

00;00;03;28 - 00;00;27;07

HOST

Welcome to the People Property Place podcast with me your host, Matthew Watts, Founder and Managing Director of Rockbourne. This is a podcast where I share the stories, views, opinions and career journeys of the movers, shakers, innovators and leaders in the real estate industry.

00;00;27;09 - 00;01;10;04

HOST

Welcome to the People Property Place podcast. Today we are joined by Elmar Schoonbrood, co-CEO of Multi Corporation. With nearly two decades of experience in European real estate. Elmar has an impressive track record across the equity, debt and LCMs Rb's market, having worked at Blackstone, Oaktree, Morgan Stanley and Credit Suisse. In this episode, we'll dive into Elmar's view on the wider retail trends that are shaping the market and the opportunities that are in front of us, the impact of data and AI, and where and how he is navigating that and harnessing the opportunity, building a high performing team.

00;01;10;06 - 00;01;28;08

HOST

His vision for multi. And he also shares some personal stories and setbacks as part of his journey. So stay tuned. You're not going to want to miss it. Elmar. Welcome to the People Property Place podcast. I'm really excited to dive into your background. So thank you for joining me today.

00;01;28;15 - 00;01;29;10

GUEST

Thanks for having me, Matt.

00;01;29;12 - 00;01;37;10

HOST

Not at all. Well, look, I know you've listened to a couple of these podcasts before, so you'll know that the first question is how and why did you get into real estate?

00;01;37;15 - 00;01;54;10

GUEST

I do know that question, and I thought about it. I'm going to be honest, I didn't actually want to be in beta stage initially. I grew up, at the age of six, if, you know, we grew up near a military airbase. But I had fighter jets and my lifelong dream was always to become a fighter pilot.

00;01;54;16 - 00;02;08;07

GUEST

So when I turned 17, I was living in the Netherlands. I applied for the Royal Dutch Air Force. And 17 was the earliest you could apply for such a job. And I filled at the pre-selections that are quite tough as you can imagine.

00;02;08;09 - 00;02;09;13

HOST

Through your height.

00;02;09;16 - 00;02;25;02

GUEST

Oh, no, no, I was I was still within the limits, within an inch. Now it's it's all kinds of psychological test, you know, hearing test. Just aptitude tests. And I've made some, you know, I've passed a number of them. It's not like I failed miserably, but I didn't pass. And I was like, you just think like what I'm going to do now.

00;02;25;03 - 00;02;45;28

GUEST

My A-level, I selected purely based on what you need to become a fighter pilot. So, you know, physics. Mathematics. And all of a sudden, like, yikes. I genuinely thought I was going to be a fighter pilot. I was working during my university degree in the Netherlands on a building side, and I did everything like I was a bricky.

00;02;46;00 - 00;03;02;04

GUEST

I was doing tiling. I was helping, you know, electricians. I was doing painting. I even drove a bulldozer, you know, to help some, you know, move ground. And it was fantastic. And I always used to, like, building stuff and seeing the end product. And I thought, you know what? Like I'm going to do a broad degree.

00;03;02;05 - 00;03;20;21

GUEST

So I studied management, economics and law. But it was a specialization you could do in real estate. So that's what I did. And once I finished my university degree in the Netherlands, I came to the UK about just over two decades ago, where I also studied. So, you know, real estate, European real estate, which is fantastic.

00;03;20;23 - 00;03;40;16

GUEST

I love the UK. I fell in love with it for many different reasons. The countryside is fantastic. The Netherlands is flat as a pancake. Here you've got hills, which is amazing. But also just, the work ethos, I think, you know, like there's no real restriction in terms of making a career. So in the Netherlands, you know, it might be a bit more restrictive, if that makes sense.

00;03;40;18 - 00;03;46;28

GUEST

He is very much a performance culture. So if you do, well, you move through the ranks, and I really like that. Yeah.

00;03;47;00 - 00;04;05;18

HOST

I was failing to get into the Dutch airforce. Was that the first big setback of your kind of life? Because I get the impression that you're you're someone who, you know, studying maths and physics. You know, you probably pretty academic and, you know, sporty as well. Like, you didn't seem like you have had too many challenges, as it were.

00;04;05;20 - 00;04;23;19

GUEST

I was disappointed, for sure. And I thought about, like, you know, I could either do the commercial routes or become a commercial airline pilot, which, you know, having spoken to a number of commercial airline pilots, it wasn't probably the way I wanted to go. I want the public to be more of a maverick. You know, but I started flying gliders at university, so,

00;04;23;21 - 00;04;36;05

GUEST

And gliders, I don't know if you know, but gliders are fully aerobatic, so you can do loopy loops can fly upside down, you know, inverted. So I still had the thrill of flying. And I still fly today, but maybe not as a profession. More as a hobby.

00;04;36;07 - 00;04;41;14

HOST

So you moved to the UK and I'm alright. And saying you landed at iPad as a senior performance analyst?

00;04;41;16 - 00;04;42;14

GUEST

Yes that's correct.

00;04;42;15 - 00;04;44;13

HOST

That's your first role? Correct.

00;04;44;15 - 00;05;03;21

GUEST

And that was a research job. So I did my dissertation in, you know, quite statistical analysis. You were right about the academics, but I really enjoyed if you know, understanding statistics. So, does diversification necessarily mean that you're going to get better returns or is it going to be more balanced? I had all the the data that I needed, so I got in touch with them.

00;05;03;21 - 00;05;28;01

GUEST

They kindly provided me with all the data for my dissertation. I won an award for it, from JLL. I think was, you know, the, dissertation, I think of the year. And, IPD offered me a job afterwards. Really enjoyed it was very research heavy, but it gave me a very good intro into the European, market, you know, understandings of, you know, performance, what drives performance.

00;05;28;04 - 00;05;31;05

GUEST

And IPD was, yeah, a good learning school. Yeah.

00;05;31;07 - 00;05;34;28

HOST

You did that for two years and then you moved to Fitch Ratings, correct?

00;05;34;29 - 00;05;35;12

GUEST

Yes.

00;05;35;13 - 00;05;36;20

HOST

Why did you do that?

00;05;36;22 - 00;05;58;04

GUEST

So I studied, you know, economics and real estate, and I always liked the finance part of it. And at Fitch, they, you know, CMBS, I don't if, you know, CMBS, but KBS market was booming at the time and I was very intrigued to sort of understand how it worked and just to get involved in it. I actually had a job offer from, from Credit Suisse on the lending side, CMBS lending, but he hours were brutal.

00;05;58;07 - 00;06;10;20

GUEST

The pay was actually not as good as, you know, people think it is. And I thought, you know, Fitch, you get a much broader experience working with different banks, different issuers. So, yeah, it was it was a good intro to the structured finance world. Yes.

00;06;10;20 - 00;06;13;05

HOST

You're rating CMBS loans. Think that's right.

00;06;13;05 - 00;06;17;17

GUEST

Yeah. But it only lasted for a couple of years because then the market imploded.

00;06;17;19 - 00;06;26;21

HOST

And so how in 2008, what was your thought process when the market imploded? You know, the world turned upside down. You were, what, four years into your career or so?

00;06;26;22 - 00;06;51;15

GUEST

Yeah. Yeah, it's a very good question. I mean, I went to I went back to Credit Suisse and they were setting up a I thought like the world was going to implode. There's going to be buying opportunities. Credit Suisse was setting up a distressed debt fund. The federal sorry not distressed distressed real estate fund. So I got in touch with them and I got hired as a as assistant vice president to help on the asset management side, setting up a, distressed fund, which I thought was a perfect timing.

00;06;51;15 - 00;07;08;17

GUEST

Right. The market's melting down. They're going to raise capital. Looking to invest. Little did I know that it was very difficult to raise money obviously in that climate. So that didn't last that long either. And then after that I thought, okay, so now we're going to figure out what to do because, you know, we were literally in Canary Wharf opposite us.

00;07;08;18 - 00;07;26;00

GUEST

We could see, you know, Lehman's emptying out, you know, in September, I think it was 2008, if I'm not mistaken. Lots of people were laid off, obviously, and little did I know that three months later, it was our turn. Credit Suisse laid off a lot of people, and I was one of them. I thought, what am I going to do now?

