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HOST

Welcome to the People Property Place podcast. I'm absolutely delighted to welcome the founder of Compound Real Estate, Jacob Sandleson, to the show. Compound is an owner operator with significant firepower raised from a prominent family office. And we'll be targeting a trio of operational asset classes spanning consumer, industrial, self storage, open storage and multi light industrial. And I'm really, really excited to kind of unpack that in a little bit more detail.

00:00:29:01 - 00:00:58:05

HOST

But before doing so and before founding compound, Jacob was the CEO and co-founder of General People, a specialist operator of serviced offices and multi led light industrial workspace. And before this he was a principal at General Projects, where he led the acquisition, development and management of the properties that general people operate. He started his career at leading residential developer Galliard Homes, and it brings me great joy and a lot of pleasure to welcome him to the podcast.

00:00:58:06 - 00:01:08:19

HOST

I know we can have a fascinating conversation, and, I'm really excited to unpick his, his story, his views, opinions and the opportunities within this space. So, Jacob, welcome to the show.

00:01:08:21 - 00:01:10:11

GUEST

Great. Thank you so much for having me.

00:01:10:17 - 00:01:21:19

HOST

Not at all. Well, look, I guess, in short, you know the drill here. I'm really keen to kind of understand and get to the bottom of, like, why and how you got into to real estate.

00:01:21:21 - 00:01:48:09

GUEST

So, I got into real estate, really accidentally and deliberately so accidentally. I grew up with my dad, who, with very close. He worked in real estate. He was always doing innovative, I would say was on the more innovative side of real estate developers always having new ideas. And those ideas naturally dispersed within a table. So growing up, real estate was always there.

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GUEST

And that was something that we talked about, that said, 18 year old me, if you'd have asked me, would have said I don't want to go into real estate because the world is changing. I grew up in the kind of era of Facebook and Google, and actually everything was suddenly available online, and the digital economy. So my plan, aged 18, was I announced to my parents, who were delighted that I wasn't going to go to university, despite having done fairly well at school, and was instead going to set up an online fashion business.

00:02:20:13 - 00:02:21:21

HOST

Okay.

00:02:21:23 - 00:02:42:24

GUEST

That was that went down really like a cup of cold sick. And we kind of debated it and they said, well, you should go to university and you should follow a more linear path. I reflected on that and affected and concluded, if I wasn't going to go to university, which was something I was fairly determined not to do, I

wanted to work.

00:02:42:24 - 00:03:03:17

GUEST

I wanted to see the world and get engaged with actually my career. And then if I decided to, I could have gone back to university. If I wasn't going to do that, I should probably get a job and understand that actually how the corporate world worked, rather than going and setting up a digital vintage fashion business, straight out of school.

00:03:03:19 - 00:03:14:13

HOST

Because you were at Brighton College, right? Which is a premier public school. It's very academic. Were you were you also you always very academic. What were you like at school? And I would.

00:03:14:15 - 00:03:40:09

GUEST

I wouldn't say I'm very academic. I'd say I'm very competitive. So through school I kind of moved to what mattered. So when it was a I was fortunate to end up at Brighton. Brighton does value academic academia as a consequence. When it kind of came to my GCSEs and then subsequently my A-levels, that became the thing to do and that became the thing to focus on as I was able to really kind of focus in and I ended up doing fairly well.

00:03:40:11 - 00:04:01:14

HOST

So you probably, you know, by all accounts on track to go to university and kind of like follow that path. But as you touched on, your dad is, you know, pretty well known on a property entrepreneur and developer. You wanted a bit of an action and you kind of was split between maybe getting there, but also it was the entrepreneurial aspect rather than the real estate piece at that time that really drove you.

00:04:01:17 - 00:04:23:21

GUEST

I think I think I definitely wanted a bit of that action so far as I wanted to engage with the marketplace. I said my plan, I had five, 4 or 5 offers from different universities initially to study law. So my plan was to become a lawyer, which would have obviously been a very different route. And what occurred to me was actually, I didn't like studying very much.

00:04:23:21 - 00:04:49:20

GUEST

I liked understanding things, but I had a bit of a aversion to mark schemes. I had an aversion to kind of really fitting in and kind of fulfilling the status quo. Real estate felt like a solid place to start. I was I was fortunate to have a friend who was 6 or 7 years older than me, and different family friends who had gone into real estate careers and were suddenly talking about different things.

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GUEST

They were talking about film studios or medical clinics or hospitals or care homes. And so actually, it occurred to me real estate wasn't just building flats and selling them or kind of developing office buildings. And if you want to engage with any type of commerce, it was a great place to start.

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HOST

So you kind of what bridge that gap, that journey you had in terms of kind of being creative and entrepreneurial and gravitating towards learning and getting results?

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GUEST

Exactly. I'd say there's kind of two very active parts of my mind. One side of me is very logical, very detailed, obsessed with numbers and making sense of things, which naturally lends itself quite well to kind of real estate analysis. The other side of me is much more creative, architectural, entrepreneurial and that aspect of me kind of saw real estate, and this makes a lot more sense than, for instance, going and working in the bond market or the stock market.

00:05:44:01 - 00:05:59:19

HOST

What had to happen for you to kind of get to that point? Was it that conversation with that friend, or was it just having kind of been opposed to going into real estate because that's what your old man did actually kind of taking you? Yeah. Traveling or a bit of a step back or failing at a business or kind of doing a few internships.

00:05:59:19 - 00:06:02:08

HOST

You kind of learn actually, this could be for me.

00:06:02:13 - 00:06:24:15

GUEST

So I think I was very clear beginning of that journey, but I didn't want to go into real estate. The sole reason why I was so clear was pride driven, because that's what members of my family did. That's it. Having those conversations with different friends. And I was fortunate to have lots of different people to talk it through with, and I definitely annoy some of them more than that, some, that's always you.

00:06:24:20 - 00:06:47:20

GUEST

And being able to talk that through, it became really clear that actually from real estate as a starting place, you could if I then decided I wanted to go and work in e-commerce, I'd understand that from a real estate perspective. Look at the shed market as an example, which is completely has been completely transformed by e-commerce. My fashion business was effectively e-commerce.

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GUEST

So it's a great starting point to be able to learn any other industry, but without the risk of complete value destruction. Whereas real estate, you obviously have a tangible asset which is much easier to value than a tech startup.

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HOST

Yeah. So, so an 18 year old, you know, Jacob finishing Brighton College, how did you go about finding your first job or or what what what did you do? So I would.

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GUEST

Say the key limiting factor was obviously that I hadn't been to university. So I had this logical side of my brain, and I had good grades, and I could clearly talk commercially. I was always fortunate in that respect and won a couple of different competitions growing up around entrepreneurship and that type of thing. But if I were to have walked into the offices of Brockton or Mark or Blackstone or any of the kind of big people looking to make happen, then launch houses, which is kind of where I would have said I would have wanted to have worked and wanted to learn.

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GUEST

They would have said, well, you don't have a degree, so you can't work there. So as a starting point, I

really needed somewhere where I could learn the industry and what I've been kind of advised by a couple of these friends as well. They said, start somewhere where people know the name, because if you rock up and say, hey, I'm Jacob and I work for so-and-so business and people haven't heard of it, then they haven't heard of you and they haven't heard of the business you work for.

00:08:12:02 - 00:08:14:14

GUEST

It's much easier to carry someone's attention.

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HOST

So advice.

00:08:16:01 - 00:08:33:03

GUEST

So what I was able to do, I knew that you didn't need I. So I started in sales again. Yeah, I knew that you didn't need a degree to sell flat out, but something that was kind of evident and I was able to kind of start by doing that. I convinced David Gorman, who was my first boss, to give me a job.

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GUEST

I sent a lot of CVS out to different people. I knew him through somebody else, and convinced him to let me start. I'd seen a couple of different people who were actually even younger than me and had less qualifications, who had gone through that route and actually done quite well out of it. So that was kind of really my first foot in the door was selling flats dotted around the M25 or Galliard.

