front of mind and best in class.

00:52:55:23 - 00:53:03:11
GUEST
Well, I think that there are some two parts that because we haven’t completely moved away from all the traditional food groups.

00:53:03:11 - 00:53:03:18
HOST
Yeah.

00:53:03:21 - 00:53:25:00
GUEST
So so we in fact, we in our third fund, which is the last one that’s fully deployed, is now exiting. We’re 50% logistics in that fund. So it’s always been around about a third of each fund has been on the operational side of things. So it’s about expanding that so that for the for the current circumstances. But the team are fully engaged.

00:53:25:00 - 00:53:48:21
GUEST
So I’ll head of asset management Alice Murray for instance, sits in on the asset management and the board meetings for the, the, the, the micro fulfillment business. Yeah. Because it’s useful to have someone with a property background when you’re buying up. We bought a long list from City Corporation in Islington. Yeah. To have someone who understands the real estate, because that’s what our partners don’t really have.

00:53:48:22 - 00:54:05:15
GUEST
They know how to how to run the operations side of things, but they don’t have the real estate background. So we’ve engaged the asset management department on, on that sort of and from that sort of perspective, and our analysts, which is a big part of business, are totally flexible. They just want to be involved in and deals.

00:54:05:15 - 00:54:27:12
GUEST
Yeah. And actually the complexity and the challenges that come through from operation side a very interesting from that perspective. But we’re still doing, we, we bought the logistics portfolio recently. So we’re still, we still focused on that side of things. And we’re still looking at an opportunity to come back into London offices at the right time.

00:54:27:14 - 00:54:50:01
GUEST
So so we're not you know, walking away from that now, but it's just at the moment. Yeah. The capital and, we think the best occupational prospects are within. Yeah. This space because. We're in a really challenging time. And I think, you know, you go back to talk about what we learned from experience, but what, what we, what we've never experienced before.

00:54:50:03 - 00:55:11:07
GUEST
So that I can remember, is a period we've had such flat GDP growth for so long. And the prospects as far as most competitors can see going forwards look pretty grim, too. Yeah. And with that GDP growth and on top of all the structural issues that are going on, for instance, in the office world, you know, it's quite difficult to see how you can really get performance.

00:55:11:10 - 00:55:34:21
GUEST
But then conversely, if everyone's saying it's never going to perform again, yeah. Then something like London offices could become an interesting cycle, particularly when we're seeing some stress coming through from the banking sector and refinances and and a lack of capital coming in. So, so that's I don't think we'd want to totally write everything off, because I think that's when you should be buying is when you think everything's written off.

00:55:34:21 - 00:55:42:17
GUEST
So you can't all be pro nickel. Yeah. But you've also got to have an eye on the, the consequent opportunities that might present themselves.

00:55:42:19 - 00:55:56:14
HOST
Well, what are some of your learnings of building high performing teams, hiring top performers? You, just in terms of insights, in terms of what, what do you kind of look for and what distinguishes maybe someone who is a high performer from someone who isn't.

00:55:56:16 - 00:56:15:13
GUEST
It's difficult. I'm I'm not. I defer to you to pick you on this one. I'm not a very good into you. So I, I, you obviously look at CVS and I think have a clear idea of what you're looking for. I think it's, I would say a good starting point. Yeah. And I tend to decide within about five minutes of meeting someone whether they're there right or not.

00:56:15:13 - 00:56:20:18
GUEST
And you talk about Duncan Jarvis earlier. I mean, I knew instantly that he was just the person we needed within the team and.

00:56:20:18 - 00:56:25:00
HOST
How he was, what separated him from the four that came to the door before him.

00:56:25:02 - 00:56:32:05
GUEST
He was punchy, he was hungry, and it just came across so quickly. And we needed someone in that team who would bring that.

00:56:32:07 - 00:56:32:24

HOST
The energy, that.

00:56:33:00 - 00:56:54:03
GUEST
Energy and the hunger. And I think particularly on on the asset management side, but I think on all sides of the business, I think one thing you can't teach people is that hunger. I mean, you can teach people other things, but people who, who, who get out of bed in the morning because they want to do a deal that someone come from an agency background, you know, that that is something that you either have or you don't have.

00:56:54:08 - 00:56:55:09
HOST
So it's the behaviors.

00:56:55:14 - 00:57:14:18
GUEST
And it's that sort of and a lot of times when I talk to interview people for asset management jobs or analyst jobs, particularly asset managers, really I talk about I want to know about the deals they've done. You know, where we have crossover, where we've, you know, common ground. And that's obviously a key part is finding common ground when you're trying to connect with someone.