00;07;26;00 - 00;07;54;10

GUEST

I can do an MBA, or I can figure out where there's a need for for my skill set and my skill set was real estate research and also structured finance. So at all the CMBS issuance, like billions and billions and billions of securitized real estate loans, that needed to be dealt with. I got in touch with Morgan Stanley and luckily the head of, you know, special servicing, as they called it, the employee actually just left.

00;07;54;12 - 00;07;56;07

GUEST

It was vacancy. I joined.

00;07;56;11 - 00;07;57;09

HOST

Right time. Right place.

00;07;57;09 - 00;08;17;11

GUEST

Yeah. Right time, right place. In the middle of the storm. Very fortunate in that sense, was a fantastic team. Then a couple of years, I found myself running the team, the whole NPL team. And when I joined, we had one non-performing loan when I left and had nothing to do with me. When I left at about two billions worth of NPLs, obviously because of the market meltdown.

00;08;17;13 - 00;08;26;04

HOST

So for people listening to this is a few kind of jargon words that you've used already CMBS yes, NPL yes. Can you just explain? Because I think it will inform of.

00;08;26;04 - 00;08;26;25

GUEST

Course, further.

00;08;26;25 - 00;08;35;10

HOST

On in terms of our conversation, what is the CMBS and special special servicing and then also an NPL as well. And where does that fit into kind of the world of real estate?

00;08;35;12 - 00;08;53;15

GUEST

Yeah. So CMBS is a collectors mortgage obligation. If it's a loan on real estate that they bundle together a rating agencies then. So if not tranche it up. So they say like you know what what risk is associated with each tranche. They securitized so they sell it on the, on the capital markets, if that makes sense. On the open market.

00;08;53;17 - 00;09;11;11

GUEST

But it's just a nice way for banks which if now get cheaper access to financing. But like I said, you know, it's under the underlying collateral is real estate, which is what I was really interested in. But the structured finance wrapper, if you want. That was the fun part of putting it together. And now Morgan Stanley trying to unravel that.

00;09;11;17 - 00;09;47;24

GUEST

And NPL stands for non-performing loans. So when a loan stops being as interest, for example, it becomes non-performing. And you know, you have a mortgage over the property. So you could then either restructure the loan, survive, but maybe so if you are reducing the interest rate, maybe extending the terms that the loan becomes performing again, so it becomes a re performing loan or you do what I used to do, which is just enforce because my Dutch mentality, I'm very pragmatic and very to the point is that, you know, unless the sponsor of the loan, brings something to the table, so they're putting in additional equity, I might as well just take it

00;09;47;24 - 00;10;17;05

GUEST

back myself and, you know, clean it up, because our mandate was to maximize recoveries and give as much money back to the bondholders as we could. So I got a bit of a nickname in, at least in our team, and I think maybe a little bit in the market, of The enforcer, because I just used to enforce on loans quite a lot, but it's a lot of other special services were sort of extending and pretending, as we would say, just extending to maturity, reducing the interest rate and then deal with it later in the hope that, you know, values would recover.

00;10;17;07 - 00;10;21;20

HOST

But when you enforcing the loan, it's not all upside, right? It's not.

00;10;21;20 - 00;10;23;18

GUEST

All upside. No. That's right. So you know, you have to you.

00;10;23;18 - 00;10;27;18

HOST

Don't want to enforce on everything. Absolutely. And there's downsides to kind of enforcing.

00;10;27;18 - 00;10;46;20

GUEST

Yeah. So you have to look at if you know your security package first and foremost. So you know, do you have share pledges over the entities. Do I have a fixed charge mortgage to have rent pledges? If I have the feeling that, you know, there's limited downside in enforcing and therefore I have control over the asset and can manage it maybe upwards, you don't necessarily have to set us right away.

00;10;46;20 - 00;11;04;24

GUEST

You don't have to put it in an auction. You can also hold on to it for for a number of years, put a new asset manager in place, maybe even recycle some of the capital, inject some some money. So good examples, like, you know, you might have had an office that was maybe, say 50% occupied there for it breaches loan covenants.

00;11;04;26 - 00;11;22;05

GUEST

We would take it back on, on not on the balance sheet, but, you know, we would take back the asset, invest in some CapEx, lease up the building and maybe sell 1 or 2 years later at a much higher price. And ultimately, that was our our job, you know, to recover the maximum amount, for the bondholders.

00;11;22;05 - 00;11;41;27

GUEST

And it's it was tough, but really good fun. And we covered all of Europe. And in the UK, for example, it's very easy to enforce. You go to France or Italy, it's much, much harder because there's all kinds of protection mechanisms in place to spend a fair, you know, few days in court trying to defend why we should enforce on the loan.

00;11;41;29 - 00;11;49;25

GUEST

And you have to remember, at this age, it was only this time it was only about 29, I think, so, still quite young, but it was fun.

00;11;49;25 - 00;12;02;29

HOST

And you got nicknamed the enforcer. So can you just talk to me about some of the numbers? Morgan Stanley, you know, the the quantum of deals and the types of deals that you were kind of maybe enforcing on. Yeah, sure. Just to give us a bit of a flavor.

00;12;03;02 - 00;12;21;10

GUEST

Yeah, I think the loan book. So. So, you know, Morgan is very successful in, in so if you know, lending and then ripping up the loan securitizing it I think a lot of banks were doing this at the time. Just a, an efficient way of doing, you know, getting cheaper capital. I think the loan book was probably about, you know, 10 billion plus.

00;12;21;10 - 00;12;36;14

GUEST

It was a big loan book. When I joined, as I said, you know, 99% was performing, but that was just the start of the downturn. But, yeah, I think by the end of it, it's like, you know, a few billion worth of non-performing loans that we had on our books and we cleaned up a substantial part of it.

00;12;36;17 - 00;12;56;25

GUEST

So that was that was definitely an interesting bit of time. The problem is like during this. So it's just he doesn't a too. So if you have two dozen 13 you know Lehman's was struggling. Goldman's and Morgan

Stanley's all sort of share prices. So you know decreased quite significantly. So what Morgan Stanley did is they looked at what is our core business and what is our non-core business.

00;12;56;25 - 00;13;24;15

GUEST

This was classified as a non-core business. So you know, after like x number of years on a job, we got notified us as if, you know, medium mid-level management that, you know, like, business is going to be sold. And I always wanted to run my own business. So there I was, 29 years old, made a little pitch book, and I, knocked on the doors of a number of different private equity houses, said, you know, do you want to help me buyout Morgan Stanley's and build platform?

00;13;24;15 - 00;13;26;23

HOST

And what were they selling it for?

00;13;26;26 - 00;13;28;27

GUEST

I can't disclose that.

00;13;29;00 - 00;13;31;26

HOST

But for a 29 year old, it was a big, big settlement, a big ticket.

00;13;31;28 - 00;13;56;11

GUEST

It was millions. But, like, you know, like, I didn't have access to that kind of capital. But for private equity players, it was just not significant and enough. Yeah. You know, the bigger the better often for some of those firms. So I wasn't successful in that. But that did lead to my next role at Oaktree Capital because, you know, they they called me up a few months later saying like, listen, we can't help you buy the platform, but how about you set up a platform from scratch?

00;13;56;18 - 00;14;01;14

HOST

So before we get onto that, did you have any friends or family in real estate?

00;14;01;16 - 00;14;20;12

GUEST

No, not so much. No, no, we my bands, you know, they built there a couple of houses. That the listing themselves took purely for as a primary residence. So I used to help a lot on the building sides, and hence I got to know a lot of people in the building world. So I had lots of job on construction sites, and I thoroughly enjoyed that.

00;14;20;14 - 00;14;37;14

GUEST

It says something special about creating something with your own hands. And, you know, after 6 to 9 months you build a house, you can see it. And that's what I really liked about it, going purely into finance, you know, maybe trading options or, you know, swaps or anything abstract. I would call it, just didn't appeal to me that much.

00;14;37;19 - 00;14;41;17

HOST

You liked the physical, the tangible nature of a property, correct?

00;14;41;17 - 00;14;42;18

GUEST

Yes.

00;14;42;21 - 00;14;48;00

HOST

So where did the desire to want to run or own your own business come from?