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HOST

And you kind of it sounds like there are few barriers in the way, but yeah, just through some hard work and trying to pull in some, yeah, relationships and knocking a lot of doors, you managed to kind of get yourself in the room and at least get one foot in the door. But then it was kind of utilizing those get salesman skills to at least get your second foot through the door and, and get a contractor to start selling something home.

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HOST

So were you any good at it?

00:09:18:09 - 00:09:39:15

GUEST

I was terrible, so I think you have to realistic expectations. And so my starting point was great. I'm going to be doing property deals for some big private equity firm. That wasn't going to happen. I was 18 years old. I had no experience and didn't know the market or what I was talking about. Galliard gave me that double foot in the door.

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GUEST

And basically my job from when I started was selling flats primarily dotted around the M25. Some more central parts of London. And I think really there were two sides, I would say, with two sides of my learning job in that first year or so. One was learning how to interact with people and learning how to be in an office and learn.

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GUEST

Obviously, these are things that people do largely from home, but actually learning how to be professional

and be somebody in the workplace. And then the other side was understanding ultimately what makes a market tick. And I was incredibly fortunate guy. They had a large portfolio of residential, so I was able to look across the market and see, okay, people want flats in Hounslow because they're this price and this appeals to these buy to let investors.

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GUEST

This was before, I say all the stamp duty changes and the interest relief changes and everything. So it was still that market is off plan buy to let investors. I was able to see that side of the market and see that that's what drove that. And then equally, that was a development in Eltham, which all went for owner occupiers who wanted to live there because Eltham is a nice place to live and it was reasonably priced and that was good mortgage availability for Elton.

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GUEST

So I've got to see if you kind of talk about it like an appraisal. I got to see the GDP side of an appraisal first, which most people listening to this will know this. The most important part is what something worth when it's done.

00:11:03:01 - 00:11:09:07

HOST

Yeah, sure. And so did you. You become good at sales.

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GUEST

So I got incredibly lucky. I wouldn't say I was good at consumer sales, but effectively the job. And David, my first boss, said it to me. He said effectively the job is the longer you are here, as in hours in the day, the more you engage with it, the more kind of lead you follow up in kind of old leads.

00:11:26:01 - 00:11:40:11

GUEST

You try and revive and different people that you try and meet who might be interested in selling on in buying apartments, the better you will do, because it's just conversion rates, right? It's exactly the same as what you do, or to some extent what I do today. It's engaging with the market.

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HOST

Quality times, quantity. You know, you over a long period of time you'll, you'll you'll do too well. Right.

00:11:46:16 - 00:12:05:05

GUEST

Exactly. So it's hard work. And so I committed to work really hard. I would say I wasn't especially good at sales, because that's not my natural instinct is to sell something to someone. My natural instinct is to think, would I buy this? And obviously, if we're trying to maximize best value or best price, that's not necessarily what you can do.

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GUEST

And I got incredibly lucky. I picked up the phone. So this was about a year, and this would have been 2015 16. I picked up the phone to the head of property for or the head of affordable housing for a large central London borough, who for the previous 5 or 6 years of the cycle, had been taking section one of six and affordable off site contributions or affordable payment in lieu contributions, and needed to buy significant quantum's of housing within 40 minutes of this London borough.

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HOST
To qualify.

00:12:41:16 - 00:13:02:05

GUEST

Call it to effectively spend all of that offsite affordable money and so it was completely through dumb luck. I picked up the phone to this guy. I said, let me send you some options. He seemed quite relieved. I think he tried a couple of times, but the problem is, when you work in a sales team, the ambition is rarely get deals done now.

00:13:02:05 - 00:13:24:04

GUEST

And he was never going to be somebody who bought an apartment or even to a free apartments in the next month and the next set of targets. They ended up buying a lot more, a lot more than 1 or 2 departments. And that was a kind of really interesting way for me to start getting into really understanding how developments work and their specification and how capital worked as well.

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GUEST

And they couldn't pay full price for these apartments. And at the end, sorry, I appreciate me jumping around a bit, but at the same time as doing this kind of sales learning role at Galliard, I also realized I needed to learn about financial modeling. So I've been doing a course and evenings doing that. And one of the things one of the first things they teach you when you do that is around time value of money.

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GUEST

So this council couldn't pay the full price that we wanted at the time. For these apartments, they were about ten, 12, even 12% off that set. They had all the capital sitting there now and we hadn't started building these apartments. So the deal I propose to both my boss and the person from the council that we ended up transacting with was we'll give them a discount, but they'll give us significant quantum upfront capital upfront, which I now know is a forward fund.

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GUEST

But at the time I wouldn't have had the vocabulary to talk about that, which suddenly gave me insight into understanding about construction, understanding about legal understanding about title. I kind of because you had to go to meetings with all of those different departments to be able to get that forward fund signed off in only.

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HOST

So what I'm hearing a few things in here is like, yeah, you've mentioned kind of luckily a couple of times, but it sounds like you kind of created your own luck. It was it sounds like you're very hard working and you kind of push the bar and did things that maybe your contemporaries wouldn't. But also outside of that, those hours that you're kind of pulling, you also kind of kind of learn an additional skill set, kind of skill stack later on.

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HOST

And broaden your understanding of the real estate space. And it sounds like you managed to kind of combine all of those, to kind of like pull this deal in together. And I guess as an 18, 19 year old, yeah. Did you ever feel that people weren't going to take you seriously, or is it completely.

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GUEST

And that was why I did this, my goals. So I think I definitely about a year into the Gan, your process had a chip on my shoulder around the university decision, which was actually if I'm going to work in investment, which is what I knew I wanted to end up doing then they were kind of core technical skills, which I needed to learn, which I didn't have.

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GUEST

And people with no, I didn't have as a consequence of not going to university. So I found a, I would say he was a burnt out investment banker who was ex JP Morgan, who was in his late 20s, early 30s, who had left his corporate job and was actually, tutoring in financial modeling. So I spent a large portion of the savings I had to learn that skill set with him, which again, gave me the insight, I suppose, to be able to do the Affordable Counsel deal.

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GUEST

But at the same time, another skill which I knew I was going to be able to use, dam I knew was a kind of prerequisite to be able to work in investment.

00:16:15:22 - 00:16:34:16

HOST

How did you know that was, advice from your family or peers or, to not everyone. Not everyone was just trying to think of someone who doesn't have family members who were in real estate investment or development. They might not necessarily know that they need to add that skillset to their armory, you advised, or was it just kind of intuition or.

00:16:34:18 - 00:16:56:12

GUEST

I think you look through. So I did a couple of different things. I looked I was interested as to what I was missing. So if you look through a reading real estate course, for instance, you can see that a lot of real estate valuation, real estate, financial modeling, discounted cash flows, net present values, IRAs, metrics, etc. were a core part of that course, and I didn't know what any of those abbreviations meant.

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GUEST

So I thought that's probably something I should learn. So that was one starting point to weave the benefit of Galliard. Whilst it's a big business at one of the largest private residential lenders in the country is it's also a family business and it's relatively open. So you could talk to other people in the business and say, how do I end up doing your job?

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GUEST

Or how do how do you spend your time? To the person who's job looks quite interesting and they would say, I spend most of my time looking for new deals, I'd say, okay, well, what does that entail? They say, I spent most of my time on Microsoft Excel, and at the time, I kind of knew how to change the font of Microsoft Excel.

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GUEST

And so that was kind of obvious hole, which I was then able to sell.

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HOST

Brilliant. So you did this big forward fund deal and you managed to kind of shift.

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GUEST

And so I was again, very fortunate. And I think it's the benefits of being a private company. And I've always been fortunate that I've been surrounded everywhere I've worked, I've been surrounded by people who have been willing to let me have a bit of a run at it, rather than the slightest sign of a good thing happening.

