00:00:01:01 - 00:00:34:08
HOST
Welcome to the People Property Place podcast. Today we are joined by, Tyler Goodwin, founder and CEO of C4 land. He has got over 30 years of global real estate experience and has worked in property development advisory, investment banking, principal investment and investment management and has lived and worked in North America, Asia and Europe. He has held positions at firms including JP Morgan, Deutsche Bank, Urban Land, Capital Loader and Seaforth Land.

00:00:34:08 - 00:00:45:19
HOST
Up in 2015 to Revital lines, iconic buildings and realized inspiring schemes with a focus on central London commercial real estate. Tyler, welcome to the podcast.

00:00:45:21 - 00:00:47:14
GUEST
Thanks, Matt. It's a pleasure to be here.

00:00:47:14 - 00:01:07:04
HOST
Not at all. Well, you've had a fascinating, very varied career, and I think we can probably, sit down for ten different podcast episodes to unpick each one. So, we'll do our best to try and get, it into an hour. But a place that I always like to start this podcast is how how did you get into real estate and why real estate?

00:01:07:06 - 00:01:26:13
GUEST
Yeah, I think, one of the unique advantages to, going to school in North America versus here is the, is the fact that you can change your undergrad, study. So in your first year, you go in and do general studies. Mine was marketing management, and, and then suddenly, I started learning a little bit more about real estate.

00:01:26:13 - 00:01:44:14
GUEST
And I thought, okay, this is fascinating. And I changed my change. My major, and that was it. And it was just the right, the right professor. The right fellow students. And, and I was bit by the bug, and actually, I, I should touch on this because it's something that we've learned from at, at Seaforth.

00:01:44:16 - 00:02:09:14
GUEST
You know, there's a real issue of diversity, equity and inclusion in the UK, a lack thereof. And, because so many of these young kids call them, like, if they're black, Asian, Middle Eastern kids, minority ethnic kids, from inner city youth that might look at our industry and see this lack of diversity and say, you know what, I'm going to pick something else because they need to pick in the sixth form.

00:02:09:16 - 00:02:30:09
GUEST
So we partnered with the Mayors Fund for London, and, and we do a, a quarterly teaching with these kids and then lunch and we tell them about the industry and, and, you know, I think my and my experience and, broad range of experience within the real estate industry is a great example of how broader church this is.

00:02:30:11 - 00:03:04:13
GUEST
You can be a real estate finance person, you can be a real estate marketing person, you can be construction engineering. You know, asset management, there's such a broad range of asset, strategies within real estate. You can work on. And so getting to these six form kids early, giving them work

experience and and getting them, getting them started on their, on their educational paths while they have choice, has been something that's really fulfilling for us and, and something that I think the industry, you know, could do more of.

00:03:04:19 - 00:03:17:06
HOST
Yeah, we're putting someone to it later. But, I know you've got the C4 scholarship program as a way to kind of give back, but, for you then you had no family or friends or. No, you know, no other context other than no. My, you know.

00:03:17:06 - 00:03:34:07
GUEST
My dad, my dad, was a farmer, in Ireland and immigrated to Canada in 1956 at 20 years old. And, you know, I think 20 bucks in his pocket. And my mum was, from a small town in Medicine Hat, Alberta. So no real estate background done either side of the family.

00:03:34:12 - 00:03:42:08
HOST
So you graduated, having gone, switched your course and got into real estate that way. What what was your first role and where did you land?

00:03:42:10 - 00:04:08:00
GUEST
I landed in a in a firm called Coldwell Banker Commercial, which is the precursor to see CBRE, and, in Vancouver and, cut my teeth there. In that industry, in North America, you you eat what you kill. It's a full commission business. And, and so you have to hit the ground running, in the first year you're working as a mentee.

00:04:08:02 - 00:04:20:05
GUEST
So there's a, there's a mentor that that you work under, and that, that helps you kind of get your bearings and, but, but then your, your off and, and, and making money yourself.

00:04:20:05 - 00:04:22:18
HOST
And that's an, an investment agency capacity.

00:04:22:18 - 00:04:43:16
GUEST
Yeah. So I did both sales and leasing and and kind of work to territory. That's the way it worked a little bit like the way the city and the, the West End and, and other markets work here. And, you know, it was fascinating very early on in my career. Is that the, the wave of immigration coming in from Hong Kong?

00:04:43:20 - 00:05:04:21
GUEST
So if you remember back in, I think it was 88, the British government made clear the handover plans in 1997. And, a lot of the Hong Kong Chinese that had been through the Cultural Revolution realized that or remembered what it had been like and said, you know what? I want to I want to spread my bets and have a safe harbor.

00:05:04:23 - 00:05:28:24
GUEST
Typically what they did is they moved their families to North America, often Vancouver or Toronto or San Francisco. But Vancouver was a big, port of entry. And, they'd set up, they might buy some buildings, make some investments, and then they'd start commuting. They were referred to as astronauts, where

they would literally commute back and forth with their family in Vancouver and, and their business in Hong Kong.

00:05:29:01 - 00:05:51:20
GUEST
So I learned, I learned a lot about doing business with Asian, Asian businessmen. And they all said the same thing. They said, you know, you should be in Asia. You know, it’s where the action is. And Vancouver is great, but it’s quiet. And I kept hearing that and hearing that. And then, you know, somebody came along and actually invited me to come work there.

00:05:51:22 - 00:05:54:02
HOST
So where in Asia did you land and what was the role?

00:05:54:03 - 00:06:23:20
GUEST
Jakarta, Indonesia. Back in, I mean, they they asked me to come out in 1991, and, checked it out. It was extraordinary. Back then, it was really the wildest, I can remember getting off the airplane, onto the tarmac and getting hit with this ball of humidity and dust and smell of, you know, what was Indonesia and and just saying I was bit right away.

00:06:23:20 - 00:06:45:24
GUEST
Had to do it. I realized if I didn’t try it, you know, I’d always ask myself, you know, what if. And, so it was with a firm called Vickers, which, they had a global platform. They were expanding in, in Asia. And at 24 years old, it was fascinating because the guy was offering me roles in different offices.