00:57:14:18 - 00:57:19:15
GUEST
But I want to hear how they talk about deals and things like that.

00:57:19:15 - 00:57:35:07
HOST
To check their eyes, see if they light up. Yes. The impact and everything that they did. Yeah. Interesting. So, what are you most excited about at the moment as we sit here kind of towards the end of August 2023, kind of looking ahead, I know we touched on some of these themes and strategies. You're kind of keeping an eye on.

00:57:35:07 - 00:57:41:01
HOST
What are you most excited about? From a real estate investment management perspective right now?

00:57:41:03 - 00:58:03:04
GUEST
Well, I'm very excited tonight, and I've probably talk about this too much already, but I student housing, I think I think that is is where we between now and Christmas. Yeah. Where we expect to to hopefully to, to close in on investment partner. Capital partner. Yeah ideally close capital partner. And we've got some quite advanced discussions.

00:58:03:06 - 00:58:13:21
GUEST
Whether we go down the, the single investor route, or club deal. Yeah. I think that's much more likely than going down the fund route at the moment. I think it would just take too long to pull a fund together.

00:58:13:23 - 00:58:23:11
HOST
And a fund would be co-mingle fund dedicate to it with the close down to do it. And a club deal is 3 or 4. Yeah. Investors all aligned similar lots let's say about a check sizes. They would put it I think.

00:58:23:11 - 00:58:43:08

GUEST
Probably in an ideal world you know there would be balanced. But the key difference as well is that the club deal would not give us complete discretion as an investment manager. So the Co-Mingle fund has the benefit of us being in complete control. Got it. Whereas we'd be working in partnership much more with the investors. Yeah, but I think that's just where the market is today.

00:58:43:10 - 00:58:47:12
HOST
Where does it come to when you've got a single investor, you know, in terms of calling those shots?

00:58:47:12 - 00:58:49:19
GUEST
Well I think then you're you're you're working for them, right?

00:58:49:21 - 00:58:51:19
HOST
Yeah.

00:58:51:21 - 00:59:06:09
GUEST
Clearly. So I think that that, that, that becomes a more dominant position. Yeah. But that might be a trade off. We accept in order to raise a capital very quickly and be able to deploy it quickly and then be able to, to move on to the next phase of that deal and move on to, to other deals.

00:59:06:09 - 00:59:26:00
GUEST
So it's a trade off, which we'll have to consider carefully over the course of the next couple of months. But I think that's a that's a big focus for us. The other area where I, where I am excited is in small logistics deals. So we bought a portfolio, from Palace Capital. The. Oh yeah, the three, which is Neil Sinclair's.

00:59:26:04 - 00:59:26:13
HOST
I'm sure it.

00:59:26:15 - 00:59:27:15
GUEST
Was Neil Sinclair.

00:59:27:15 - 00:59:29:19
HOST
Yeah. It was, yeah, it was.

00:59:29:21 - 00:59:42:21
GUEST
I mean, they are selling quite lots of them. It's, it's it's in the public domain. And we managed to, to buy all their industrials, in a sort of off market transaction. I say a sort of because a couple of buildings had to be marketed, but we managed to, to, to do deal on, on the whole lot.

00:59:42:23 - 01:00:02:04
GUEST
Yeah. So it's about 34 million. So not a huge deal. But it gives us a great platform now to, to add to it. So we've got debt in place from Aberdeen on a pretty competitive terms. With a it's a, it's an accordion facility so we can expand it as we find more deals. So we're keen to find an equity partner to come in alongside us and to grow the provider.

01:00:02:04 - 01:00:19:22
GUEST
Because to answer your question about what I think is exciting in the next three months, we're seeing quite a lot of smaller industrial deals. So in the 5 to 10 million pound bracket that just are not finding buyers at the moment, we've seen pricing without and we're seeing deals get to a level that we haven't seen for some time.

01:00:19:22 - 01:00:33:08
GUEST
So I mean, we've already obviously seen a 25% correction. Yeah. In the last 15 months in the space. But I think we're now able to pick off individually. Now we've got the seed portfolio. We can bolt on some really quite interesting deals because.

01:00:33:08 - 01:00:50:11
HOST
That's typically more operationally intensive. Right. The smaller deals, which are typically institutional investors wouldn't touch because it's too granular. Is it getting a little bit too toppy for high net worths or small codes that would ordinarily buy those kind of deals? Or they don't want to go near it just because of the operational challenges.