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GUEST

And suddenly your boss steps in and does everything. So, Daniel let me run with this affordable forward funding deal, and they gave me all the support I needed from their legal team, from their construction team, from third party lawyers, from the investment analyst who was running the deal at Galliard. But ultimately, they let me carry on having the kind of kind of really acting as principal with the other side and having those conversations with the buyer.

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GUEST

So we firm about 6 or 7 months of negotiation. We took that from an idea to heads of terms to a contract that ultimately got exchanged, and 18 months later that that got completed. And Nate took possession of the flats.

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HOST

Amazing. New York, that was your first real estate? Yeah, it was real estate deal. Just this morning.

00:18:47:14 - 00:19:03:24

GUEST

It was I remember when we were trying to sign. It was really exciting, those 19 years old. It was really exciting. I remember when we were trying to get them to sign heads of times. I didn't appreciate most people, actually. You don't sign that. Sometimes they just get agreed and then you send them to a lawyer like you have a big signing ceremony.

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GUEST

But I was expecting that you would have a signing ceremony. So I kind of was messaging the person saying, can we meet to sign the heads of tongues? Which I think he was a bit miffed by. But it was an exciting moment.

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HOST

Yeah. Just showing that you are actually 90. Yeah. The other end of the day. So, before we kind of move on to general projects and how that kind of came around for the next part of the story. Just to kind of rounded up. So I'm assuming majority of your friends went to university and you kind of earlier, do you ever feel like you're missing out?

00:19:34:24 - 00:19:51:20

HOST

Or did you kind of feel that you could go and see them and they're kind of indebted with student debt, and you'd been hustling and making money and, you know, with buying everyone drinks at the local bar. How how did that kind of how did you reconcile that? Because they're off meeting new friends. You're trying to sell flats.

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HOST

Random 25. And, you've got a pretty headstrong to, to say, decide to do it, but also to, it's not going to buckle after a year or so. And go and join them. Yeah.

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GUEST

So I think again, I because I went to boarding school in Brighton, so I was at the benefit of going to boarding school in the middle of the city, which is also a university town. So I managed to have a fair amount of that experience in my teens. And then as you say, a lot of friends at Bristol and Oxford and Cambridge, a couple of Durham.

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GUEST

And actually I was able to go and see them for the weekend, and it felt quite good to have a job and to have money and not have a student loan, and to be doing something a bit different, which I would say has always been the case with me. I never wanted to necessarily just go down the status quo path.

00:20:38:16 - 00:20:49:00

HOST

Amazing. I love it. General project, how did that come into that? To the frame and and why did you decide to kind of leave it at home? It sounded like you wanted a kind of a good thing. Yeah.

00:20:49:01 - 00:21:15:24

GUEST

So Garnier is an amazing business. It's also a big business. And again, I think I would I would definitely describe myself as ambitious and I had determined that I wanted to learn, but also wanted to do lots quickly, which I recognized I needed to do for a small business or do within a small business where actually there is an entire team that deals with construction, or there isn't an entire team that deals with development or planning or land acquisition.

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GUEST

I kind of, for actually, the best way for me to be able to learn would be to be embedded in a small business where maybe 5 or 6 people are all doing full lifecycle development and therefore getting lots of experience across all of that. But that business need, you need to have good people running it, because ultimately the plan is for them.

00:21:34:22 - 00:22:02:12

GUEST

Yeah. So the progression from galleon to general projects was actually with a little bit of a bump in the middle leaving galley odds. I didn't actually go straight to general projects, but I went to work for my dad initially, and that was the plan. Dad is a kind of big maverick entrepreneur. He's incredibly good at what he does, and I saw that as really impressive and something that I wanted to be involved with.

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GUEST

That said, I think perhaps what I underestimated was what it would be like working as a father and son. So we did that for, I think, about five working days. And we've always been very close. And after five days, I think we concluded that if we did another five days, we would probably be less close.

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GUEST

So a little bit of a career hiccup two years in, which I was. Then back to talking to very similar friends about what should I do next? And this is not such a good plan. But I know that leaving big company to work for a small company is the right kind of overall objective. So I spoke to lots of different friends.

00:22:40:01 - 00:22:54:23

GUEST

One of them who is a little bit older than me, said you should meet my friend guy called Jacob Loftus, who's just left a company called resolution, which is on the larger side, Red State private equity fund that I would have liked to work for once upon a time. And he's actually just set up his own business.

00:22:54:23 - 00:23:09:01

GUEST

It's called Gemini Projects. You should check it out. So I was introduced to Jacob and we met for a coffee and the co-working space. My general project started out and literally just round the corner in every wood house. And yep, I took a job there.

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HOST

And so you were the first employee?

00:23:10:15 - 00:23:22:09

GUEST

No, I was the third employee. So not quite the first, but it was very much kind of startup phase, I would say the business was probably five months old, six months old when I joined.

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HOST

And did they have any assets under management tool? What was what were you kind of walking into?

00:23:26:14 - 00:23:46:11

GUEST

So the starting point, the general projects was that offices and it's a lot of what's spoken about now and it's everywhere today. But the starting point for GP was that actually the office experience should be much more like walking into a boutique hotel. There should it should become a website. It's an amenity. There should be a great coffee shop in the lobby.

00:23:46:16 - 00:24:07:08

GUEST

It should be well-designed. It should be thought about from a kind of consumer perspective, rather than does it have the right air conditioning to cater for the density, which we're going to put in the JLL leasing brochure. So, when I joined the mission statement or the ambition of general projects was let's build best in class office HQ, use that appeal for the next generation.

00:24:07:08 - 00:24:23:10

GUEST

Is to one office tenants who value all of those amenities and value space in a very different way to the historic office market. So when I joined, there were two projects. One was a building in Clerkenwell and the other was number one, poultry, Bank junction.

00:24:23:12 - 00:24:26:18

HOST

Yeah. No, the one opposite, opposite the net. Right, exactly.

00:24:26:19 - 00:24:28:05

GUEST

And Lautenberg building.

00:24:28:05 - 00:24:39:16

HOST

Yeah. It's quite a unique, architectural bizarre, building that, that one poultry. And so what was your what was your role and what was what were you kind of going to general projects to do?

00:24:39:17 - 00:25:14:19

GUEST

So my, my starting title was Investment endless. In terms of what I did week one, I think Jacob and I sat down and he said, what interests you? What would be what opportunities or where do you use real estate was really the starting point. So we looked at van and we looked at transport networks, and we looked at how the world was changing and how specifically London as a city had changed a lot in the kind of seven, eight, nine, ten years since digital had started to creep in to the kind of physical environment, transport connections getting better, the cost of distance going down, e-commerce use going up.

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GUEST

And so we spent a lot of time looking at van and looking at London's new villages. So the rise of kind of proper office buildings with proper office tenants popping up in parts of Whitechapel and then parts of Brixton, and then suddenly actually, if it's part of Whitechapel, could it not move out that quick and look at that evolution of the way that people were working was really my first role.

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GUEST

And then originating buildings and speaking to agents and finding market data and then running appraisals to look at, should we buy that building or should we not buy that building?

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HOST

Did you find it a kind of a challenge moving from commercial, as I mean, from residential to commercial? Or is it just literally applying the same skills and the same things that you learned to Galliard, but just applying that in a slightly different real estate context?

00:25:58:01 - 00:26:25:11

GUEST

I think I was so green working at galleon that it was I was completely malleable enough that it didn't really occur to me at the time that this was a change, but I definitely saw commercial as a space of having much more opportunity to do something different, and also having much more room to move from a financial perspective so far as, generally speaking, you on the right a commercial development to have a slightly bigger margin than a residential development because they're less established markets.

00:26:25:13 - 00:26:34:01

HOST

And what you have is you didn't have a degree. What was it you thought Jacob Loftus saw in you? They gave you the job or gave you the opportunity?

00:26:34:03 - 00:27:04:05

GUEST

Very good question. I would say that probably twofold. One, I was able to talk a little bit about what I'd done in Galliard, so I clearly didn't know absolutely nothing. But equally, I was young enough and I was a full term from an employment perspective and now running my own business, I recognized the benefits in this. I was young enough that I was also affordable enough to hire and it was a relatively low risk hire from his perspective, because you're not paying someone very kind of significant salary.