00;14;48;02 - 00;15;04;28

GUEST

My wife would say, I'm stubborn and I'd like to be in charge my own destination. I think you hinted at that at the beginning, but, it's true. I genuinely believe that. You know, you can create, to a certain extent, at least, a path you're choosing. Right? So if you want to, be in charge of that, what better way than to run your own business?

00;15;04;28 - 00;15;23;12

GUEST

So I always I always wanted to run my own business. So when I was studying business in the Netherlands and I was probably 18 years old or so, there was a friend of mine that that was looking to take over an advertising business. He was a few years older and he knew I was studying business. He said, can you help me write a business plan?

00;15;23;15 - 00;15;43;19

GUEST

Sure. Love to. It's really interesting. And we went to a bank together trying to get a loan for, the buyout of this company. So, in a way, it was our first M&A transaction. You were successful. We bought business. I wasn't involved in a day to day running, but it was just, you know, the first sign that, you know, like this, this is what I could be doing.

00;15;43;21 - 00;15;56;11

GUEST

But I also knew that I should. Well, I felt like, you know, it was probably better to go through the corporate sort of know process first, learn a bit more about myself, about the world, about the corporate environment. You know, all the soft skills. So, yes.

00;15;56;14 - 00;16;07;00

HOST

And is that why you particularly liked enforcing on transaction as well? Because then you could have ownership of the assets and then you could control actually the plan, the business plan and the value creation and get some of the upside.

00;16;07;07 - 00;16;14;23

GUEST

Yes and no. I mean, first and foremost, you know, we had a fiduciary duty towards our clients, obviously. So we want to make sure, you know, we maximize recovery. So it's not sort of a.

00;16;14;26 - 00;16;16;01

HOST

Personal trip or.

00;16;16;01 - 00;16;37;14

GUEST

Anything. No. It's very much like, you know, how do we maximize recoveries. And we didn't always, enforce, like, you know, we had some really good operators there that were just unfortunate that the value dropped and therefore they breached a covenant. But we could see that, you know, these were best in class operators. So we're very happy to, you know, keep them on board and work with them, to maximize recoveries.

00;16;37;16 - 00;16;48;26

GUEST

And this is actually something that continue when we, but I joined Oaktree. The same approach, was very similar. So focusing on what do you bring to the table versus what it may turn out if.

00;16;48;28 - 00;17;08;20

HOST

So, you joined Oaktree having tried to pitch to them to take Morgan Stanley's kind of NPL platform out. They didn't back you to do that, but they said, we like we like what we've seen what you come in here and and help all kind of European loan workout platform. That's right. Can you just talk to me about your time, Oaktree and the kind of deals you're involved with?

00;17;08;21 - 00;17;28;26

GUEST

Yeah, yeah, I mean, so so Oaktree Capital is is very big and very successful in the, in a debt market distress debt market as well. And the team was like, you know, very refreshing to me. Like, you know, there's a very energetic, very smart people. And I had already bought a big NPL portfolio. So it's not like to a completely new to it.

00;17;28;29 - 00;17;44;23

GUEST

They already had some real estate NPLs on the books that were in the midst of so, you know, trying to build a team around it. And I joined them as head of loan workouts so effectively like, you know, dealing with the problem loans and trying to, you know, maximize recovery. So this was more of a loan to own strategy.

00;17;44;25 - 00;18;04;13

GUEST

So not necessarily maximize recovery. So to quickly return it to the bondholders but very much to own the real estate, you know, add value, you know, maybe ride the curve a little bit and then so but it was, it was bizarre. I remember, joining but only business card. They had an office for me in, Beijing, Wall Street in the city.

00;18;04;15 - 00;18;28;06

GUEST

And it's. I can't remember how big it was. Maybe 2000ft², and it was about 20 empty desks. So they said, like, here's your office, you know, build a team, start buying NPLs. There was a few people, you know, seconds from, from like a big accountancy firm. And they had, you know, a couple of permanent staff. But a team was absolutely minimal but is probably one of the best jobs I had for that reason, because you building something, you're building your own.

00;18;28;06 - 00;18;46;26

GUEST

It felt like my own platform. Right. And in the end, we managed to buy, you know, a couple of billion worth of, of NPLs. And I always remember, like, we enforce and resolved about 50% of those loans within the first three months of buying it. You know, we were very efficient. Yeah, I was it was a really fun job.

00;18;46;26 - 00;19;07;16

GUEST

And I'm still in touch with some of those guys and fantastic people. We hadn't picked those people, obviously. You know, I was interviewing, you know, every week someone because we just growing the business and I would say like, that's where the desire to become an entrepreneur was even more and, you know, reinforced because, you know, like building something, creating something that really gets me going.

00;19;07;19 - 00;19;21;07

HOST

And so did you just by this stage, did you do you just have a knack of just being able to spot opportunity and mispriced assets or problems, and you could just come up with solutions based on the track record that you had, just in terms of how you can work it out super quickly.

00;19;21;12 - 00;19;38;22

GUEST

Yeah. So so we had a we had a team at Oaktree and at at the time was called Sable Europe, which is now called Victoria Asset Management. They had some teams that were focusing on the real estate. I was mainly focusing on the loan side of the business. So we were buy these loans and the team would look at the underlying real estate.

00;19;38;26 - 00;20;02;20

GUEST

But, you know, sometimes you see a fantastic piece of real estate. But if the loan security package, if that makes sense, doesn't allow you to get to the real estate, you're not interested, then you know you're not interested or you shouldn't attach much value to it in your underwriting. So, it was very much a team effort. But I would, you know, look at the loan side and it became a bit of a, a job because, you know, you sit in these, these, these credit committees and talking about this real estate.

00;20;02;20 - 00;20;26;06

GUEST

And I was like, excuse me, excuse me. So you can't actually get to the real estate here because of the security package. So you can spend a lot of time on it, on the writing it and analyze again. But if you can't get to it, it doesn't make sense to spend much time on it. And because we were always dealing with problem loans and sometimes, you know, like quite messy loans and quite difficult borrowers, it could get quite messy.

00;20;26;11 - 00;20;29;23

GUEST

I'll happily tell you a bit more of it, of a couple of beers.

00;20;29;25 - 00;20;30;21

HOST

Not for the podcast.

00;20;30;23 - 00;20;42;09

GUEST

Not for the podcast. I'm fortunate. So I got this. Got a bit of a nickname there as well. The fixer. So when I left Oaktree Capital, they, they gave me a nice of, you know, pictures at The Fixer, the Fixer, which I still have at home.

00;20;42;12 - 00;20;48;19

HOST

So you've gone from the enforcer to the fixer. So you were there for a year, if I'm not mistaken, as.

00;20;48;21 - 00;21;09;20

GUEST

Yeah, it's about a year and a half. And the reason for that is that, you know, before I joined Oxford, I was interviewing with, the Blackstone. I knew some of the guys there. I was pitching some ideas to them, not necessarily looking for a job was actually genuinely pitching ideas. But, you know, we, like the guy said, you know, I didn't know them that well, to be honest, at that point in time, I interviewed them.

00;21;09;20 - 00;21;27;03

GUEST

I think James Locke was on one of your podcasts. I think he mentioned something about the the interview process, that it took a long time to get through all of that. I must have had over well over a dozen interviews. They're all nice people, but it just took very long. And Oak Tree came and said, like, listen, you know, we we, you know, we like you, come and work with us.

00;21;27;03 - 00;21;43;00

GUEST

And I think it was done in 72 hours. So I joined Oak Tree. And then it was not until Blackstone came back a year and a half later saying, are you still interested? That I couldn't say no, really. You know, it's it's an amazing company. And it had some really interesting stuff on the books that I was allowed to work on.

00;21;43;07 - 00;21;50;02

HOST

So was it a bigger job? Was it wider ranging? What was it? You know, was it the brand? What was it specifically?

00;21;50;04 - 00;22;17;04

GUEST

I met with, Peter Stoll. He was at the time the head of asset management at Blackstone. We had a very nice chat, I remember ask him, what is the job description is level is no specific job description, you know, was just very big. We're growing a lot you know very successful at deploying capital. Come and join and you'll see the one thing he mentioned because I explained it, I was, you know, I've got an MBA background is that, you know, they bought the debt on this company called Multi Corporation.