00:06:45:24 - 00:07:07:18
GUEST
And then he he came to me, James King was his name and said, so I’ve got a job, a role that I can’t fill. And, I was like, okay, that was interesting. And he said, Jakarta, Indonesia. It’s to open the office. I was 24 years old. I said, well, let me think about it. And I quickly ran to the library, not knowing anything about Indonesia.

00:07:07:20 - 00:07:27:09
GUEST
I knew approximately where it was on the map, but honestly, I couldn’t have pinpointed Jakarta if I were paid. And and, you know, back then there wasn’t the internet. So Public Library did some research. Three weeks later, I was on a plane checking it out, and a few months later, I was, on the ground opening the office.

00:07:27:15 - 00:07:29:06
HOST
And what was the role that you were doing?

00:07:29:10 - 00:07:49:18
GUEST
It was to open an office. It was, basically an agency. But really our core business was valuation and consultancy and, and how we we ramped up the business quickly and, and made a success of it. I’d love to say it was just me. You know, it didn’t hurt the it was the beginning of the Asian tiger economies.

00:07:49:20 - 00:08:17:10
GUEST
But but it was really about, working for the banks and going in and telling them, look, we’ve seen an evaluation quality and feasibility study quality that you guys are getting. We can do much better. Give us a

chance. And they did. And we offered a much better product and, and started stealing market share. And I think, you know, by the time, you know, I left, which is an interesting story, we were up to 16 or 20 people.

00:08:17:14 - 00:08:47:11
GUEST
It was fast. And within one year. Wow. Yeah. And, the guy that hired me told me, look, it's a one year contract. You have to stay out the year. The, And then I suspect you'll get double what you're getting paid. And I thought there was no way I was getting double because I at 24, I was given a car, a driver, house staff, US dollars tax free and a, you know, airfare home.

00:08:47:13 - 00:08:58:10
GUEST
And I thought, okay, there's no way anybody's paying double. And that literally was the conversation. It was like, you know, hey, what are you getting paid? And, you know, we'll pay you double.

00:08:58:12 - 00:09:00:05
HOST
And that was to move or that was all. Yeah.

00:09:00:08 - 00:09:36:01
GUEST
So then I went to the buy side. So yeah, that was my agency career. As it was, it was fantastic. It was a great experience. But going to the development side in Indonesia back in the early 1990s, we started on resident on multifamily, residential, single family residential, townhouses, office buildings. It was really, such an extraordinary time, that you could do no wrong, until, of course, the Asian financial crisis happened.

00:09:36:03 - 00:10:05:12
GUEST
So, you know, I, I landed there in 1992, by 1997, the Asian financial crisis played out. At that point, we had, development called Four Seasons Residences was the largest and actually the world's first all residential, development with Four seasons, four towers per million square feet, luxury in the center of Jakarta. Really beautiful product, designed by RTL.

00:10:05:14 - 00:10:32:10
GUEST
We had sold off one tower. We were partially selling off the next when all hell broke loose. And, you know, if you recall, back in May 1998, there were riots in the street. There was the overthrow of Suharto. I was on the ground, you know, I actually got on the back of a motorcycle, and went up into Kota and the riots, put on a vest, two cameras, pretended I was the press.

00:10:32:10 - 00:11:05:02
GUEST
I can speak fluent Indonesian. And, and I started taking photos and video of what was going on. It was absolutely extraordinary. And, and I think, it's it's it's taught me a lot. You know, I stayed on until 1999. But it's taught me a lot about crisis management. And, you know, your attention to, you know, focusing on the work at hand, and trying to stay rational while everybody is losing rationality around you.

00:11:05:04 - 00:11:29:17
GUEST
Which was a common theme back in the Asian financial crisis. But also in terms of underwriting, it really your stress test scenario is far more extreme in my experience. My stress test scenario is far more extreme than most of my peers. It's like, well, how bad can it get? Yeah. And I think that's what prepared us well, really well for what's happening in the economy that we're seeing here today.

00:11:29:19 - 00:11:52:24
GUEST
We were risk off very quickly. We the last asset we bought was 2019. And, you know, we looked at a bunch of deals, pursued very few. And, you know, when, when our partners and clients asked us, what do you think? Or, like, we have a thesis, but I don't think the thesis robust enough yet to make investment decisions.

00:11:52:24 - 00:12:07:01
GUEST
This this has some legs. What's going on here? This evolution. We wrote an article back in 2019 about the the deterioration of structural demand in office space and the bifurcation of the office market. This is before Covid, I.

00:12:07:01 - 00:12:08:13
HOST
Was going to say before Covid. Yeah.

00:12:08:13 - 00:12:20:14
GUEST
And, so I which we were prescient. I mean, we we got it right. Fortunately, we couldn't have anticipated how those dynamics accelerated through Covid.

00:12:20:16 - 00:12:41:11
HOST
So you ended up spending 20 years out in Asia. Can you just talk to me about the different roles that you had and how they came about? And my assumptions is the market is very different. So over here, you know, lack of regulation, maybe different planning laws or remits or, common goals that you had to kind of hit.

00:12:41:17 - 00:12:46:14
HOST
Can you just kind of paint a little bit of a picture of a the market, but also the different roles that you had there and how that evolved?

00:12:46:17 - 00:13:25:15
GUEST
Of course. So, so, you know, well, just rewind to that. You know, 1998 Asian financial crisis were where kind of going through healthcare. I am I'm speaking at a conference in Dallas at the Urban Land Institute fall meeting. Because they wanted to hear from a developer that was experiencing the Asian financial crisis. And one of the gentleman that came up to me, Alan Creditor, who was the founder of US's real estate program, University of Southern California, came up to me and said, wow, what an experience.

00:13:25:15 - 00:14:00:24
GUEST
What are you going to do next? And I was like, well, I'm, I'm doing it. I was working for this alum family, a group, a company called They Wanted White Power, which was, you know, the largest conglomerate family in Indonesia, during those four seasons, development, among other things. And, and, I just was so focused on crisis management and managing through our joint venture and, and other issues that that I hadn't really thought how long this was going to last and that Allen had experience in Indonesia, that, you know, this is going to take years to, to unwind what's happening here.

00:14:01:05 - 00:14:26:24
GUEST
You should think about going back to school. Never thought about it. I figured that was it. I was done with

school. And, next thing I know, I received an application form from the masters degree. USA masters in Real Estate Development with a yellow sticky saying, right, the GMAT let me know how it goes. And, I freshly married, and, I said to my wife, what do you think?