00:27:04:05 - 00:27:13:09

GUEST

Whereas actually, had I been working for 3 or 4 years somewhere else, and I've been an investment banker, private equity fund, then to bring that person in would cost that much more.

00:27:13:11 - 00:27:29:19

HOST

Yeah. No. Makes complete sense. It's quite a low risk career. And he kind of he bet on the behaviors demonstrated. And you know I guess can teach you the functional skills or you kind of had an insatiable appetite to kind of learn them as you have with your modeling skills outside of your day job. To come. Good.

00:27:29:20 - 00:27:41:13

HOST

So you were you were with general projects all in all, for about five years. Right. And and within that, can you just talk to me about a little bit about your journey kind of projects you're involved with and also kind of general people as well? Yeah.

00:27:41:17 - 00:28:10:06

GUEST

So the other, as I said, about moving from galleon, the benefit of joining General Projects and joining very early stages, Jacob was an incredibly small, incredibly connected, proven track record founder, but it was a small enough business where both I could learn from him and learn from him directly, but also be able to grow my sleeves up and learn about planning and learn about complex titles and look at different asset classes and kind of do research projects, which could then translate into new sectors.

00:28:10:06 - 00:28:32:16

GUEST

So that was the genesis. And the starting point was actually it was a fairly open brief of what did we as a it was a team of four at the time collectively find interesting and think this kind of going to work in a kind of changing world. So about a year into general projects, obviously the we work story was starting to take off.

00:28:32:16 - 00:28:59:05

GUEST

There was huge quantum's of kind of venture capital, kind of pushing into the co-working space, and it was a sector we looked at and we were understanding and obviously from a tenant perspective that was popping up on any office building you were developing at the time in the city, city, fringe, West and anywhere we work, the office group, Regis Spaces, landmark, etc. were all popping up on the list of people who had set requirements in those markets.

00:28:59:07 - 00:29:23:20

GUEST

And so we kind of were kind of looking at it. We were also developing number one poultry at the time, which eventually was a building that was leased to we work and we were looking at serviced office space by extension, that and thinking this makes complete sense from a consumer perspective. So far, as if you're a small business, as you'll know, as I know, if you're a small business, like finding space to run that business on flexible enough terms.

00:29:23:20 - 00:29:48:24

GUEST

If you have to grow or contract, it can be accommodated whilst providing really high quality amenities in terms of not actually really high quality amenities, fairly basic amenities in terms of sunlight to get a cup of coffee, a meeting room to rent when you've got clients or investors or other people coming into the office, those that offering to the economy was really small and yes, I the economy accounts for the vast majority of employment.

00:29:48:24 - 00:30:11:24

GUEST

It's like I think circa 6 or 5, 70% of people work for small and medium sized businesses, and the opportunity to rent space was pretty poor. So we saw that they were solving a problem. All of these

serviced office businesses from a consumer perspective. That said, if you looked at the numbers they were operating, they were underwriting of desk rates, which ultimately translated into pump square foot rates for small rooms.

00:30:12:01 - 00:30:31:11

GUEST

And then when you put fairly high rents in there, there wasn't not much room to move. And the vast majority of these businesses were fairly weak covenants. You could look back 15 years, 20 years and see what had happened to Regus in the late 90s and early 2000. And actually the risks to the landlord was fairly inherent.

00:30:31:11 - 00:30:57:13

GUEST

But the user demand for occupational demand was phenomenal. And so we saw all of that. And for actually we should be able to provide the operational needs as well as the design piece and the amenity piece to these buildings. And actually by doing so, we'll be offering investors much better risk adjusted return than if they buy a building, rent it to we work and then hope that we work doesn't go bust.

00:30:57:15 - 00:31:05:10

GUEST

So that was the kind of Genesis of general projects moving into the service office space and then subsequently on setting up general people.

00:31:05:12 - 00:31:31:21

HOST

Yeah, I completely get it. It's just, it's just a it's a it's a mindset shift right into operational real estate, which is a massive buzzword that's been thrown around for the last few years. But as you kind of touched on inherently, it's kind of that opti prop co and prop co piece wouldn't necessarily touch the operational real estate without obviously some, some dead, because it's a different skill set and you've got a different risk and liability and you've got to kind of get your head around it.

00:31:31:23 - 00:31:54:01

GUEST

I think it had happened a lot more in the living sector. So student accommodation had kind of come into come of age, build rent a robust words that was all kind of those huge amounts of kind of pension and insurance money moving into that. All of that is inherently operational. But and they were being valued as kind of a core assets that long term institutional investors wanted to hold.

00:31:54:03 - 00:32:18:15

GUEST

And that just hadn't filtered through into the commercial space at the time. I think that still got quite a long way to go. But at the end of the day, it's effectively the same principles of you've just got very diversified income coming in against your asset. So as long as you can put the right systems, right software, the right processes in place as you would with any actual development, it wasn't actually that different.

00:32:18:15 - 00:32:21:01

GUEST

Or at least that's how we looked at it.

00:32:21:03 - 00:32:28:07

HOST

And so you you co-founded General People with Jacob. Can you just talk to me about that venture? So came about so the.

00:32:28:07 - 00:32:46:03

GUEST

First asset we bought a building in the Royal Docks, which was a operate it was operational service office, but it was a what I would describe as a 1990 serviced office. So actually much more akin to the office TV show in terms of what you would get as you walked in. Everything was fairly dark, everything was quite dingy.

00:32:46:05 - 00:33:05:11

GUEST

The top rent in that building was circa 28, 29 pounds a foot gross. So this was really cheap space on the edge of town that we bought because we thought this is a small property purchase, but at the same time it was a really interesting way to test out everything that we'd been playing around from a service office long time.

00:33:05:11 - 00:33:34:10

GUEST

Can we build this portfolio and can we build this operating platform and so that was the first asset which we had acquired as general projects in October 2018. That had the benefit of having all of these tenants, which whilst they weren't paying a huge amount of rent, it was a great starting point and it was a great way to learn a new sector without being able to mess it up too much, because you've already got yield and actually you've got a bit more room to move in terms of the capital and long term direction.

00:33:34:10 - 00:33:46:08

GUEST

And because we had 260 people in the building, 160 businesses in the building, about a thousand people in the building, we would be able to spot the trends of what we were doing right or wrong, fairly quickly, so that.

00:33:46:09 - 00:33:47:13

HOST

Rather than build a complete.

00:33:47:17 - 00:34:11:19

GUEST

Exact, rather than starting completely from scratch. So that was the first asset. That was as general projects, what became apparent to us fairly quickly from when we started running the asset was so 162 businesses in the building. You've now got to charge rent 162 businesses. You've got to charge them rent monthly. Then some of them say, can we rent a meeting room for an hour or two hours?

00:34:11:19 - 00:34:28:21

GUEST

Or can we actually for advice and meeting rooms because we're going away. So we're not going to get around to paying them, but some of our colleagues are going to use them over the next couple of months. Then you realize the people you're dealing with don't really understand real estate, and they're small business owners who just want a bit of a break.

00:34:28:23 - 00:34:48:08

GUEST

It's busy. They have full lives. They have families, actually. They want that side of things to be quite straightforward and easy. And so I think it came to our attention quite quickly that we needed to make sure that the processes, the infrastructure, how we were providing great service to the people working in this building got that much better.

00:34:48:10 - 00:35:04:21

GUEST

That was one side. The other side was everyone in that building when we took it over was on one of

rolling breaks. So we also needed to build a proper sales infrastructure to support new people coming into that building. Whereas to business we bought it from had a central office and a team that dealt with all of that.

00:35:04:23 - 00:35:07:23

GUEST

So that was really the genesis of general people.

00:35:08:00 - 00:35:13:07

HOST

And can you talk to me about general people today and kind of size and scale and so on.