00;22;17;04 - 00;22;40;06

GUEST

So they bought the debt on a big corporate entity. See, you know this, this could be good for you with your ample experience to work on that. So I thought of that's that's quite interesting. I've never done a corporate loan. I've done real estate loans but not a corporate loan. So when I joined Blackstone I spent probably 90% of my time working on, multi Corporation, which ten years later, I bought from Blackstone.

00;22;40;08 - 00;22;51;07

HOST

So in terms of that file, it was dumped in your desk at Blackstone. Can you just tell me a little bit about what you saw and why they bought the debt? And what you were kind of brought in to do specifically?

00;22;51;11 - 00;23;12;00

GUEST

Yeah, yeah. Of course. So Blackstone bought multi corporation I think because of the underlying real estate. There's some really interesting assets and not like trophy assets. But they were mainly a shopping center developer. So that's some really good shopping centers in the at the time the retail market was actually very very strong. They had a lot of exposure to, the turkey, for example.

00;23;12;02 - 00;23;35;03

GUEST

You know, it was talk about, you know, Turkey maybe joining the EU, so you could definitely see the, the reasons for why they invested in the platform. My job was, you know, so they did a debt equity swap to swap the debt for equity to became the owner, to restructure the business a little bit. And at the time, there was a lot of money to be made, I think, in the retail sector, sort of a quite a, you know, aggressive in deploying money in the retail sector.

00;23;35;06 - 00;24;04;05

GUEST

Multi became, the platform to run those retail assets, to manage those assets the same way. They might have had Hilton for the hotel business logic or for logistic business, to have multi corporation for the, for the retail business. So I spent probably 90% of my time on, on multi was dealing with sort of the C-suite of the, the the CEO, two year old CFO and just really you now trying to serve, you know, make sure we focus on the right things to maximize value of the underlying real estate.

00;24;04;07 - 00;24;28;11

GUEST

That said, Blackstone, also bought a lot of loans, particularly in Spain, sort of bought non-performing loans and also re performing loans. So I remember, you know, James Coppola was at the time the head of acquisitions, asked me to get involved and seeing if he could maybe do something on the structure finance side to securitize at least the performing loans so that, you know, given my background and CMBS Mark I'd never done.

00;24;28;11 - 00;24;38;06

GUEST

Aam but it's a residential mortgage backed securities. So I jumped on that as I said I would love to get involved. You allowed me to hire you know one guy who's a fantastic guy and the.

00;24;38;08 - 00;24;39;00

HOST

Only one.

00;24;39;03 - 00;25;01;24

GUEST

Only one year. I know, like, at investment banks, you probably have a have an army of people, but high to high. The guy that worked with me on this, and you see who's very bright, he's still there. I won't mention his name. And we managed to to create this RMB securitization program that was very successful. I think we issued probably about close to €900 million worth of RMB organization.

00;25;01;24 - 00;25;15;01

GUEST

So and ultimately that led to, you know, one of the bigger sales because they sold that whole portfolio do not a private equity fund. And it's yeah, we create a lot of value, I think, for the shareholders and for the investors. So it's very successful.

00;25;15;01 - 00;25;18;02

HOST

Do can you talk about any other transactions you're involved with at that time?

00;25;18;06 - 00;25;38;26

GUEST

I did a lot of things at election, and I think that's what made Blackstone so great because they had such a big portfolio. I was one of the now earlier joiners, I think, before I became, you know, much, much bigger, on the asset management side. So I was also involved in the office market, for example. So I was running the, or helping with the, the German offers investments, which is not an easy market.

00;25;38;26 - 00;26;07;14

GUEST

2014 and Blackstone. So if you know, mantra is like, buy it, fix it, sell it. Right. You probably heard this and they bought good buildings but with like vacancy maybe on the managed. And our job was to lease up that vacant space, and create value for the LPs. We were very successful in that and I was focusing just on the on the German office market was a tough market, but I think, you know, like under their leadership and guidance, you know, they they could really help you, you know, excel in your job.

00;26;07;16 - 00;26;25;24

GUEST

But just really focusing on the right thing. So for me, that was, you know, from a personal perspective, I learned a lot from the guys there. But I also I also help temporarily with, a public company that they took private or partially private in Sweden on the residential side at the end, before I left, I even helped them logistics side.

00;26;25;24 - 00;26;38;14

GUEST

So, you know, I got lots of exposure to different markets, different asset classes. But retail, I would say, was always my main focus, through. So if you know, the management of multi corporation and retail.

00;26;38;16 - 00;26;51;16

HOST

You know, was the darling child for a number of years. Yeah. And then it had a sudden fall of grace right. Yeah. And it was pretty dirty word for quite a long time. Is that why being a contrarian investor you're interested in it.

00;26;51;18 - 00;27;06;19

GUEST

I think retail. Yeah actually. Right. I think retail was doing really, really well. It's a very diversified product if you think about it on the line tenant base. Right. If you have a big shopping center with over 100 tenants, you know, you have a very diversified source of income stream is not like an office where you have might have one tenant.

00;27;06;21 - 00;27;25;21

GUEST

So it makes a very stable investment. I think what happened and Blackstone is very good, as if, you know, spotting trends globally to have this, this famous Monday meeting where effectively all the offices around the world have dial in and the discourse of, you know, what's happening in the world, they saw a trend, you know, like retail was probably struggling a little bit in the US.

00;27;25;21 - 00;27;48;09

GUEST

The wind comes from the West or whatever, whatever the saying is. Right? So what happens in U.S tends to come to Europe and they preempt it up by as if, you know, starting to sell some of the retail investments very successfully. But that also led to multi effectively managing less and less for Blackstone. So the relevance of having multi corporation as a platform became less and less.

00;27;48;09 - 00;27;53;16

GUEST

But and that ultimately led to the management buyout that we did a few years later.

00;27;53;19 - 00;28;02;22

HOST

Before we come on to that can you just give it a little bit of history to multi when they started and you know, their journey. Yeah. Present day I.

00;28;02;22 - 00;28;22;19

GUEST

Mean I don't know the full history, but you know, what I do know is that, you know, they were founded in 1982. So, you know, over 40 years old. They used to be one of the most prominent developers in, in Europe. They're very, very successful, also very creative in terms of, you know, what they were doing. Like used a bit of a buzzword these days and I noticed a lot of focus on it.

00;28;22;19 - 00;28;51;14

GUEST

But in the 90s, multi already developed very, very, very sustainable office buildings in the Netherlands. But like you know, rainwater collection solar panels which sounds pretty basic now. But you know 30 years ago that was pretty advanced sort of very prominent developer not just on the retail side, but also offices that they did build some hotels. Resi and, you know, they were taken over, at some point by, by Morgan Stanley effectively, or some lender against them.

00;28;51;17 - 00;29;01;09

GUEST

Then Blackstone came along so they had some change in, in ownership effectively. But it was not until Blackstone got involved that, you know, effectively they took full ownership of the of the platform.

00;29;01;13 - 00;29;05;09

HOST

But it had a meteoric rise and also some some challenges as well. Right.

00;29;05;09 - 00;29;24;04

GUEST

Yeah, I think being a developer. So if you know, in, in the great financial crisis, it's quite tough, right. Because you know, the business model works on the on the basis that, you know, you can develop and sell when the music stops effectively becomes a lot harder. And then if you don't also, you know, have a lot of leverage sort of with debt financing then obviously might struggle.

00;29;24;05 - 00;29;27;13

GUEST

You might become that NPL borrowed. You don't want to become.

00;29;27;16 - 00;29;31;22

HOST

Talk to me about the management buyout that you just kind of alluded to.

00;29;31;24 - 00;29;48;15

GUEST

Yeah. Like I said, you know, I think Blackstone saw what was happening in the retail market. They, they sold a lot of the retail. I saw a lot of retail for, for Blackstone, effectively, that they were managing in Europe were quite successful in doing so at the right time, I think. And the made some really good investments.

00;29;48;17 - 00;30;14;14

GUEST

But the platform multi corporation at the time was about 600 PhDs was a big platform. And because the retail market was deteriorating and because Blackstone had sold already a lot of their retail positions quite early on, the relevance of keeping that platform became less and less. And then Covid hit and, because Covid hit, obviously, you know, the fee stuff drying up, shopping malls had to be closed.