00:14:27:03 - 00:14:52:21
GUEST
And that was it. So I joined, I moved to Los Angeles, California, studied, USC. And, you know, one thing that I learned, during this crisis, which is a really valuable lesson as well, is, back then, they were called real estate vulture funds. All right. It was the early, early time of real estate, private equity.

00:14:52:23 - 00:15:26:23
GUEST
And, so while we're going through crisis, people were landing in Jakarta, coming to meet us and saying, so what are you interested in selling? Give us an idea of pricing. And the light went on for me the first time. Prior to this, I'd always thought, well, I was told that, you know, real estate is cyclical, as we know, you make money at the top and you bide your time at the bottom and, and then suddenly here are people that are investing at the bottom, counter-cyclical real estate investing.

00:15:27:04 - 00:15:47:22
GUEST
First time I thought about it and I went, okay, that's what I want to do. I want to know how I can make money at the top and at the bottom and, so on here and went back to school. I immediately started applying to Wall Street. I was like, that's the only job I wanted. And I started interviewing there.

00:15:47:24 - 00:16:08:17
GUEST
And, I mean, the day I started at USC, I started reaching out to people saying, I'm a student at USC getting my master's degree. Most of Wall Street hired, East Coast, not so many people from USC back then. USC's real estate program is world class now. There are a lot more people in real estate, private equity that come out of the real estate program.

00:16:08:17 - 00:16:33:08
GUEST
There. But at the time it was very uncommon. Most people that went to USC stayed in California. Awesome place to work and live. And it was a massive, real estate economy. And the guy that interviewed me, Deutsche Bank, was a guy by the name of Kurt Rohloff, who is our chairman at Seaforth. He's my partner in the business and has been my mentor ever since.

00:16:33:10 - 00:16:55:24
GUEST
But, you know, as Kurt would tell the story, you know, basically I kept harassing him until he decided to pick up the phone and accept my call and said, well, look, if you ever make it to New York, I'm happy to meet with you. And of course, I was. It wasn't much longer. I jumped on a plane and went to meet him, and, and that's where I got my start.

00:16:56:01 - 00:17:15:12
GUEST
So Deutsche Bank in New York, it was meant to be briefly, because he wanted me to move back to Asia, to Hong Kong. And, then the World Trade Center transaction came up, and, a senior banker guy by the name of Ed Carey kind of I was an associate there, so I was an old associate.

00:17:15:12 - 00:17:37:16
GUEST
I was 30 years over 30 years old. And that was part of the deal of joining Deutsche is like, look, most of these kids, they're, you know, they started banking earlier. You're starting much later. You gotta you gotta

cut your teeth in, in the associate pool, which, you know, I'm all right. I'm happy to, you know, work my way through stuff like that, and, and, you know it.

00:17:37:18 - 00:18:03:16
GUEST
Look, we're working on this transaction. If any of you have any ideas, this was on a Friday. Come to me on a Monday. On the Monday with your thoughts and I. It was a $3 billion transaction. It was the at that point, one of the largest real estate transactions I'd ever seen. And really, the market had ever seen, I think I worked like 30 hours over the next 48 hours to put together an analysis and proposal.

00:18:03:18 - 00:18:21:18
GUEST
I had access to the data room. So I did, did some analysis. And on Monday morning, with very little sleep, I put my proposal on his desk. And it turned out I thought everybody would do that. Turns out nobody did that. This is why you really want to work on this? I said, yeah, it's an awesome transaction.

00:18:21:20 - 00:18:48:18
GUEST
So, that was ten months, of my life just on the World Trade Center transaction and some financing and other stuff for other guys there, but but that took up a lot of our time. We were partnering with Brookfield, and, ultimately, we were the cover bidder to Larry Silverstein, who won that asset. And, that was my the beginning of my move to, to Asia, back to Asia.

00:18:48:20 - 00:19:00:20
HOST
Back to Asia. So after a stint in New York, Deutsche, I moved back to Asia, this time with more of a private equity mindset, schooling, training, and experience. Right.

00:19:00:21 - 00:19:28:14
GUEST
Yeah. That's right. So, so back then, you could also what it was, it was a the golden era for real estate, private equity. If you didn't mind managing conflict of interest. A lot of the firms were both advisory as well as principal investing. So Deutsche, you know, when we started, I was invited, to work on the transaction to advise Brookfield on the purchase of with the World Trade Center after a few.

00:19:28:16 - 00:19:50:10
GUEST
I mean, I guess it was a few weeks. We were looking at the numbers. We were running and going, wow, this is a profitable business. And we realized that Brookfield were looking for some capital for the joint venture, or for the acquisition. And, so then we put on our, our principal hats said, you know, if you're looking for capital, we can also be a co investor in this strategy.

00:19:50:12 - 00:20:09:19
GUEST
Nowadays, you really can't do that. You've got to divide, you separate your investment management from your principal investment business, which is the right thing to do. Because conflicts of interest did arise, and there were a lot of firms that actually got caught on the wrong side of managing that conflict. We, I think did a great job on it.

00:20:09:21 - 00:20:37:03
GUEST
And, when I moved to Asia, that was all starting to change. When I moved with Troy to Asia, that was all starting to change. And, and we became the real estate. Private equity actually changed a few times, but at first it was real estate, private equity group, then real estate opportunities group. You know, as banks will often do, they'll kind of as they're refining the, the business strategy as a principal investment

platform.

00:20:37:05 - 00:20:44:07
HOST
And so you landed back in Asia and your remit was to what, buy up cheap, real estate at the time?

00:20:44:11 - 00:21:09:18
GUEST
Yeah. So it was Hong Kong, and it’s it’s not quite that simple, because, you know, as a, as an investor, it’s not always about buying cheap. It’s about buying. Well, and, you know, the first job is actually to sink your teeth into the markets that you want to invest in. So I’m a big believer in planning your work and working your plan, as is, Kurt.

00:21:09:23 - 00:21:29:14
GUEST
And it’s a big part of our culture at Seaforth. So the first thing you do is write your business plan, for each of the markets that you want to invest in, understanding its risks and mitigate understanding the opportunity and the major players as a as a financial investor, you’re also mapping out who you want to be an operating partner with.