00:35:13:13 - 00:35:34:11

GUEST

So we took that building, which was space is called Express Bend. The real docs, and we fully refurbished it. We turned it into what I would say is the best quality, value driven workspace kind of east of Canary Wharf. In the kind of M25 London sphere. It's a circa 50% discount even today from Canary Wharf in your six minutes drive away.

00:35:34:11 - 00:35:55:21

GUEST

So that became the basis for what we were doing, which was because we owned the buildings. We were able to run them at significant discounts in terms of consumer price, to what the registrar would charge you for the space. So all kind of whole model was we can make sure that our occupancy is always good across these buildings because we run that much better EBITDA margins.

00:35:55:23 - 00:36:21:03

GUEST

And so from there, we carried that through. In general, people end up expanding to a number of different locations. And, we bought that again, all these general projects, feeding assets to general people. We bought a kind of multi late industrial estate kind of studio space in north London called the Frontier Clothing Village. We started operating what started on out as 45,000 square foot in Canary Wharf, which is actually then growing.

00:36:21:03 - 00:36:49:09

GUEST

But as lots and space has been taken up and that's worked out well, and again, also in Elephant and Castle and looking at effectively, how can we provide value driven workspace in slightly off pitch locations closer to where people work, and doing that for an owner operated model so that the quality is still exactly the same as in it's as good as a we work or an uncommon hour tog, I would actually say better, but that was kind of the starting point of what we were trying to do.

00:36:49:14 - 00:36:51:11

HOST

And I bet your investors loved it.

00:36:51:13 - 00:37:11:17

GUEST

Yeah, it went really well for them. Again, that coming back to that thesis of you end up with 160 businesses in a building. So through Covid, whilst on the face of it having 160 people on one month rolling breaks in the first building in March 2020 doesn't sound like the most exciting proposition. Or it actually sounds like a fairly terrifying position.

00:37:11:17 - 00:37:27:22

GUEST

And it was. Speaking from experience. What we saw quite quickly was there were far more levers we could pull from, or we could do for our users than perhaps a conventional major office landlord. You've just got much more diversified income, I guess.

00:37:27:24 - 00:37:33:09

HOST

Yeah, a few different levers. You can play and look after them. They'll look after you longer term, and it sounds like that's exactly what happened.

00:37:33:09 - 00:38:00:13

GUEST

So we ended up what was also really interesting about investing in the office space outside of core markets is by May 2020, we had we were having 600 people a day back into that building in the Roblox, which is about 60% of what it was in March 2020. But compared to the office stats that were coming out of some of the larger managing agents about core West End and city offices and 2020, 2021, that was, quite a nice piece of data to be able to see.

00:38:00:15 - 00:38:14:16

HOST

And I guess day to day that your role had shifted from being kind of acquisitions, development, management orientated in general projects to kind of running general people and kind of being all consumed with with that as kind of co-founder and CEO of that business.

00:38:14:16 - 00:38:43:04

GUEST

So it was really split across the two. And I think, again, a big part of what we were trying to do was by buying buildings, developing them, and then operating them ourselves, we were able to create benefits across the building service charge, to create benefits across how we use the building lobby. And so applying both the development mindset and still keeping one foot in that door whilst also building and investing in building a really good operational team, both in terms of people and software, infrastructure, data, Wi-Fi.

00:38:43:04 - 00:38:56:13

GUEST

How we approached all of that enabled us to operate all of these buildings really well. So it's kind of keeping keep keeping both sides of that line, kind of staying across both sides of that line.

00:38:56:15 - 00:39:01:20

HOST

You left, General Projects in 2022.

00:39:01:23 - 00:39:02:16

GUEST

2021.

00:39:02:16 - 00:39:21:16

HOST

2021. Yeah. Why did you why did you leave? Because of business has gone on and had some phenomenal success, won lots of awards and is kind of, as you said, pioneered a lot of change in kind of commercial office, best in class, design led investment development. What why did you leave and, what did you want to do after that?

00:39:21:16 - 00:39:48:05

GUEST

So general People was an amazing experience. And operating kind of building a platform of operational

real estate for institutional investors, but realizing what works and what doesn't. So general people, the ultimate investor or the ultimate owner in most of those buildings was a pension fund. So they were looking for the kind of yield premiums that we were able to offer by running it as kind of vertically integrated operational space.

00:39:48:07 - 00:40:08:16

GUEST

That was working really well. We built a great team there, and that had interested me in lots of different sectors. So I was looking at the dark kitchen space or eventually the self-storage space. So we looked at, caravan parks and lots of different kind of, and lots of different alternative sectors where actually there was a kind of operational integration piece.

00:40:08:16 - 00:40:31:15

GUEST

And I think what I concluded was what I was really good at was combining the real estate side with the operation, with the operating side to maximize the value for both, whilst providing great experience for user good return for an investor. And so I'd always wanted to set up my own business. I think the general people story had been a really good kind of success story.

00:40:31:15 - 00:40:47:16

GUEST

We've taken it to a really good place. We built a great team. The assets that we were running at the time were running really well, and starting to look at what was next. I wanted to apply exactly the same model to other sectors where I thought the same opportunity existed.

00:40:47:18 - 00:41:05:13

HOST

And so talk to me about how you went about setting up your own business, because clearly you're on to a good thing here. You know, you've risen up the ranks. You co-founded the business with the previous boss. You've made it a success of it. How do you go about setting up a business? Like, where did you start?

00:41:05:15 - 00:41:12:08

HOST

You kind of touched on wanting to apply some of the learnings within a different asset class. Can you just talk to me about how compound kind of came to be? Yeah.

00:41:12:12 - 00:41:30:22

GUEST

So, across the general people portfolio portfolio, which got to be about circa 300,000 square foot once a week, I would sit down with, appetite with different personnel. But then our head of sales at the time and we'd run through this is the these roll of inquiries that have come into the business. This is where they're coming from.

00:41:30:22 - 00:41:50:13

GUEST

These are the people who are viewed. These are the people who are taking space. So the key thing with running these operational kind of platforms is you need to stay incredibly close to where is your demand coming from. And really seeing that, especially in fringe markets, which is what we were doing. And for 3 or 4 consecutive weeks, we'd lost businesses and different service office buildings.

00:41:50:13 - 00:42:12:04

GUEST

We were running to self, to self-storage, operators nearby. And that kind of stood out as something which I found quite interesting and had spent a bit of time googling and reading online, being a kind of passive

viewer of Safe Store and Big Yellow share prices, for a few years. But that was the kind of first exposure to the self storage space.

00:42:12:06 - 00:42:33:16

GUEST

At the same time, watching other kind of industrial asset classes or kind of industrial sub asset classes becoming more and more operational. So we'd run a dark kitchen in one of our service offices where we'd had an industrial workshop unit, which we connect as we'd actually partner with a business to do that, and as a consequence had great exposure to, again, whoever uses whatever unit economics, how does it work?

00:42:33:22 - 00:43:00:10

GUEST

What can we do better than the competition? One of a competition. And again concluding that the value is all in the real estate of doing that, I concluded that I wanted to set up a portfolio similar to we built General People serviced office of primarily Self-storage. But ultimately I would describe it as consumer industrial, for kind of to cater to those businesses that we were watching, move out of all service offices.

00:43:00:12 - 00:43:05:15

HOST

And why were those businesses and what types of businesses were moving out? Because was there a theme there as well?

00:43:05:17 - 00:43:25:15

GUEST

Yeah. So I think starting with self-storage, there's really kind of two types of users. The vast majority of a traditional user of self-storage is a domestic user. It's somebody who lives nearby. Generally it's because they're moving house, or because of some type of significant life events, whether that's death, divorce, a dislocation movement, that type of thing.

00:43:25:17 - 00:43:54:07

GUEST

And so that's the kind of traditional reason why people have liked the space. It's fantastic. That continues today. But what has changed over the past ten, ten or so years, 15 years, which is obviously completely changed within the entire industrial space, is e-commerce penetration. So the internet, Amazon, originally eBay, a bunch of other sites have made it that much easier for one man bands through to free or full man bands to own and operate a business which entirely sells stock online.