00;30;14;16 - 00;30;43;20

GUEST

A seven point. So, you know, there was a unique opportunity for me, to step in because, you know, I knew Blackstone wasn't, you know, investing in retail at that bit of time. And I teamed up with, the CFO of MLT, Steven Pullman, who's now to the co-owner and co-CEO of the business. You know, we we saw a future still in retail, whereas I think, you know, it is a good time for Blackstone to maybe dispose of the platform because that was not the, their main focus.

00;30;43;20 - 00;31;11;10

GUEST

And they had already, you know, cashed out on, on. So, you know, a lot of the, the good investments that they had made. So, yeah, it was it was an awkward conversation, I won't lie about that. To say, like, you know, hey, listen, guys, I would love to buy the platform if you allow me to, but, you know, we put some serious thought into this because I could foresee a scenario whereby, you know, if you if you make to the platform a bit more efficient, heavily invest in technology to really make the business more profitable and also more innovative.

00;31;11;12 - 00;31;20;08

GUEST

If you can weather the storm, Rita will come back and it is already coming back. And I'll happily explain to you why. I think it's a good investment class. And that's exactly what's happening now.

00;31;20;16 - 00;31;27;28

HOST

So you thought I'd catch the mother of all knives and, and and buy this European retail platform?

00;31;27;28 - 00;31;29;05

GUEST

Yes.

00;31;29;07 - 00;32;03;25

HOST

Quick one from me. If you haven't already subscribed or follow this show on the podcast or app where you listen or watch, please do. It takes 10s and helps tremendously. I've got really big plans for people property Plays podcast, and that one small action really, really helps grow the show and the present and enables us to keep doing what we do.

00;32;03;26 - 00;32;20;01

HOST

So if you haven't already, please follow or like on the platform you watch or listen to. Thanks so much. You obviously tried that before, previously at Morgan Stanley and it didn't work out. Yeah, this time it was different.

00;32;20;04 - 00;32;21;22

GUEST

It was yeah.

00;32;21;25 - 00;32;29;20

HOST

Talk to me about those conversations that you had. Was it relatively straightforward or and also how did you go about physically buying it from Blackstone as well.

00;32;29;21 - 00;32;49;06

GUEST

Yeah. Yeah. No it was it was not an easy conversation obviously. You know you sort of you know, you're negotiating with your, you know, your employer if you want. But they could also see the merit in effectively offloading the platform, which also comes with a lot of liabilities if you think about it. Yeah. If you have 600 people, and if you're not sort of investing in it, you know, why maintain this whole structure?

00;32;49;08 - 00;33;05;26

GUEST

Unless, you know, very diligent people that invested quite heavily in a platform, why maintain this structure when you know you're not necessarily going to invest in it? So I think it was a it was a logical transition. They still had some assets and we still managed even today. We still managed some of those

assets for Blackstone retail assets.

00;33;05;26 - 00;33;20;21

GUEST

So having a friendly face on the other side sort of made sense. And I think, you know, they knew I was going to hopefully that they knew I was going to do a good job of managing the platform together. Steven. But yeah, we have a very, you know, even sometimes joke like even though we sort of, you know, parted ways, we're still very good friends.

00;33;20;21 - 00;33;44;10

GUEST

You know, we still work together. They might even, give us a new, retail mandate very soon, to manage for them. So, you know, it's a very good relationship that having spent a decade in the retail business, like, I understand retail is not rocket science, but we also have the benefit of having, you know, roughly six of the people that have been doing this for for some of them for over 20 years, you know.

00;33;44;11 - 00;33;58;20

HOST

But surely, you know, the wider thematics in logistics and the residential or alternative sectors are more compelling or there's more upside or there's an easier route to go down that way.

00;33;58;20 - 00;34;17;28

GUEST

Yes, but I come out of a fixed income background. Right. So structured finance is a fixed we fixed income. So what do you do when interest rates go up. Are you going to buy a long data gilt at a very low coupon. Or are you going to buy a high yield bond? I mean this is my logic. Like, you know, if you look at the underlying KPIs.

00;34;17;28 - 00;34;38;09

GUEST

So key performance indicators. So occupancy collection ratio sales retail was still performing okay. Yes. It was struggling especially in the US with some of the big anchor tenants going past like the apartment, stores, for example, where some cinemas go bust. A fundamentally, there was still more of a reason to have a shopping center. And by the way, it's not a shopping center.

00;34;38;09 - 00;34;55;06

GUEST

Also outlets and this which are doing phenomenally well, you know, retail parks, which, which in the UK in particular have been doing really, really well over the last couple of years. So fundamentally, I still believe in retail, but also from a fixed income perspective, having a higher yielding asset class in a rising interest environment made a lot of sense.

00;34;55;08 - 00;35;16;19

GUEST

Logistics also makes sense because of the the rental growth, but I wasn't necessarily convinced that that's what I wanted to focus on, because I think you can add so much more value from an asset management perspective. On a big complex, shopping center, that may be. So if, you know, on a, on a, on a logistics center, unless obviously you're Blackstone, you can build a whole infrastructure around it.

00;35;16;21 - 00;35;21;09

HOST

So you're the enforcer and then the fixer. This must be the biggest fix ever.

00;35;21;12 - 00;35;40;09

GUEST

It was a big fix and it was a scary fix. It was it was definitely not without any sleepless nights. The main thing is, like having so many employees that you're responsible for making sure. Yeah. Six on we went from six on the, you know, down this, you know, the low 500 did a big restructuring when we took over the business to make it more leaner to get it back into black.

00:35:40;09 - 00:35:58;18

GUEST

But yeah, it's still a concern, you know, like, you know, how do I make sure that, you know, you know, Stephen and I are so, you know, providing for these people, making sure that, you know, we have a successful business. We had a very, very clear vision of what we wanted to become, and that was quite unique and is also quite different from what the business was when we bought it.

00:35:58;18 - 00:36:18;00

GUEST

So one of the key focus things that I was supposed to was focus on with Stephen is, is I want to be fully vertically integrated. So what does that mean? If you're a big investor, you know, you're an overseas investor from the Middle East, from America, from China. It doesn't matter. You say, you know, I want to allocate 5 billion into the retail sector in Europe.

00:36:18;02 - 00:36:19;08

GUEST

We're going to go to the.

00:36:19;11 - 00:36:22;20

HOST

Biggest player, safest player, most recognized player.

00:36:22;21 - 00:36:40;03

GUEST

But and this is it. Like if you look at our stuff, you know like you know peers our competition there's some really strong players there. But you know we now have a a European footprint of 15 jurisdictions. We've been quite busy. You know, we set up four new offices in four new jurisdictions, but we're fully vertically integrated.

00:36:40;03 - 00:37:08;07

GUEST

What does that mean? We do sourcing. So looking for deals we do acquisitions. So underwriting the deals we do the basic property management if you want do asset management we do leasing. But we also do development and redevelopment. Remember you know, we used to be a big developer. So we have in-house architects, developers, quantity surveyors. And for some clients are still the dispositions we literally from from cradle to grave if you want, you know from, from buying a deal, managing the deal to selling.

00:37:08;07 - 00:37:29;22

GUEST

Do you buy a fix it, sell it. And that's what we want to become. I think that's where we are today. And we see a huge opportunity. Narcisse in the bounce back of retail, which is starting to happen, but also in the redevelopment play. So and again, being developers at heart in the DNA of multi we see huge opportunities in repositioning.

00:37:29;22 - 00:37:50;15

GUEST

But it's retail assets but also we starting to segway a little bit into the office sector as well. You know it's it's no no secret that you know the office market has been struggling a bit especially older derelict offices. You know energy labels. It's for argument's sake you need a lot of CapEx to to bring them up to of a

higher energy label, which will be mandatory in the future.

00;37;50;15 - 00;38;11;17

GUEST

Right. So what do we do now? We're strategically looking for office buildings that need a lot of CapEx, but with a redevelopment or repositioning play in mind. So making it into mixed use office, residential, maybe some retail at the bottom and that's that's providing to be, a really interesting thematic sort of investment theme. I think.

00;38;11;17 - 00;38;23;14

HOST

So it's retail led, but also kind of mixed use alternate use underpinning it as well. Yeah. How many, how many kind of global LPs sovereigns have got? £5 billion that they want to allocate to kind of.