00:21:29:16 - 00:21:55:08
GUEST
That’s that’s critically important. A lot of investors make the mistake of jumping into the market and looking at deals. They may find good deals, but then they’re rushing around trying to place it with an operating partner instead of spending the time to do the due diligence and understand what operating partner you want to work with, because doing a good deal is only half the battle to make your money.

00:21:55:08 - 00:22:24:14
GUEST
You actually have to execute a business plan. You need a business partner, an operating partner with the right alignment, with commitment, transparency that understand fiduciary obligations, that understand, as an investor, I would always go in and start meetings with, right, let’s talk about Tagalong Dragon provisions in joint venture agreements. Let’s talk about reps and warranties. Let’s talk about minority shareholder provisions.

00:22:24:16 - 00:22:52:08
GUEST
These are the things if you think about operating partners, a lot of operators come from the agency brokerage side, which is about doing deals. And because they know how to do deals, they think they can be private equity investors. But when you start dragging them into these these concepts of true fiduciary duty, transparency and the threats to your business, if you do something wrong, they they start going, whoa, hold on a second.

00:22:52:10 - 00:23:25:09
GUEST
These reps and warranties are quite onerous. The the bad boy clauses are quite onerous. Instead of saying, yeah, okay, if I’m guilty of, willful, negligence or fraud, yeah, I should get the book thrown at me. And in fact, when we set up Seaforth, we we became FCA regulated almost immediately because, you know, I think that, you know, first of all, I come from a regulated background, so I understand the importance of that, but also, I think for our most important clients, they look at that and it gives them a level of confidence.

00:23:25:11 - 00:23:39:12
GUEST
And it’s a differentiating element for us that, that look, we we get it. I’ve sat on your side of the table. I

understand what’s going to worry you and keep you up at night. And and we’re really on the same we’re at the same table with these partners.

00:23:39:14 - 00:23:57:09
HOST
So an operating partner is someone who’s got local expertise, and it’s got a demonstrable track record in that market. And they will partner with capital. Yes. Who has got the capital but might not necessarily have the day to day, desire or willing to do the heavy lifting in terms of acquiring and then delivering a, a business business plan.

00:23:57:10 - 00:24:02:06
HOST
Just it’s just the people listening who might not understand, like where that relationship fits and how it’s.

00:24:02:06 - 00:24:32:05
GUEST
It’s a great point. And actually the best financial partners, like if you think about my background, I was a developer, all right. I started an agency that I did development to, to understand and have empathy for. The operating partner is really important. And I think a lot of financial investors have that now. So, if you if you see back in those early years, most of the institutional investment invested by way of funds, it was less about direct investing.

00:24:32:05 - 00:24:59:24
GUEST
And then this real estate, private equity philosophy started direct investing in, in real estate, doing deal by deal alongside operating partners. The best businesses build build in-house capabilities that understand the role and understand the capabilities. And how do we evaluate the capabilities of operating partners? They may have done it themselves. Now they’re representing the financial investors.

00:24:59:24 - 00:25:25:12
GUEST
So because even financial investors often have a fiduciary duty to their stakeholders. So if you’re a pension fund, you’re a pension fund, you’re investing your pension holders capital. That’s their future. That’s their retirement. So they have a duty to their investors as well. And so, you know, our duty is to our financial partner and financial partner will have duties that are actual stakeholders.

00:25:25:14 - 00:25:32:04
HOST
How long did you spend out in Asia after this? And what kind of what year, what year are we talking in front of now?

00:25:32:06 - 00:25:58:06
GUEST
So back in 2000 and 2001, so back in Hong Kong in 2001. So it was just, just before the, the World Trade Center was knocked down. Yeah. And, and, and then, you know, I was spending, a lot of time in China, a lot of time in Hong Kong, time in Southeast Asia.

00:25:58:08 - 00:26:23:01
GUEST
You know, the firm was quite interested in investing in Indonesia. Obviously as, an institutional investor, you have to be concerned about matters like foreign corrupt practices Act. And, you know, there are markets, emerging markets in Asia where, you know, they do business differently. And so part of your job is to make sure that you’re protecting the reputation of your firm.

00:26:23:01 - 00:26:45:22

GUEST
And and I looked at business, doing business in Indonesia at that point. That would have been too challenging for, for, for, I think Deutscher, on the direct principle investing side of the business, they've been very successful and invest back in other elements of the business there. And but got a lot of time in China and a lot of time in, in Hong Kong.

00:26:45:24 - 00:26:50:23
HOST
You moved on from Deutsche? Yeah. What did you move to and what was that role? And why did you move?

00:26:50:23 - 00:26:58:01
GUEST
Yeah. So Deutsche Deutsche I went from a principal business to a third party funds management business.

00:26:58:03 - 00:26:59:06
HOST
So what does that mean?

00:26:59:08 - 00:27:25:11
GUEST
Yeah. So after they acquired Reif, principal businesses, when you're investing the bank's balance sheet. Yeah. And after 2001, there were a lot of banks that were investing the banks balance sheet and.com, and ended up getting burned. And then analysts started asking the question, should you really be exposing so much the bank's balance sheet to alternative asset classes.

00:27:25:11 - 00:27:48:14
GUEST
Isn't that better suited as a third party funds management business? Deutsche agreed raised first of all, acquired Reif which is the US third party funds manager primarily core but multi strategy. I think at the time they had around 17 billion in assets under management. And then they they went to raise a fund, a global fund for real estate, private equity.

00:27:48:16 - 00:28:27:22
GUEST
The capital raising went okay, but it didn't go great for emerging markets. So because of the restrictions at the time around emerging markets, I think that there was a very small amount of money available for Asia. Eastern Europe and, and Central and South America, where we had operations. And, and so I was part of, quite a large group of people that were rationalized, which sounded terrible, but actually, thanks to, Deutsche Bank's attractive carried interest program, it was actually quite profitable.

00:28:27:24 - 00:28:59:10
GUEST
And, and actually, that's a really important lesson. And it's something that for our business, when I started Seaforth, you'll hear a lot in the market about carried interest programs that have lots of promise, but, you know, rarely deliver, often broken promises. And, and part of that is that entrepreneurs might promise a carried interest program, not documented correctly, not really deliver full transparency.