01:00:50:11 - 01:01:07:00
GUEST
I think I was having problems with. Well, everyone is worried. About what? Well, you know, I think it's easier to, to not buy anything than to buy something at the moment. Yeah, I think that is challenging on the smaller deals. And I think the smaller institutions that would be in that space typically as well are out of that space.

01:01:07:02 - 01:01:26:15
GUEST
So that there's a distinct lack of buyers. And it's something we've, we've done a number of times now, which is build up portfolios on a granular basis. And we've exited three historically to Blackstone Logic Core and a mile away, we've actually won two Threadneedle. So it's a it's a strategy that worked for us. But in the past.

01:01:26:15 - 01:01:46:22
GUEST
And we think we can get out the scale. And we're confident long term in the dynamics in that in that market we're buying below replacement cost. Yeah. So supply is not going to really run away with itself. Of that that particular price point and we think it's attractive. There's still some good reversions to go for. So that, that is and I've, I've left the team.

01:01:46:24 - 01:01:53:22
GUEST
Fact is fine tuning a joint venture paper at the moment, which we're preparing to, to to work on finding the right capital partner.

01:01:54:00 - 01:02:12:02
HOST
Very interesting. So look, as we, as we draw to a close and mindful of time, a question that I ask everyone on the podcast is, and I know this might catch you off guard, is if I was to give you 500 million pounds of equity, who are the people? What property and which place would you look to deploy that?

01:02:12:04 - 01:02:27:15
GUEST
Good question. Well, and I know you gave me time and I and I did, think, well, but it's obvious I'm going to

we'll put money in our casa student housing and put money in logistics. I do think that that London offices is a good play again is an interesting.

01:02:27:17 - 01:02:28:18
HOST
Super prime.

01:02:28:20 - 01:02:55:23
GUEST
Super super fund is held up better than than we anticipate. We, have invested in a couple of our funds, a French family office, very established traditional owner of a lots of super prime offices in Paris. Yeah. Want to buy the same in London? And we've looked at a couple, but they've they just haven't softened that much. So there's a building in St James's Street, 55 going through it to be able to run about 3.5%, which okay, is off a bit, but it's still quite a strong price.

01:02:56:00 - 01:03:11:22
GUEST
And so but I think just off super prime and I think where you have more transitional to where you have tenants coming out or, you know, tenants not renewing debt coming up, then I think we'll see some quite big discounts. So I think I'll go a little bit further at risk. But I think more core plus than value add.

01:03:11:23 - 01:03:33:11
GUEST
Yeah. So in terms of the pace of the final price, and I know this is a bit less so because I have absolutely no experience there at all. But I think someone like Ponant, because I mentioned earlier, I'm, I'm concerned about the low growth prospects for the UK generally. And I think over the last ten years, UK has grown half a percent per annum.

01:03:33:11 - 01:03:54:00
GUEST
GDP in Poland is growing at 3.5% per annum. So there does seem to be English builders going out and working in Warsaw. Yeah. And I think, I think there are real problems where we take liquidity or relative liquidity risk it for granted in this country. And I know that if you go to a lot of other countries, it's much harder to sell, takes much longer.

01:03:54:02 - 01:04:04:17
GUEST
And I think if you can get comfortable liquidity, I think just to buy, invest in a time where you see growth. And I think we've long debated whether we should be more active, which we should look to do something in Europe.

01:04:04:20 - 01:04:06:15
HOST
I was going to say in the UK.

01:04:06:21 - 01:04:07:16
GUEST
We're totally UK.

01:04:07:17 - 01:04:13:21
HOST
That's the question I was going to ask you. Was that a conscious decision rather than, expanding into Europe?

01:04:13:23 - 01:04:36:21

GUEST
It has been a conscious decision, but we talked earlier about how the model is changing, or rather, our old model. Yeah, is no longer in demand to the stent. It was previously and part of that is and we've we've talked to various people over the years about potentially joint venturing or them investing in us to invest in Europe or partnering with someone who already exists.

01:04:36:23 - 01:04:45:10
GUEST
So it's definitely something that is there under consideration. It's not something where actually position, but we have a couple of irons in the fire.

01:04:45:12 - 01:04:52:24
HOST
The remit of a of a property entrepreneur like yourself in the world of not to look at your option is not to consider it, and not to look at where returns and potential growth could come as well.