00:43:54:13 - 00:44:15:15

GUEST

So we had a business, one of the ones that we lost from one of our service office buildings whose sole good that they sold, they would mass import HDMI cables from China. Tens of thousands of HDMI cables would be shipped into the service office unit, and then they would sell them on on Amazon. So that's a kind of key driver of demand is the kind of micro e-commerce business.

00:44:15:21 - 00:44:42:18

GUEST

And we were looking at that and thinking, actually that should be a service flex alternate is for those types of businesses, which is overlooked a little bit. The self-storage space was very much on to it. That overlooked a little bit in terms of actually some of these people are also going to then want to be on site more, and we need to think about talent attraction and retention, which is if you're going to employ someone, are they going to want to sit in a kind of fairly poorly lit, kind of slightly dreary, bit echoey self storage unit?

00:44:42:18 - 00:44:48:14

GUEST

Can we build slightly nicer reception like we have with our serviced offices? So starting to look at the opportunity set for that.

00:44:48:16 - 00:45:10:05

HOST

Well, it's fascinating because I know yeah, I'm talking to a few other people as you touched on like death, divorce, displacement. Yeah, it's quite it's quite a defensive investment. Right. Operational. Sorry. Self storage. But because of these people selling HDMI cables or perfume or what have you, and they've maxed out their space in their little one bed flat when they can't actually get it to their office.

00:45:10:11 - 00:45:14:07

HOST

They need to be able to serve notice on a day. Right? So they need to be able to double it.

00:45:14:07 - 00:45:19:09

GUEST

Or their girlfriend has said to them they can't keep selling HDMI cables from their flat.

00:45:19:11 - 00:45:20:12

HOST

And so they need that space.

00:45:20:13 - 00:45:21:07

GUEST

Exactly.

00:45:21:09 - 00:45:26:20

HOST

And when you kind of looking at different graphs, or what kind of data were you looking in to to kind of like try and track this.

00:45:26:20 - 00:45:47:15

GUEST

So I've followed the growth of the SME economy incredibly closely because that was a huge part of the general people thesis. So it was all around, I think something like 99% of businesses in the UK are SMEs suck, 70% of people who work for business work for SMEs. So we followed that incredibly closely. We then also followed e-commerce penetration rates incredibly virtually this.

00:45:47:16 - 00:46:06:17

GUEST

You couldn't miss it if you watch Amazon share price. If you looked at our share price, for that matter, if you looked at actually where capital flows were going within the real estate space, it was evident. Which kind of brings us back to the only part of this conversation, which is big macro trends in the economy eventually end up impacting real estate.

00:46:06:17 - 00:46:31:08

GUEST

And I think that's what we try and look at and kind of react from. So it was kind of evident on a macro level that this was happening. We were also watching it happen within our own serviced office business and thinking, okay, well, that's actually your user. We know that they were once upon a time, a user of ours, and we can know what these people are doing, which is better, which is increased increase flexibility, slightly lower cost.

00:46:31:10 - 00:46:35:24

HOST

And so you identify that kind of trend. How do you go about your business off the back of that.

00:46:36:03 - 00:47:12:01

GUEST

So spent a lot of time reading share reports, earnings announcements from the bed. The benefit of self-storage is the vast majority of really high quality space is owned by listed businesses who obviously are quite transparent with data. So we kind of actually started by saying, should it be self storage without kitchens? That was a debate that I spent and again went back to lots of different friends and people, as we'd spoken about earlier and kind of had a conversation with and tried it out with a couple of different investors and potential investors to kind of gauge response and gauge reactions to what they thought, and really got quite detailed into, you know, what are the

00:47:12:01 - 00:47:45:01

GUEST

benefits, what are the cons, where what are the risks? What if actually, why would people not need self storage? Or what would happen if there was a very significant recession which hit kind of consumer spending and massively rising unemployment? What would then happen to self-storage rents? And so we got right into the detail of that, on a kind of very macro, quite the theoretical level before we started looking at, okay, this is then how you would go and this is the kind of site you would buy, and this is the price you would pay for it, and this is how much it cost to build, which was then the second phase of that journey.

00:47:45:03 - 00:47:50:14

HOST

You speak a lot about. We did we did this. Who who was we? It was it you.

00:47:50:16 - 00:47:52:00

GUEST

Primarily me.

00:47:52:02 - 00:47:52:20

HOST

So you did it.

00:47:53:01 - 00:48:20:12

GUEST

For primarily me? I'm incredibly fortunate to. As I said, I've always been surrounded by good mentors, good friends, good bosses. I spend an awful lot of time talking to the original team. I used to work with a Goliath, talking to Jacob, who is my one time boss and then co-founder at General People, speaking to different partners and potential investors, in compound who were close and people who I kind of had helped me through my career, if that made sense.

00:48:20:14 - 00:48:26:16

HOST

So I sounding it past them, more seasoned people just to see if, if I guess.

00:48:26:18 - 00:48:54:21

GUEST

There's always so much that you can learn from other people, and there's only so much you can get from data and quantitative analysis. And so by that I mean real estate is a people industry, hence the podcast name. And people are always having conversations and tangential conversations about actually all that things not going so well or I've got this building and we've got this vacant space and we've been approached by four self-storage operators or this person setting up adult kitchen business, and they've moved into my shopping center.

00:48:54:21 - 00:49:19:12

GUEST

I'll see you video then getting those qualitative bits of information from other people in the market. And that's all feeding back into eventually your decision making as to what's your strategy going to be? How are you going to be different to the other people? What's the retirement look like for an investor, and what problem are you ultimately solving for a user, which I think really is the key question you should be asking yourself with any type of real estate you're developing now.

00:49:19:14 - 00:49:25:22

HOST

So you spent quite a lot of time on this thesis. Yeah. What comes first? Money, assets.

00:49:25:24 - 00:49:48:15

GUEST

It's a key phrase. It's a catch 22. And I would say definitely unfortunately not people. It would be great if you could have people to be working on that with. Because really setting up a business and finding but pairing both assets with capital when you're a new business at and I was doing this in late 2021, early 2022.

00:49:48:17 - 00:50:09:01

GUEST

When you're a new business, doing it right at the top of the market, it's a very challenging thing to do from a, asset perspective. So as a consequence, I largely focused on the capital side. First I got the thesis working, as in, I wrote the business plan and we kind of knew this is what we're saying, and this is the return profile that we think we can offer our investors.

00:50:09:06 - 00:50:33:11

GUEST

This is why we think it's more defensive than investing with other people, with other people's business plans in these alternative spaces. And this is why we think you should do it with us rather than other people, which was our background in understanding operational real estate, understanding how to make the best out of a user experience and operational real estate, but ultimately keep it as institutional as you possibly can from a equity long term investment perspective.

00:50:33:13 - 00:50:42:01

HOST

Until you quit your job and go all in on this. Or is it a case of just trying to, you know, write a business plan, raise the capital while still doing your job, and then kind of try and seamlessly exit?

00:50:42:06 - 00:51:01:15

GUEST

So I was very fortunate because I transitioned out of general projects and was really kind of running the general people business at the time. I had a bit of time to kind of really kind of make, I think a lot of people when they set up their own business. And then I noticed three months notice or six months notice, and then that's it.

00:51:01:15 - 00:51:19:07

GUEST

You're on your own. You're living off savings, and it's kind of there's a countdown, right? Yeah. And in real estate, which is quite a lumpy sector, as in you have to do big transactions to set up a business. Your first deal is going to be many millions of pounds. And there's a consequence to do that. First, you're under enormous pressure to do that first deal.