00:28:59:10 - 00:29:39:09
GUEST
And then, you know, when it comes to cash on the table, they start recutting the deal. And you hear about that a lot. So when we set up Seaforth, that was one of the pledges that, you know, Kurt and I both agreed, if we're focused on building a legacy business, which I'd love to get get to at some point, the, the this is one really critical element to building a legacy business to make sure that you're really creating

alignment with your team and that, that the team have visual, you know, focus on how much money you can make by doing a great job in your, in your role and, and

00:29:39:09 - 00:30:00:07
GUEST
often businesses. I kind of it's like a pyramid. A lot of these businesses, the top three guys make carry. And the rest of the people, it's a black box. They have no idea how much money is being made. There's often two models. There's an asset performance model, and then there's a joint venture model at Seaforth. There's one model.

00:30:00:09 - 00:30:19:14
GUEST
Everybody knows how much money is made. Everybody knows how much Kerry can potentially be made. That's proper alignment. And and it gets people like this weekend, I think we have 5 or 6 people working over the weekend on something. It's you know, I don't feel bad about doing it. It's like we all have to do it. I was working as well.

00:30:19:18 - 00:30:37:24
GUEST
But it's like when you're when you're focused on generating carried interest, profit, it is it's life changing. And and for me that experience at Deutsche Bank, it, it made you know, what happened next and what happened. And, you know, it made my ability to set up C4 plan profitable.

00:30:38:02 - 00:30:46:07
HOST
So let's talk about that journey because you came you did a stint back in North America right before you came to the UK. You know, I bought,

00:30:46:09 - 00:31:28:02
GUEST
So I bought a couple of apartment buildings in Vancouver. I stayed in, I stayed in Hong Kong. And, so when I, when I left, Deutsche, I bought one building down in of Central Vancouver, 18 units. And then I bought another, 29 unit apartment building, and, and then I joined, a firm called J.P. Morgan, which was the, it was the real estate special situations business, which that was back in, in 2006, which was a great time.

00:31:28:04 - 00:32:00:19
GUEST
It was a great time, because if you remember, there was a lot of hubris and, and we I think, you know, I was responsible for investing over four, maybe 500 million in a year at J.P. Morgan. And, we made good money on those investments. And then unfortunately, well, not unfortunately, I was offered, 100 million pounds to set up a separate account or set up a private equity business that was urban land capital, which was a really tough call.

00:32:00:21 - 00:32:23:22
GUEST
And because I was loving what I was doing at J.P. Morgan, Ralph Parks, who was the CEO at J.P. Morgan in Asia. It became a, you know, he was my boss and a mentor of mine. He's actually on our board of advisors, today, and, and incredible, you know, had an incredible career and has been a real mentor.

00:32:23:24 - 00:32:39:24
GUEST
And Ralph, Ralph was like, don't do it. And I, I did it anyways. And, because it's 100 million pounds and, $100 million, and I really I wanted to own my own business. Yeah.

00:32:39:24 - 00:32:42:10
HOST
Set up your own business, man.

00:32:42:12 - 00:32:53:09
GUEST
So that was in 2007, just before the global financial crisis. Freaking terrible, terrible timing. Had set up the office, hired people.

00:32:53:12 - 00:32:55:14
HOST
Where? Where was the office? Hong Kong, Hong Kong?

00:32:55:16 - 00:33:29:02
GUEST
Yeah. And, hired people, and then all hell broke loose again. So second time, first Asian financial crisis, now global financial crisis. And, and so, you know, I worked through, 2000 and, it a nine, going into ten, J.P. Morgan Ralph had come back, said, how's it going? And I said, well, not great.

00:33:29:04 - 00:33:51:06
GUEST
And one of the things he had said is, which is a common thing in banking, if, if you leave, if you leave, you can't come back. Right. And, and that's because a lot of people leave banking and they want to set up their own business, and they want to keep their people in. And you've got to think really hard about it.

00:33:51:08 - 00:34:25:20
GUEST
And, and that's what Ralph had said to me. Okay. If you leave, you can't come back. And I said, yeah, I get it. I've got to do this. And he said, well, look, I know. I said, if you leave, you can come back. But there's actually a really interesting role in the global realized assets business. The, the asset management business that, you should you should look at, and and so I did I, I'd gone back I should say one of the interesting deals that I've done, because it ties into later, was, was with loaded developers in Mumbai.

00:34:25:22 - 00:34:57:04
GUEST
So in the JP Morgan business, we've done a, a direct, structured equity investment with load, in a development, Mahalaxmi, which is in, in Mumbai. And that was the first time I got to meet a gentleman by the name of Abhinandan Loader, who is still a friend. And and really unexceptionable, exceptional businessman, a young man who has just grown his business from strength to strength.

00:34:57:05 - 00:35:22:16
GUEST
And of course, during the, when I set up Urban Land Partners, they had a challenge with a, debt restructuring following the global financial crisis. They had a large, pre-IPO convertible bond. I had actually been involved in a bond restructuring in Indonesia. When I was with Salim. And he called me in and said, hey, can you help give me some advice on this?

00:35:22:18 - 00:35:47:15
GUEST
And so I kind of Mumbai, and helped them with the restructuring of their debt while I was at Urban Land Partners. And it was they were generous and paying me well for that. But it was also the, the relationship with the Lotus, without being undone, you know, grew out of that. And what I saw was, a gentleman who, integrity was really important.

00:35:47:15 - 00:36:37:11
GUEST
And even during the debt restructuring, there were, there were investors, that were offering that, I should say, investors in the bond that were saying, look, we'll take $0.50 on the dollar, and up in London, he said, look, I don't want the market saying that, you know, they lost money. And, so he said he refused to do the 50% payout and instead, those investors on a pre-IPO convertible debt in 2007, I believe their yield to maturity was 13.65% for that vintage for 2007 through the age of the global financial crisis, to deliver those returns to the investors, and to maintain your integrity, I you know, there were very

00:36:37:11 - 00:36:46:11
GUEST
few people like that in, in a lot of markets, let alone in, in Mumbai. And so that kind of set the stage for the the later decision with Loda.

00:36:46:15 - 00:36:48:16
HOST
Which is a move to the UK. Right.