01:04:52:24 - 01:05:00:21
GUEST
But I quite fancy, and I've always quite fancied Eastern Europe or Central Europe, because I think, I don't think Germany's got to be greater than we've given Ukraine.

01:05:00:21 - 01:05:01:21
HOST
And well.

01:05:02:00 - 01:05:26:16
GUEST
Yes. And I did think about that. I think even given Ukraine, maybe that's the time. Interesting entry point. I'm certainly wouldn't invest in Ukraine itself. Right. And I wouldn't invest in Belarus. But I do think I as I said, I think Poland, is quite an interesting place to do. It's growing fast. Yeah. Is, is, I think relatively strong regulatory on a relative basis.

01:05:26:16 - 01:05:39:01
GUEST
I think, yeah, the relative framework is better there than some other countries in Europe. And I think that might be a new space. I think going any further afield than that would be, would be a challenge.

01:05:39:03 - 01:05:59:02
HOST
And how about the people part? And of course, you can have your amazing team of 30 on a clear bell. Yeah. You're clearly very well networked and very well known in developing as you've kind of come through the ranks with you who are doing amazing things across the industry. Would you grab any of those on the journey to, to help you kind of build a deploy this capital into those various different kind of places and, projects?

01:05:59:03 - 01:06:31:12
GUEST
I'd take all of them. I and I'm joking apart, we we've talked about this recently. We've, had a few changes in line up, personnel, and sadly, forth on response success, as we hope to we had to make a couple redundancies, which is obviously very sad because we work with people for a long time, but it does mean that we have a very lean, focused, capable team, and we're very comfortable with where they sit at the moment and the, the prospects within that.

01:06:31:14 - 01:06:55:12
GUEST

I think the other thing that we, we are open to is we’ve got a big platform, we’ve got the capability to take on more entrepreneurs. So we’ve had a couple of conversations with people to come in and to, to, to scout to, to use what we have come in with a great idea, look great for management idea, with great capital but need the platform around them.

01:06:55:17 - 01:07:21:12
GUEST
And that’s something. So those are the people that I’m most interested really in bolting on at the moment. And it might be one of the places that I’ve already talked about in terms of deploying, but it might be something totally different. So I think that is something that is that I think one of my projects between now and the end of the year is to to work a little bit harder on that as to who is up, who are the the next generation of entrepreneurs that we can we can team up with.

01:07:21:15 - 01:07:22:02
HOST
And tap.

01:07:22:02 - 01:07:30:16
GUEST
Into, tap into. We can offer a lot in terms of experience and support. What can they offer in terms of energy and ideas?

01:07:30:18 - 01:07:42:16
HOST
Well, yeah, I’m doing it. As I said, I’m doing a search at the moment for similar business that’s been more office focused. It’s got a lot of capital behind them. And actually we’re retained on a search to find them, someone to come and head up their living platform. So, yeah, that’s on see kind of click yes find.

01:07:42:16 - 01:07:58:10
HOST
But I guess for you, you’re, you’re a little bit more open to ideas in terms of what that might kind of look like, in terms of kind of area or niche or something. Yes. And get and they can get the, the, the backing and the benefit and the resources that you and the team have been placing and deploy and, and build a business within a business, as it were.

01:07:58:12 - 01:08:00:15
GUEST
Yeah. Maybe that’s something that you can help us with.

01:08:00:17 - 01:08:22:15
HOST
We’ll say, well, look, Rob, thank you so much for, for for coming on the People Property Place podcast. I think, you know, a key thing that I’ve certainly taken away from here is just like the value of relationships, long term thinking, you know, being able to kind of reinvent and pivot and learn from, certain situations and, yeah, constantly looking to kind of improve and capitalize on the opportunities ahead of.

01:08:22:17 - 01:08:31:10
HOST
So, thank you so much for joining me. I’m sure that everyone listening is about an awful lot as well, I certainly have I’m looking forward seeing what you and the team going to do with that.

01:08:31:10 - 01:08:32:09
GUEST
Matt, thanks for having me.

01:08:32:15 - 01:08:57:24
HOST
Not at all. 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.

01:08:57:24 - 01:09:25:09
HOST
We should explore further. So do drop me a message. The People Place podcast is powered by Rob for the team recruit, experience, talent for investors, owners, developers and operators. So if you're considering your career options at the moment or looking to attract top talent to work for you. Head over to the website WW dot Rock for.com, where you can find a wealth of research to and search.

01:09:25:10 - 01:09:28:16
HOST
Have a great day wherever you are and I look forward to catch you next time.