00;38;23;14 - 00;38;40;04

GUEST

Retail at the moment. Probably not that many. And that's that's what we're hoping to achieve in the years to come. But I would say is that, you know, since we took over the business, we won more than €1 billion worth of, as is on the management. So this just shows that we're now managing for, for our clients.

00;38;40;05 - 00;38;57;10

GUEST

You know, we set up an office in Switzerland. The first year that we bought the business. We set up an office in France last year. This year we bought, a majority stake in Rome, which is a UK, manager. We're expanding our footprint because we want to be in those core markets where we think the market will come back.

00;38;57;10 - 00;39;16;07

GUEST

And then being a one stop shop doing from sourcing to disposition and and everything in between makes us quite unique. And yes, you're right, there's probably not many places that want to allocate 5 billion into retail right now, but we're definitely getting a lot more inbound in terms of people looking at retail again. And I think it makes sense because of the high yielding.

00;39;16;10 - 00;39;32;14

GUEST

Not all retail is bad secondary shopping centers in non-dominant locations. Yeah. The struggling and are probably continue to be quite tough investments. But if you have a dominant shopping center or good outlet center, retail parks, the KPIs are actually all pointing up.

00;39;32;17 - 00;39;39;06

HOST

What was the personal cost of you buying multi corporation? Because if I'm not mistaken, you've got a wife and four kids as well.

00;39;39;08 - 00;39;55;03

GUEST

You're very well informed. Yes I have a wife and four kids. I mean we had a long debate about. So if you know like what does it entail for our family because you know, back home was a busy job, but taking on a company on your own and taking all the associated risk was obviously quite a significant decision for us.

00;39;55;07 - 00;40;17;01

GUEST

I would rather regret the things that I've done than not do them, because I'm afraid of making those choices. And that's sort of the conclusion that we came to. My wife has been amazing. Absolutely

amazing. Very supportive. I travel a lot and it's it's tough sometimes, but I think the first year, you know, we managed to get the company back in black and that's sort of, you know, gave us a bit of breathing space.

00:40:17;04 - 00:40:24;23

GUEST

And now we're just focusing on how can we make this platform even better. And we have lots of fantastic ideas of what we can do. It's platform.

00:40:24;26 - 00:40:31;23

HOST

Can you share some of those ideas? And one specifically being kind of data and AI as well? Yes.

00:40:31;25 - 00:40:49;02

GUEST

Yes. I mean data and AI. I, I'm very enthusiastic about I think, you know, it was a time when I was a Blackstone and multi was managing one of our assets. They want to bring in a big tenant. And I say, you know, this is a fantastic deal. It's the right thing for the asset but it's going to cost you you know £4 million.

00:40:49;04 - 00:41:08;26

GUEST

And the return on is just 2%. And I'm like well that's that's a tough sell to our investment committee. So why should I do this? Well because you know, like this tenant is going to bring like a so-called halo effect. It's going to drive footfall. It's going to, you know, increase the performance of the center. And intuitively, I agree that, you know, this is probably the right decision for the asset.

00:41:08;29 - 00:41:22;24

GUEST

But when I asked them, I said, okay, what can you back this up the data because I need to for my for my investment committee. They said, well, I, we don't have the data that this is just a hunch. You know, we think that, you know, it's going to drive footfall by by say 25%, but we don't have the data to back it up.

00:41:22;24 - 00:41:48;17

GUEST

So one of the first things Steve and I did is when we bought the multi, we set up our own PropTech business. And it's it's fascinating how big it is. We have 25 people now and all the focusing is on data data and more data. Traditionally what you would get is for a shopping center. It's like how many people go into your shopping center, maybe how many people go out of your shopping center, but what they actually do inside you can't actually track.

00:41:48;17 - 00:41:58;25

HOST

And so you know, you're you're occupiers. If I'm not mistaken, they don't necessarily want to share their tills data or their data that they're collecting at individual level with their landlord. Right?

00:41:58;29 - 00:42:26;15

GUEST

Turnover leases are becoming more common, especially on a continent. So we do get turnover data that's useful, that's useful to understand to, you know, how to performing how to trading. And it gives you a bit better idea of sure. You know where where you have these are the estimated rental values are for Photoshops. What we are trying to create and what we have created already is our proprietary software that allows us to analyze people that shop in our malls with their consent, because obviously GDPR is a big thing.

00;42;26;17 - 00;42;42;16

GUEST

So that we can understand the patterns, the shopping patterns. So where the people go first, if they enter a shopping mall, did to go to Zara, Massimo Dutti to go to H&M. Did you go to a Starbucks? Yeah. I mean, it can be anything, right? And then what we've now done is we hired a lot of data scientists.

00;42;42;16 - 00;43;00;03

GUEST

We actually working with the, the public sector. We work with a big university in the Netherlands. A professor is involved, and he made 30 master's students available that focus on data science. They have very little on the sending of real estate. That's exactly what we want, because we want them to have an open mind when it comes to analyzing the data.

00;43;00;06 - 00;43;19;13

GUEST

We hired on sites of, you know, data scientists in our Proptech team. I mean, just trying to sort of see what the patterns are that we can discover. And we're using, A.I. to help us with this. And I think AI is going to revolutionize the way retail is going to be managed, maybe other asset classes as well, but retail in particular.

00;43;19;13 - 00;43;46;14

GUEST

So if we can understand customer behavior better, we can also start moving to predictive modeling. And that's when I get really excited. If MIT comes into a shopping center based on your social demographics, I can probably predict that's where we want to be, at least what the chances are that you're going to get a coffee and not just any coffee, like, how are you going to get a regular coffee, a latte, a cappuccino, oat milk, you know, soy milk?

00;43;46;16 - 00;44;07;17

GUEST

Maybe regular milk. That's what I will understand. And then if you shop at Zara, what are the chances that you will then also go to, say, Massimo Dutti or H&M? Or what are the chances that you'll go to the cinema or McDonald's? So trying to understand customer behavior then allows us to one optimize our tenant mix and our shopping center.

00;44;07;19 - 00;44;13;25

HOST

And you mean by that the floor makeup and where the floors are, or the zone angle where particular occupies it.

00;44;13;28 - 00;44;51;16

GUEST

Yes. Yeah. So so we move tenants around, to make sure that we have a good footfall flow around the shopping centers. We don't want to have what we call cold area. So where there's not much footfall, but also like if we, if we, if we can predict the chances of say, I mentioned this, this, this hypothetical tenant coming in and it's going to bring this halo effect, if I can measure that and then go to my investment committee and say like this, based on the 1 million users that we have for our Proptech software, I can say with 90% certainty that it's going to bring us an extra 10% additional footfall.

00;44;51;19 - 00;45;09;05

GUEST

Therefore, the turn of events will go up at this much. The mall income will go up. At this much. There is a good investment that's much more powerful than saying what I think. It's the right decision. And unfortunately that's still what's happening a lot in our industry. It's not a bad thing, but it's just because of a lack of data that's available.

00:45:09;05 - 00:45:11;21

GUEST

And that's something that we we're trying to solve.

00:45:11;23 - 00:45:14;21

HOST

And there's nothing that you can buy off the shelf.

00:45:14;23 - 00:45:15;23

GUEST

No, no, no.

00:45:15;24 - 00:45:18;04

HOST

And that's why you've gone. We'll build it in house.

00:45:18;04 - 00:45:38;23

GUEST

We're building in house. You know, we're actually using five different technologies to see if, you know, analyze the data. Some of them are proprietary. I think we're miles ahead of competition. And, you know, if you ask me where we're going to be in five years, we're going to be not just a real estate retail management platform, but very much a proptech company.

00:45:39;00 - 00:45:56;25

GUEST

I think data driven decisions is where we need to go if we can analyze trends, if we can. So if we now analyze customer performance and therefore make better, investment decisions, I mean, that will set us apart from from our competition. Absolutely.

00:45:56;27 - 00:46:05;08

HOST

Can you replace the human got insights, foresight lessons, the I can't I can't get to yet.

00:46:05;11 - 00:46:40;24

GUEST

I don't think it's about replacing the I think it's about like complementing it. So having the data available and allowing you to make sure you know, I did. This comes back to my first job in research, right. Having that data and understanding the data and then making a decision or making a recommendation is so much more powerful. And then just purely as if, you know, based on gut feel or maybe you know, your intuition, I think what what sets our business aside is that, you know, we have a fantastic relationship with some of the, the biggest retailers in Europe like we have, you know, over 6000 tenants across, Europe.