00:36:48:18 - 00:37:13:09
GUEST
Correct. So after the global real assets business, which was a really important part of, you know, my, my career development, working with the largest. Now suddenly, you know, I'm a managing director responsible across Asia to meet with and advise the largest institutional investors on real estate investing strategy, and investing and funds investing in separate managed accounts.

00:37:13:11 - 00:37:43:05
GUEST
These are the state administration for foreign exchange. It's the NPS is it's it's, you know, the Hong Kong monetary authorities. These are like massive institutional investors across Asia. You learn a really important language, the language that starts with what happens at the top of the house with allocations to understand, you know, the role of for real estate, which represents 55% of all global allocations to real estate.

00:37:43:07 - 00:38:01:11
GUEST
You know, that's our true north. We forget that sometimes when we're private equity guys and we're doing value add. But actually the goal, if you're doing value add right, it's value add to core. Yeah. Right. If you're doing Core Plus it's core Plus to core. If you're doing development, it's development to core.

00:38:01:11 - 00:38:06:18
HOST
Because of the global allocation to real estate, 55% of it is looking for corporate.

00:38:06:20 - 00:38:26:18
GUEST
That's that's right. But also also if you think about it in a different way, if you're not getting to core, it means your exit value isn't going to be at the level that you want it to be, because the liquidity, to your point, the 55% to get to that liquidity, means you have to deliver a core product, which is not easy.

00:38:26:20 - 00:38:27:03
GUEST
Right.

00:38:27:03 - 00:38:30:18

HOST
And what is a core product for someone who who doesn't necessarily know core me.

00:38:30:24 - 00:38:55:01
GUEST
So the definition of core cash flows is long term, reliable cash flows with inflation hedging characteristics and low correlation to fixed income in equities. That's the definition of core real estate. The it gets blurred and people try to you know re characterize it. But that's it. And and that that speaks to the empathy at the top of the house.

00:38:55:03 - 00:39:04:02
HOST
And that's because the majority of that capital is what pension fund driven or it's long term sustainable. And it needs redemption matched sustainable income.

00:39:04:02 - 00:39:41:05
GUEST
It's it's less about that and it's more about if we go back to let's say you're a pension investor. All right. And you, you have you have to match your investments, your assets to your liabilities, which are your pension holders, so they can have a successful retirement. So, so if you think about your pension holders, the guy at allocation, the guy or girl or the allocation that's deciding where the money goes, they'll say, okay, a certain amount of money is going to go to fixed income, super safe, low volatility traditionally.

00:39:41:07 - 00:40:14:09
GUEST
And then the other another element will go to equities. And then another element will go to alternatives. And within alternatives there'll be real estate. There'll be hedge funds. They'll be private equity. There'll be infrastructure. There's a broad range of asset class that go to alternatives. Real estate. Real estate sits in that bucket and has to deliver returns along with the other alternatives that are offer low correlation to the volatility of fixed income and equities.

00:40:14:09 - 00:40:37:05
GUEST
So in a perfect world, you know, your your equities portfolio may be going down but then your alternatives are going up. You have less volatility with regards to your valuations on your private assets as you do on your equities. And then your your fixed income may be doing something else. So over time you're delivering on your entire portfolio.

00:40:37:05 - 00:40:40:21
GUEST
Stable returns to its or to your pension holders.

00:40:41:01 - 00:40:57:07
HOST
And today why it's hard to raise money for real estate is because the headwinds in terms of interest rates and inflation, construction costs mean that that allocation towards real estate is reduced because they'd rather put it into other asset classes.

00:40:57:09 - 00:41:32:15
GUEST
Yeah, I, I mean, I think it's it's probably even deeper than that. I think, you know, more Machiavellian, real estate has been getting crushed because of the valuation shift, which means a lot of institutional investors, the euphemism is or is in the water, right? They're managing their asset, managing their existing investments. It takes time when you get, you know, a a have an impact to real estate values like we've had over the last, you know, a couple of years or really since the beginning of covet.

00:41:32:21 - 00:41:53:11
GUEST
It takes time to really understand the health of your portfolio. These are each individual asset is very different. And so institutional capital is looking at their assets under management and saying, right, where do we really sit? Where do we stand with regards to the health of our portfolio? What do we want to sell which we want to keep?

00:41:53:13 - 00:42:28:02
GUEST
And then once they understand where that is, then they can start rebalancing, starting to add and, and and I think that’s happening slowly because it’s still dynamic. We’re still, you know, the whole question of interest rates and are they up for longer or not. Is is still up for grabs. The influence of inflation on that. And therefore what is exit value of an asset you’ve got within each of these asset classes, like for instance, offices, you’ve got this whole question of how much of this impact is cyclical, I think quite little versus structural.

00:42:28:04 - 00:42:51:00
GUEST
I think quite a lot. Right. And so the structural impact of loss of demand for offices, what does that mean for your existing portfolio? What does that mean for assets that you want to buy? And so I think that’s what institutional investors are, are struggling with today. And, and because of that, because of a balance of what they’re managing in their own portfolios.

00:42:51:02 - 00:43:02:03
GUEST
And, you know, as they evolve to understand where they need to rebalance their capital and their allocations, that’s why money is slowly returning into this space.

00:43:02:05 - 00:43:13:18
HOST
Let’s go back to the load a piece, because I’m also keen to talk about C4 and why set that up? You did a short stint at load. Can you just talk about that role and why you took it, and then and then just take the story on from there?

00:43:13:18 - 00:43:39:16
GUEST
Yeah. I was a managing director at JP Morgan. They’re just an awesome firm. I can’t say enough about, how professional they are that, you know, I always use the analogy of, you know, if you’re sprinting down a field, imagine you’ve got 280,000 employees. I think back then it was like 240,000. But you’re sprinting down the field with the ball.

00:43:39:18 - 00:44:10:20
GUEST
You can pass it left or right. And no, even a blind pass, there’s somebody there to catch it. All right. And then you keep sprinting, right. Everybody is driven. Everybody’s incredibly intelligent. Everybody knows their role and they’re working towards their their their common objectives and their individual objectives. That’s a high performance organization. It’s why if you keep looking at JP Morgan stock under Jamie Diamond’s leadership, you know, they’ve just got really great people at the top of the house.