00:51:19:07 - 00:51:53:09

GUEST

And I didn't want to be under that pressure because I think actually that's what leads to poor decision making. So I was very I was in a fairly fortunate position insofar as I was running general people. I was therefore getting amazing exposure to all of the operational real estate that I was talking about, and that ultimately, I want to compound my business today to be an expert in and as a consequence, I really kind of took my time to make sure that we built the general people team, made sure that that business carried on running in a kind of really positive way that would kind of safeguard those assets and kind of provide the soft

00:51:53:09 - 00:52:06:22

GUEST

infrastructure for those assets for the long term, whilst also planning exactly what we were going to do, but not thinking, oh, we've got four weeks left till we run out of money, or three weeks to go, two weeks to go. We better sign this deal because go, we're out of money.

00:52:06:22 - 00:52:07:20

HOST

Yeah, we need to see.

00:52:07:22 - 00:52:26:14

GUEST

I never wanted that to happen. And I was acutely aware that industrial pricing, which is ultimately the type of land we needed to buy, had been going up and up and up and up and out throughout that entire period. And what I didn't want to do was overpay for all of those asset.

00:52:26:16 - 00:52:29:19

HOST

Yeah, it makes complete sense. Easier said than done though, right?

00:52:29:21 - 00:52:44:23

GUEST

It's true, it's true. And again, I come back to that's why you need to be surrounded by good people, good investors, patient investors. And you need to allow yourself to value those people. So it's frustrating when you set up a small business, you want to get going. You want to do deals, right?

00:52:45:00 - 00:53:03:00

HOST

Oh yeah, 100%. I think, yeah. Is it a call? Is that a term that you kind of coined? Consumer industrial self-storage, open storage, modular industrial? Or is that, a kind of more widely acknowledged, segment within this kind of ever expanding industrial niche?

00:53:03:00 - 00:53:23:19

GUEST

I love to say I coined it, but I think in practice it's been around for years, which is if you go to most industrial estates, there's so much weird and wonderful subletting, whether it's artist studios, whether it's dark kitchens, whether it's photography studios, podcast rooms, gyms who are kind of renting out by memberships, kind of break service, office and co-working spaces.

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GUEST

There are businesses who have been providing operational iterations of industrial space for decades and decades and decades. But I think as any market comes of age and matures and more capital starts to look at it, then all of those subsectors become a bit more shiny as well, and people start to kind of think, okay, well, how do we turn this from something that's happening on the back of an industrial estate to something that's actually an asset class in its own right?

00:53:50:04 - 00:54:06:08

HOST

Can we just talk on the capital piece? How did you go about raising the capital? Because you've got your thesis. You know what you're doing. How is it kissing a lot of different frogs? Is it using a placement agent or is it leveraging friends and family. You know, is it multiple different investors? How did you go about securing that that commitment?

00:54:06:10 - 00:54:28:03

GUEST

So I think I kind of went by what I said I'd had the benefit of being a general projects and watching Jacob grow that business and looking at how he'd approach capital and all the same challenges and different types of investor and what worked and what didn't, and who were the easier investors to speak to for different profiles of assets and understanding how you would match for two with something?

00:54:28:03 - 00:55:05:09

GUEST

As an experience that I took completely from the time I'd spent to general projects, and in terms of how I went about it, this was for Q1, Q2, Q3, 2022. So it's kind of really the last or the very end of is the top of the cycle and the top, top, top of the industrial boom, where there was huge amounts of capital all trying to access various iterations, and one asset class, which is sheds and so I think that definitely helped in terms of doing that, kind of having those conversations, which is you were going to people with new ideas as to how to get premium returns, an asset class where a lot of investors

00:55:05:09 - 00:55:27:17

GUEST

felt priced out. So that was a starting point. So then it was thinking about who have a different types of capital to speak to. So again, very fortunate through primarily people I'd worked with along the way had different conversations with different investors and potential investors. Those ranged from large American private equity free to family offices through to high net worth individuals.

00:55:27:17 - 00:55:51:16

GUEST

And kind of got to see, okay, well, this is how these different types of people operate. You obviously had the initial meetings. Most people after the initial meeting say it sounds really interesting. Talk to us a bit more. We'll show us a deal. How would the terms. But there's normally a kind of takeaway from that first meeting. So you get to experience working with somebody a little bit, in that first kind of couple of meetings.

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GUEST

Obviously for the best part of this cycle, the dominant force in buying industrial had been American private equity. And so we ultimately came down to having like at the end of our process, I had really two people who I was really interested in working with. One was a big USP fund and the other was kind of very significant, very experienced, very strategic, selective sounding office and I think back dating 2 or 3 years, the PE guys would have been quicker to deploy for sure.

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GUEST

But I was also and as I've said, it throughout this, I'm acutely aware I'm young. I'm learning. You want people who are on the ground with challenging you, who bring a lot of experience to the table as well. I'd partly done because as part of the whole of soft infrastructure setup for compound, we'd taken on that as chairman.

00:56:47:05 - 00:57:10:11

GUEST

The former head of operations and main board member from, say, stool, one of the main board members from say that also kind of providing some gray hair and some strategic oversight. But beyond I wanted somebody who had invested in the UK through cycles and cycles and cycles and actually saw the opportunities that I thought were coming in terms of some real estate downturn and reducing asset prices.

00:57:10:11 - 00:57:28:12

GUEST

That's the buying opportunity, but also someone who's got conviction that that remains the buying opportunity. Whereas I think obviously it's much harder to do that if you're allocating and you've got the opportunity. If you're a US private equity fund, to go and buy sheds in Germany, if that's a better alternative, because the UK macro doesn't look so great.

00:57:28:18 - 00:57:47:07

HOST

Yeah, I mean, that marries so, so closely to the conversations that I'm having from a broader perspective in terms of kind of family of patient capital, can look at deals on a risk adjusted basis rather than trying to force deals or I guess, have the pressure of having to, as an operator, get just a lot of door just to kind of not lose the capital.

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HOST

Right. And so I guess you can be better and do better deals with that type of capital in this current market. So, yeah, that makes complete, complete sense. So someone listening to this at what kind of sites and buildings are you actually looking at? You know, kind of from a criteria perspective.

00:58:02:04 - 00:58:26:02

GUEST

So I think starting with where we want to own sites is typically where we think that it's incumbent. Well, so people who people in businesses who are going to ultimately use the spaces that we're creating, and we think that that's that wealth is going to hold up through cost of living crisis through any type of recession. And actually, it's going to be a relatively small cost to our consumers versus their earnings.

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GUEST

So as a consequence, we've stayed pretty southeast focus. We bought one site in Milton Keynes, but other than that we're in Kent, we're in Surrey. We'd love to be in London. We're looking at a couple of things very closely at the moment in London is pricing is kind of coming to a level which we think now broadly works.

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GUEST

So geography wise really at southeast, M25 commuter towns and London is the focus. We've tended to go to places with either existing self-storage supply or very, very good industrial data, because that way we can understand the markets, understand how they perform and say, okay, well, you might have two self-storage businesses working in this location and you might have several industrial estates, but they all trade really well.

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GUEST

They've all been there a number of years. There's been a fair amount of housing growth. All of the businesses work in the industrial estate. The quality of that space is a little bit secondary, but they all get pushed to the back. Can all products provide a good alternative or a follow on to a market which is proven, rather than going and putting a new signpost down in a town or city which actually doesn't have

any of the same supply currently, and kind of having to prove the whole concept.

00:59:30:01 - 00:59:48:06

GUEST

So that's been our starting point. Aside from that, we like slightly larger sites than the self-storage people and probably slightly smaller sites than some of the industrial people. Typically there's a degree or an aspect of visibility and road side, because that gives us the benefit of obviously people being able to see where we are. And that means assets tend to trade better.

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GUEST

Generally we like being next to big either trade or retail occupying. So our site in Milton Keynes, we've got a Halfords, actually that we own and a number of other trade units that we own as well. But directly opposite us, we've got a Wickes and a Dunelm and a number of other reasons why someone as a consumer would come to an area and therefore know about the area.