00:46:40;24 - 00:47:00;06

GUEST

In the UK, we have millions and millions and millions of visitors every year. So having all that data and not doing anything with it just doesn't make any sense. And I can probably tell you wouldn't. But 90% certainty what the footfall is going to be this month for a particular mall that we manage because it doesn't fluctuate all that much.

00:47:00;06 - 00:47:15;08

GUEST

Yes, of course, Christmas can be a bit busier in the summer, depending on the location, can be a bit quieter or busier depending on the type of mall that you have, but then sort of translating that to actual sales for the retailers and seeing how profitable they become. That's where I want to be.

00:47;15;10 - 00:47;22;14

HOST

Where there's kind of e-commerce, digitization, online experience, marry with in-store experience.

00:47;22;16 - 00:47;42;20

GUEST

Yeah, I mean, a lot of stores, a lot of retailers actually say, you know, focus on e-commerce and, you heard the word omnichannel public sort of use, bricks and mortar stores, but also use online. What we know, based on some of our discussions with tenants is that online doesn't necessarily make sense for all retailers. For some it does.

00:47;42;20 - 00:48;03;04

GUEST

For some it doesn't. Think about your hypothetical 14 year old girl ordering ten dresses to try on since nine back keeps one. Think about the logistics involved. And I think about, you know, the handling costs associated with that. So the margins go down. Whereas having a physical store, you can try it in the store, hang it back and buy one.

00:48;03;04 - 00:48;24;27

GUEST

So the margins are higher despite the cost of having to operate a, physical store. So retailers are becoming much, much smarter as well. And they they know that, for example, if they open a if Zara opens a store for argument's sake in a particular postcode, they know that within a certain radius their online sales will go up because it acts as a showroom.

00:48;24;29 - 00:48;37;23

GUEST

So when people say, like retailers that it's all going to be e-commerce, I don't buy that for a second. Yes, of course, you know, like e-commerce is important, but it's just one of the many channels that retailers use to sell their product.

00:48;37;25 - 00:48;49;27

HOST

We've touched on kind of data, AI, analytics and some operational efficiencies that you've kind of brought into the business. Can you just share a little bit more in terms of kind of maybe the development aspect over and above what you kind of maybe touched on earlier in our chat?

00:48;49;27 - 00:49;10;13

GUEST

Yeah. So as I said, Milton used to be a prominent developer. So we still have some of the amazing architects that develop a lot of big shopping centers, you know, even developed some some shopping centers in the UK and Northern Ireland all over Europe, all the way up to Turkey, be done over 200 development projects throughout the life of of multi corporation.

00:49;10;13 - 00:49;28;10

GUEST

Obviously I only, you know, have a small part of that but if you look at what we're doing now, we bought a couple of smaller assets and our balance sheet, a good example of that is, you know, we bought a what we call a convenience center. So a grocery anchored convenience at a big supermarket with other retailers around it.

00:49;28;10 - 00:49;52;25

GUEST

Maybe a floor. Is the butcher in your local neighborhood? This particular one was was struggling quite a

bit. It's just too big for its local catchment. So what do we do? We approached the municipality and said, like, listen, can we just consolidate the retail part in the strongest part of the shopping center? If you want, demolish the rest, build some Reggie Towers on the other bit and there's still a massive housing shortage in the Netherlands.

00:49:52;25 - 00:50:15;01

GUEST

So these are very interested in and having a discussion took us about two years, but we've got the zoning change now. Now we can go verticals. We can build the the Reggie. This is a massive opportunity. And yes, it's risky because you have to get a zoning change. And yes, you know, you might sometimes buy some tougher assets, but as long as you're rewarded for that in the in the risk premium, it's very interesting.

00:50:15;01 - 00:50:35;19

GUEST

And being able to do that all in-house, for us makes a lot of sense. We bought a, an office building just before Christmas, which is what I was referring to earlier, is like the energy levels is actually quite low for the current use is probably not the best building. So we're working with the municipality to do an urban regeneration project, not just for our office, but the whole area around it.

00:50:35;19 - 00:50:51;18

GUEST

And we have the architects, the developers, the quantum surveyors to help with that. Misspelled. He loves the idea of building more Reggie, high quality and high energy efficiency. So if you do an office, some some, some retail, this will be a multi year project. But you know once it's there you know you're going to really add some value.

00:50:51;18 - 00:50:58;14

GUEST

And this is proper asset management and development management. That's that's why I see a huge opportunity for the markets. Absolutely.

00:50:58;14 - 00:51:00;29

HOST

And that's why you've gone vertically integrated.

00:51:01;02 - 00:51:01;17

GUEST

Yeah.

00:51:01;19 - 00:51:07;02

HOST

And so you can offer that as a one stop shop to a variety of LPs looking to kind of access the opportunity.

00:51:07;02 - 00:51:33;00

GUEST

Absolutely. And you can also, you know, it doesn't necessarily mean you have to repurpose. The building can also sometimes just be a repositioning of a existing shopping center. So having a large shopping center, but it's maybe poorly managed or maybe it was a lack of capital available to invest in. You said us coming in as a manager, asset manager, but also a redevelopment manager, we can sometimes bring some of the tenants that would otherwise not come, just given our expertise.

00:51:33;00 - 00:51:50;28

GUEST

We know how to sort of explain to tenants what we're going to do with the asset, have a vision for the

asset, reposition it. We had a case study actually not too long ago. I'm still working on it. We took over the management of a big shopping center two years ago. Within two years, our NOI, our net operating income is up 25% occupancy rent form.

00:51:50;28 - 00:52:08;13

GUEST

So if you know the high 70s, to know mid 80s, we expect it to stabilize very soon. So if you know in the 90s this is value creation. This is asset management. This is what we're good at. This is what we like. And that's why retail is such an interesting asset class. Because a very hands on it's an operational asset class.

00:52:08;15 - 00:52:18;04

GUEST

And I think you know and combined is then multi proptech business the AI learning on top of this you know you can you can really knock it out of the park on the investment side, the.

00:52:18;04 - 00:52:23;00

HOST

Size and scale and the footprint you have and the kind of the backup business plans you've alluded to as well.

00:52:23;02 - 00:52:24;15

GUEST

Absolutely.

00:52:24;17 - 00:52:44;19

HOST

When you take over the the platform, you obviously go from Blackstone Real Estate, private equity. How did the kind of the team respond to private equity kind of going from to being an owner and it being a private company. And then the second question is how do you go about building a high performing, aligned, incentivized team as well?

00:52:44;21 - 00:53:11;26

GUEST

That's a good question. I mean, the team obviously sends, you know, Blackstone wasn't buying up much retail anymore, very much in a dispositions of, you know, phase where we're selling assets rather than buying assets. So people were obviously questioning what the future was of the, of the business. So when we took it over, we had a big town hall meeting sort of explaining to the people what was happening, why we've done it, what our vision was, and our vision was very much to grow the platform as explained.

00:53:11;26 - 00:53:25;19

GUEST

So, you know, vertically integrated and also reignite the development team, and focus on, on that part. Some people were skeptical. I was I was still relatively young at that stage. And they questioned, you know, like.

00:53:25;22 - 00:53:28;18

HOST

Who you are, who who do you think you are to get to do that?

00:53:28;23 - 00:53:48;12

GUEST

They knew me, obviously from right from, from from the Blackstone time. They saw me in the office on a regular basis. Stephen, they obviously knew very well because, you know, he's been working at for for

many, many years. But I did have a very clear vision. And that vision is grow the platform vertically, integrate focus on, the development side on the repositioning.

00:53:48;12 - 00:54:08;18

GUEST

I think there's a huge opportunity explain to see people. And I remember we took it over in, March 2022, the business at the Christmas dinner in December. I just listed the accomplishments. And I think that was a very powerful message to to the people like, you know, like I said, I was going to deliver these things for Stephen and look at what we've actually accomplished.

00:54:08;26 - 00:54:24;01

GUEST

That's actually one of the many reasons why I sometimes keep my to do list from X number of months ago in my drawer, because it's sometimes quite good to reflect on where you've come from and what the chief, because it's easy to forget. So I listed this at the Christmas dinner. I said, like, you know, listen, we've we won 1.5 billion worth of new, new mandates.