00:44:10:20 - 00:44:37:12
GUEST
And it filters all the way down to, you know, analysts and associate. So, you know, the JP Morgan experience was phenomenal. But I had already been bitten by the bug, you know, of, of of running a business and, and, and also, you know, as I reflect, as you get older, you start reflecting on what are the

elements of your career that you love the most?

00:44:37:14 - 00:45:08:05
GUEST
All right. For me, it’s the tangibility of delivering built development, high quality built developments. Making money is really important. You can do both. You can deliver high quality, beautiful developments and make money. And you know, I had the benefit of working for a a gentleman by the name of David Salim. It’s Salim group. And that guy, was so focused on development on on development quality.

00:45:08:07 - 00:45:29:04
GUEST
He, he was one of those, one of those people that. Would run the numbers on the back of an envelope and be within, you know, or 3% like he really he got it. He understood the numbers and he’d always say, okay, now, now go underwrite that. Let’s just make sure my numbers are right. But I think this makes sense.

00:45:29:06 - 00:46:01:09
GUEST
But but also working with best in class consultant teams, you know, engineers, architects, designers, landscape architects. You know that, you know, that’s a journey. When you’re developing, you own an asset, you own it for the entire time, right? When it’s built, you get to stand there and say, I was involved. You don’t see it. But there was a column right there, and we moved it and it made room for the dining room, which now sits eight instead of six.

00:46:01:11 - 00:46:26:21
GUEST
Right. You know, things like that’s an actual situation, but the that that matters a lot. And I think it hopefully it translates into kind of what we’re doing at Seaforth and the beautiful developments that we’re working on here. But but also, that passion. Yeah. It doesn’t get you can’t replace it with making money if you’re just doing real estate, private equity.

00:46:26:21 - 00:46:38:19
GUEST
I God bless all the my colleagues that are in the debt side of the business. They’re making lots of money right now. I’ve done the debt side of the business. I guess you’re making money, like. But for me.

00:46:38:19 - 00:46:40:21
HOST
You want something more, more purposeful.

00:46:40:22 - 00:47:03:12
GUEST
There’s something about the the legacy, the tangibility of, of delivering and contributing to the built environment that I think we all have a responsibility for, to do. And, and for me, I take that responsibility seriously. But it also the, the psychic, positive feedback from that, it’s irreplaceable.

00:47:03:14 - 00:47:09:18
HOST
So you were CEO of loader UK? Yeah. Can you just talk to me about that?

00:47:09:20 - 00:47:52:03
GUEST
Yeah, we bought one Grosvenor Square, and 48 Kerry Street. To two fantastic sites. One Grosvenor Square is, I think, today one of the best, you know, most luxurious residential developments in London. Amazing address. Quiet now. About to be across, directly opposite of Rosewood Hotel, which will be an

incredible six star hotel. Yeah. And, and then 48 Kerry Street, which is next to the Royal Courts of Justice, which was an old building that was, replaced with, new residential, the, the Loder experience.

00:47:52:05 - 00:48:19:11
GUEST
Was great. I mean, we hit the ground running, acquired or took an office, started hiring people. The there were two brothers, and there are two brothers in Loder. They had a disagreement on the direction of the business. And, and I kind of felt I was getting caught in the middle of it, and so decided to let the brothers resolve their differences, which they've now done.

00:48:19:13 - 00:48:51:10
GUEST
But, but, you know, at that time, I think it was pretty remarkable. People were like, okay, you moved to London, right? Yeah. You know, you're Canadian. You don't have a lot of experience in doing business in London. What makes you think you can be successful in London? I believe that our skill sets are fungible. And the advice that I give to young people today, if they want to work overseas and you've got a foundation of good, real estate knowledge, your skill sets are fungible.

00:48:51:10 - 00:49:14:02
GUEST
And I think that's really valuable advice. It's important advice. If you work with integrity and you have a really strong work ethic, if you hire great people and empower them, if you've got a commitment to planning your work and working your plan right, don't just wing it. It's that you can't wing it in this business.

00:49:14:02 - 00:49:40:12
GUEST
You've got to be in the weeds every single day. Right? That I think is, is a massive differentiator. There are a lot of people that are kind of coasting that are doing what they're doing, but but not on their toes and being ready to pivot, being ready to, you know, interrogate what they're doing. Challenge the status quo.

00:49:40:14 - 00:50:05:19
GUEST
Things that I think are second nature to us at Seaforth. And, and that's what I think gave me the, the confidence to say I think there's an opportunity here also, you know, I, I did a business plan. I looked at our competition, I saw the very few, if any of the operating partners out there were FCA regulated.

00:50:05:21 - 00:50:27:01
GUEST
I saw that most of them, most of the people that came out of that business were on the brokerage side of the business. It was more of a trading mentality as opposed to, you know, development. And, and, and fiduciary and investment management side of the business. And, and so I saw a niche that I thought we could, we could take advantage of.

00:50:27:05 - 00:50:45:21
HOST
So during that entrepreneurial time, entrepreneur journey for the second time led you to setting, C4 up with a, with a bank of experience across North America, Asia and lots of different guises. How did you set the business up, and what was the kind of business plan that you landed on, and what did you want to explore?

00:50:45:22 - 00:51:11:01
GUEST
It was a bootstrap culture. So really, it is a bootstrap culture, and I what I mean by that is, I think you can lean in and go take offices in Mayfair and say, I've got to look the part, and, and, you know, be that

because I’m x JP Morgan and spend a lot of money.

00:51:11:03 - 00:51:34:03
GUEST
But really, I think for most of our peers in the industry, the proof is in how you do it. Right. And so our first, the first, you know, when I started, it was out of my office at home. And I just started underwriting deals, started looking at the market, speaking to my network of investors, saying, look, here’s what I think.

00:51:34:03 - 00:51:56:10
GUEST
Here’s how I underwrite, you know, taking out floor plans, talking to architects, speaking with planners, doing everything that you need to do if you’re going to be an operating partner. But doing it on my own, I think people started to see, well, actually, you know, you are multi-disciplinary. You’ve got real estate finance. You understand the questions that we’re going to ask.

00:51:56:10 - 00:52:30:07
GUEST
You’ve got high quality underwriting memos, you’ve got feasibility analysis and pro forma and and you understand what’s moving the market. One of those early, partners was was Goodwin called gall Capital, who is not related, although it was my last name is Goodwin. His first name is Goodwin. And a lovely guy, and, and there was a building in Clerkenwell Green that I’d identified that, was, I think, just fantastic value.