01:00:08:05 - 01:00:17:08

GUEST

Similarly, from a DPD perspective, they all know where it is. So they're not going to be driving around, which means from an e-commerce perspective, it's going to perform that much better.

01:00:17:10 - 01:00:28:06

HOST

Right? Makes complete sense now, I guess once you've accumulated a portfolio, a particular size and scale, it's a hell of a lot easier to operate if they're in a of at a localized area rather than scattered all across the UK.

01:00:28:10 - 01:00:56:20

GUEST

Exactly. I also think the benefit the truth about operational real estate, especially lower cost industrial type operational real estate, is if you run your sleeves up, you can, generally speaking, make most of these buildings work as in from an operational perspective, because there's such a shortage of good quality space for small businesses and for domestic users in the storage space in the kind of multi-layer industrial workshop studio space, you can generally make these sites work.

01:00:56:20 - 01:01:05:13

GUEST

But the ambition from all side is obviously to build scale and it's much easier to build scale if you build sites which are going to outperform rather than just what.

01:01:05:15 - 01:01:24:10

HOST

Yeah, makes complete sense. Can you talk to me about your team at the moment and how you've gone about, hiring and who those individuals are in your business and what the different roles are because it's. Yeah, yeah, kind of a layer of challenges in there in terms of hiring and getting people in the right, right space, time to deliver on your vision forward as well.

01:01:24:14 - 01:01:45:14

GUEST

Yeah, sure. So, we're growing team we are free full time. One part time and about to be full, full time. I oversee all of the kind of big picture strategy, but also the vast majority of kind of key decisions on individual assets. So that's taken. We've been buying pre-planning. So kind of taking sites up the planning.

01:01:45:14 - 01:02:23:04

GUEST

Then we've got a, full time development associate who kind of leads on actually taking sites for detailed design and getting them into contract, tendering them, getting them into contract, making sure we've got the right builders, the right ground testing, making sure we've got the right insurances in place and actually really kind of making sure that we're delivering very high quality both from a design and an ESG perspective, but also from a long term structural and MEP perspective, buildings that are going to work the ultimate plan is that we think these types of spaces should be owned by institutional by institutions as kind of really high quality, as really high quality, really self-storage led portfolio,

01:02:23:06 - 01:03:01:12

GUEST

and making sure that we're doing everything we need to do to do that from a construction perspective is really Max's job. Then from an acquisitions perspective, we have the former number two real estate person and zap, the delivery company, who effectively spends the vast majority of his time scouring the towns that we want to be in, identifying the sites that we want to own, and the vast majority of sites that we look at and almost all the sites to be bought have come through the canvas and kind of working to get in touch with owners rather than market processes.

01:03:01:14 - 01:03:28:03

GUEST

And so that's where Ryan spends the majority of his time originating sites. And then the third person who is just in the process of onboarding and hiring is much more on the kind of investment finance, asset management side of things. So helping us with various kind of debt processes we need to do for development finance, for individual assets, for, future future debt processes, asset management of existing occupied spaces that we own.

01:03:28:05 - 01:03:38:04

GUEST

Part of our strategy has to be has been to buy sites which are slightly larger and then sell bits off. And dealing with that churn and those disposals is something that's also going to sit within that job as well.

01:03:38:06 - 01:03:44:19

HOST

Fascinating. Well, look, talk to me about, yeah, the plans for the next 12 months. What does that look like?

01:03:44:24 - 01:04:16:08

GUEST

So we're really we're really focused on industrial and primarily we're really focused on self-storage. And to keep scaling that so that we've meaningfully been deploying capital for 9 to 11 months. We bought three sites so far, it feels like the market has carried on going our way in terms of meaning that we're able to buy land, which is a commodity that's gone down in value, turn it into self-storage and other industrial uses, which is, generally speaking, use classes which have held up relatively well that relatively well.

01:04:16:14 - 01:04:40:18

GUEST

So we're really focused on continuing to build a best in class, highest quality, all brand excellent. All net gain, majority net zero self-storage with ancillary service office and ancillary kind of consumer edge industrial type uses portfolio. So planning would be a good scenario. We'd like to find somewhere between 4 and 6 sites in the next 12 months.

01:04:40:20 - 01:05:02:19

HOST

Amazing. Willow. Jacob. It's been a fascinating conversation and I think, you know, your career and the learnings and how you've kind of, denied the status quo and kind of reinvented yourself has been

absolutely fascinating. And I'm really excited to see what you you're the team. Go on to build a question that I ask everyone who comes on the podcast.

01:05:02:21 - 01:05:11:10

HOST

Is and I kind of feel like I'm gonna know the answer to this, but if I just give you 500 million pounds of equity, who are the people? What property? In which place would you look to to deploy that that capital.

01:05:11:12 - 01:05:40:20

GUEST

So it's it's a it's a really good question. I imagine similar to a lot of people coming on your podcast, I've very much plant my flag, somewhere, which we believe in, like, I think we've got really high conviction both on a macro and micro level, which is we're very committed to the consumer industrial space, especially committed to the self storage space, and especially committed to building really high quality within that space, which is where we think values will start to differ between legacy assets and new build best in class assets.

01:05:40:22 - 01:06:07:01

GUEST

So that's what we would build, where we would build it. I think for the next 12 to 18 months at least, we're really interested in carrying on within the UK. We spent a bit of time in Europe starting to look at those markets and starting to understand that there's a longer term ambition. And I think the UK's got quite negative sentiment around it right now, remains to be seen whether that sentiment translates into negative long term headwinds.

01:06:07:03 - 01:06:26:01

GUEST

Obviously I'll look back. GDP data is not great. And it's actually preparing ourselves to apply all of the macro lessons learned from the UK industrial market, which tends to be a leader compared to European countries, and see if there's an opportunity to capitalize on some of that in Europe, in the future is definitely something that we look at and talk about.

01:06:26:03 - 01:06:28:23

GUEST

And who wins? I'd say the team that we're building.

01:06:29:00 - 01:06:34:05

HOST

And anyone else outside of your team or anyone in your network that you bring on the journey, but say it's.

01:06:34:05 - 01:06:56:15

GUEST

A, it's a it's a really good question. I think there's a degree to which too many cooks spoil the broth. But I would definitely say that one of the things I've been most fortunate with is everything single person I've worked with and every single capital partner investor that we currently have or I've worked closely with, I've learned so much from that.

01:06:56:16 - 01:07:08:22

GUEST

So I think if I was to have one other thing I would be able to do would be to build a much broader investment committee of different people, to provide input into all the different things we do. That's it very challenging to do if I'm super busy.

01:07:08:24 - 01:07:20:04

HOST

And if I was going to really press you and say, look, I can't have any of you strategy, any of you people or anything, that you're doing at the moment, which which sector would you look to kind of deploy that capital into?

01:07:20:06 - 01:07:37:00

GUEST

If we can do anything that we're doing at the moment there, I'm not sure it's quite there yet. It's certainly getting there. I've been saying that for a little while and just kind of watching for it to bottom out, and it has various markets, but there's just not that many transactions around. There will be an amazing opportunity in offices.

01:07:37:02 - 01:07:57:06

GUEST

That opportunity is because if you provide the right space and you provide the right provision with the users and actually the right level of service and integration at the right price point, there's always going to be small businesses, founder led, founder, own founder, Ram who work in those buildings that want to see that stuff a few times a week, that don't want to go through the pain of signing a 5 or 10 year lease.

01:07:57:06 - 01:08:06:11

GUEST

So our original general people thesis from seven years ago, I completely still subscribe to today. And I think the buying opportunity for that is also very good.

01:08:06:13 - 01:08:21:24

HOST

Fascinating. Well, look, like I said, I'm so excited to see what you team go on to build. And I've got know every confidence. You're making an absolute roaring success. Because you found a way, and you've worked it out and I'm excited to see what you guys get on today.

01:08:22:05 - 01:08:23:09

GUEST

Amazing. Thanks so much.

01:08:23:13 - 01:08:25:03

HOST

No. No tour. Well, thanks so much for joining me.