00:54:24;01 - 00:54:46;07

GUEST

We opened an office in in Switzerland. We bought a number of assets on our balance sheet. We're developing again. I mean, that's probably more in nine months then, you know, we had achieved in in previous years. So I think that was a, a real so, you know, a wake up call for, for people that may be skeptical that, you know, we were serious and this and you know, we all of our money is invested in this business.

00:54:46;13 - 00:55:03;27

GUEST

We want to make it a success. I am a bit of a fixer. And Stephen is a saying we absolutely see you the same way. You know, we want to make this business success. We see it as an opportunity and we delivering. And the year after the other Christmas party was even better because we now open an office in France, we expanded the platform even more.

00:55:03;27 - 00:55:25;09

GUEST

So I think that really helped show people, rather than saying what we're going to do, we showed people what we did right. The second question like, how do you keep, people motivated, how to keep, high performing people in the business and how do you motivate them? We're very, very fortunate because Blackstone invested heavily in the business with fantastic people already in the business.

00:55:25;09 - 00:55:51;02

GUEST

You know, we, we we automated a lot of things. The infrastructure is fantastic. All the paperwork is squeaky clean. So, you know, we had a very nice business, very solid foundation to build the platform. And one of the things I've learned, mainly from Blackstone, actually, is like, share your successes. Right. So when we do a deal, regardless of how big it is and doesn't need to be on the investment side, it can also be on the IT side for argument's sake or leasing.

00:55:51;02 - 00:56:12;25

GUEST

Do share it with the company, show what we're doing as a business and show that, you know, a successful of what we're doing. Another thing is, is, you know, we have a very flat structure. You know, there's this there's very little egos now business. We want people to speak up regardless of, of level of seniority. So we do have, you know, regular meetings where we just ask people, anyone for for their feedback.

00:56;12;25 - 00:56;43;00

GUEST

And it's really interesting. Once people see that, you know, they can actually speak up and that we actually do follow up, you know, people speak up more. And I always say, like, you know, anything you want to discuss? Email me privately. Absolutely. Fine. I just want to understand, you know, what's happening on the floor, how we can improve things, regardless of level of seniority and I think ultimately, what Steve and I have both said, like, you know, one of the main motivations for buying a platform other than Steve, you know, obviously, you know, creating something successful is we just want to have a nice people.

00:56;43;02 - 00:56;58;21

GUEST

And I genuinely mean that, you know, we just want to work with nice people. You can be the smartest person in the world and you're amazing at your job. But if no one wants to work with you, you're not going to get very far. And that's the culture that we've created a multi like we also, you know, I think genuinely nice people.

00:56;58;27 - 00:57;19;26

GUEST

We understand retail. You know because of the vertical integration we understand how asset management works property management leasing development. So we so we communicate lots of you know internally like how can we improve things. And we're learning from each other. But it's the recognition that's crucial. And I'll give you a little snippet of that every month we share.

00:57;19;26 - 00:57;38;16

GUEST

So if you know the whole organization, we've hired, right. It's useful to introduce some data to the team, especially given that we cover 15 jurisdictions. But what I've asked them to do is also to include of, you know, work anniversary. So if people have been at like five years, ten years, 15 years, we have people that have been there for two years.

00:57;38;22 - 00:57;57;12

GUEST

Wow. At the firm. And it's only 42 years old, right? So go figure. I sent him a personal note to thanking them for their service. Like, you know, if you spent ten years of your life, life dedicated to to our business, you know, I should thank them, not the other way around. And I say, you know, really appreciate what you're doing.

00:57;57;15 - 00:58;15;26

GUEST

Really. I think it's fantastic that, you know, people are committed to to our brand. I don't want to stay to. And the responses I get, it's like, you know, I would never want to leave melty. It's such a great company. And I honestly think that's very valuable. I mean, I wish I had more of that in my career that people said, like, you know what, I really appreciate what you're doing.

00:58;15;29 - 00:58;27;28

GUEST

The time you spent on it. A lot of people think that, you know, remuneration is everything, you know, financially. But I think it's the recognition obviously that's that's equally as important. The purely the financials.

00:58;28;00 - 00:58;58;02

HOST

When it's clearly, you know, strong leadership, strong vision evidence and sharing kind of progress, removing ego and regular updates and praising the small wins as well as the big ones. So, sounds like a

an awesome kind of recipe and culture that you are, that you are nurturing. Can you? Because we've danced around a little bit just in terms of, you know, billion and a half new mandate and offices open, can you just give me a snapshot of the business when you bought it and where it is today, and then what your plans are for the next five?

00;58;58;02 - 00;58;58;28

HOST

Sure, yes.

00;58;59;00 - 00;59;23;09

GUEST

Are you? When we bought the business, you know, we were probably about 600 people operating in 12 jurisdictions in Europe, not the UK. Yet we then rightsize the business, because as you mentioned, there's a loss making business. We had to, you know, rightsize the business, focus on efficiencies. But we've expanded the business quite rapidly. You know, we bought a, competing business in Germany out of insolvency.

00;59;23;11 - 01;00;00;05

GUEST

We set up an office in Switzerland for a particular client. We set up an office in France, through the investment in Rome, we sort of an office effectively in, in the UK and Denmark. So we now operate in 15 jurisdictions. We're well over 600 people. So we've grown quite a bit, in terms of our, our PhDs, we manage about 165 assets estimated gross asset values, about 5.5 billion, I would say, in terms of where we want to be, we want to focus on a core markets where we are not yet in the jurisdictions that we're not yet in, that we want to be in a, for example, the Nordics.

01;00;00;08 - 01;00;17;07

GUEST

Yes. We have a small, office in Denmark, but I think Sweden has a lot of potential. Norway, we used to be active in Finland. Tough market at the moment, but, you know, potentially, the entry into into Finland as well. And like I said, I think the main growth is going to come probably from, the development side.

01;00;17;07 - 01;00;25;28

GUEST

So repositioning retail office to, retail, the resi and the Proptech business, the Proptech businesses. That's been stoppable. Yeah.

01;00;25;29 - 01;00;37;18

HOST

That's that excites you? Yeah. So as we as we draw this conversation to a close ally, if I gave you 500 million pounds worth of capital, who are the people? What property? In which place would you look to deploy that capital?

01;00;37;21 - 01;00;59;03

GUEST

I'll. I'll be very honest. If you gave me 500 million, to invest, I would invest everything in retail. I understand retail. I see the opportunities. But I would say one thing. As long as Milton manages it. Because I have faith in our team to, you know, do the best to invest the capital wisely. And so if you know, add value, what I would say is in terms of the location.

01;00;59;03 - 01;01;19;17

GUEST

So UK has a lot to offer. You know, we've seen it now with our investment in Ukraine. You know, it's, it's a, it's a massive opportunity in the UK. There's a lot of good shopping centers, yields, significantly higher for certain asset types then, on the continent of Europe. So I would heavily invested in the UK, I think the

Netherlands I would invest in just because we understand the market better.

01;01;19;22 - 01;01;27;03

GUEST

Portugal, we see opportunities, Italy, we see opportunities all in retail and ideally buy it, fix it, sell it.

01;01;27;05 - 01;01;46;15

HOST

That £500 million is going to get burnt through quite quickly. I get the sense you, you've had a fascinating career. You're a glutton for punishment, but I can absolutely see why you fell in love with retail and the opportunities and, you know, the list of duties that you've, Sorry, not the list of duties, the list of wins that you've had since you've kind of taken the business, are absolutely phenomenal.

01;01;46;20 - 01;02;08;01

HOST

So thank you so much for sharing a little bit about your background story and some of the challenges as well. Not being a fighter pilot, not being able to buy the Morgan Stanley, kind of NPL platform. But clearly, you know, that aspiration drive you in your own business, has come, come to the fore. And I'm really excited to see what you have to you've on to do in five, ten, 15 plus years in the future.

01;02;08;04 - 01;02;09;21

GUEST

Thank you. Thanks for having me.

01;02;09;23 - 01;02;33;18

HOST

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01;02;33;18 - 01;03;04;01

HOST

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01;03;04;03 - 01;03;07;11

HOST

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