00:52:30:09 - 00:52:49:23
GUEST
And, I reached out to him, said, hey, you know, I found I found something we’d looked at a couple of other things, that he was interested in, and he said, well, keep looking, we’ll find something. And sure enough, we did. And, I hired a couple of guys. Those two guys are still with me today.

00:52:50:00 - 00:53:22:15
GUEST
John Baker and Luigi Passata. And, we moved in to the ground floor of that building, into, you know, it’s a turn of the century Victorian kind of warehouse space, exposed brick. Quite cool the way we’d done it, but. But really not overspending. Lots of long nights. There were a few nights where literally, we worked overnight, like, no sleep, and, to, to grow the business and to, to get from there.

00:53:22:17 - 00:54:07:24
GUEST
We started expanding our, our network with investors and, and started to identify more opportunities in the market. Then Brexit happened and, and this is actually a really valuable lesson, that I took from my prior experience in the global financial crisis. So during the global financial crisis, I set up this business. I didn’t have the knowledge of institutional investors, you know, when when all hell broke loose, my my backer for 100 million, his commitment evaporated, and went like, you know, I think two of his banks were underwater, and he was in trouble.

00:54:08:01 - 00:54:31:00
GUEST
And so I’d had this capital commitments facility that didn’t materialize. And I didn’t go out and speak to other investors. I was I probably should have in hindsight, but I didn’t know those investors. All right. So when I gone back to JP Morgan, that was a gap in my knowledge that I was able to fill through the role that I had.

00:54:31:02 - 00:54:58:09
GUEST
And that when the club or when the, when Brexit happened, like, we all recognize it for what it was, which

was an own goal, in my opinion. It's probably going to just trouble for, for saying that. But but but also that it was going to scare, scare investors away, which it did. We immediately one of the things that Seaforth does, really proud of is our in-house research.

00:54:58:11 - 00:55:26:07
GUEST
We spend a lot of time analyzing the market. Our research has been published in a bunch of magazines and, and, and the ft. And I'm actually writing an article right now. But but the thing we, we put together, a piece of research called bracing for opportunity, we did in about three weeks. There was a lot of sleepless nights, then analyzing what was happening.

00:55:26:09 - 00:55:54:14
GUEST
And what was likely to play out, and where were the risks and where was the opportunity and the threats, because every investor was asking the same question, okay, what next? Now? Now that research helped to to convey, because actually we got that research out before any of our peers. Of course, the big houses were publishing research, but who's this little operating partner that's publishing research.

00:55:54:16 - 00:56:18:15
GUEST
And we were sending it to our, you know, clients that we're speaking with. And it again, helped to differentiate the thoughtfulness, the with which we approach the market, but also, one of the things we advised is that we shouldn't be investing right now. So here we're a new, new business. And, you know, you make money. You only make money when you're investing.

00:56:18:15 - 00:56:44:14
GUEST
Quote. And I'm telling investors don't invest. It's the same thing that we did following 2019, right? When it's like, okay, you know, I think on average prior to this, we were maybe bidding on 13 or 14, you know, real deals, I think through Covid we may have that on for I mean, just so selective on what we thought we could make money on.

00:56:44:16 - 00:57:05:01
GUEST
But but we actually said, look, this is not the time. This is what's going to happen next. There's going to be a decline. It's going to be a decline in transactions. This is where we think the focus of, should be, but not yet. And just watch and wait and we'll let you know. And people were like, how can you afford to do this?

00:57:05:01 - 00:57:21:15
GUEST
And it's like, well, how can I afford not to do this? We're building a business. But, you know, if you're building a legacy business and you're giving poor advice, that's going to come back to bite you in the ass. If you lean in and do stupid deals, people are going to look back and say, why did you do that deal?

00:57:21:15 - 00:57:46:03
GUEST
That was a stupid deal. And and so, you know, there's a difference between getting it wrong. Right. And that can happen. And and being foolish. Right. Just like because I need to get a deal done sort of mentality and, and we're not ever going to be that side of the equation. And really we've been we've been good at not getting it wrong either.

00:57:46:05 - 00:58:23:13
GUEST
But but it is because of our, our research based, approach. Every year around this time, we do a big ideas. It's a three, three month process where it's a deep dive on the market. And every year it reveals

massive insights that we’re like, oh, my God, I didn’t even think about that. It it’s what got us early on the importance of sustainability, identifying this green wave that was coming and and seeing it as for what it was an opportunity but also a threat.

00:58:23:15 - 00:58:54:20
GUEST
It’s how space house, our biggest asset. And Covent Garden, which was silent how we mid business plan moved it to promote standing right which is very hard to do. And in fact we were told, we were told because it had never been done before, a listed building being made into brand outstanding that it couldn’t be done. And we did it, we’re doing it, and and so I think the, you know, the, the, the big ideas research that we do is an important part of our business.

00:58:54:22 - 00:59:08:05
GUEST
And back in, back in 2016, post-Brexit, it’s really what differentiated us and helped us to build other relationships and build our, our a, to where it is today.

00:59:08:10 - 00:59:18:00
HOST
Can you just give me an overview of the assets quick one minute overview the assets in your portfolio. You’ve already touched on the space house, which is probably your kind of flagship or most or best best known. Yes.

00:59:18:00 - 00:59:50:02
GUEST
That. Yeah. I mean, we’re we’re total around, just about 600,000ft². Space house is 260,000ft² of net internal area. It's looking incredible. I mean, that will be London's only mid-century loft type offices, life style offices. And, just I'm so proud of it. It's it's honestly, everyone in the organization is so proud of it. Some people kind of look at and go, but how does it work?

00:59:50:02 - 01:00:14:04
GUEST
It's around building. It's 10,000 square foot floor plates in Covent Garden. Incredible views on an acre of land. It's I mean, there's just so much, and, and in this world where tenants need demand, employees need and demand interesting, experiential, highly amenities, locations with great connectivity. It's a it's a no brainer.

01:00:14:04 - 01:00:28:05
HOST
Yes. An amazing asset. I, I went around, the Kodak building which Claire Bell to develop, which is right next door, right next door. And it was great fun to go up and I could, I could see space out from a few different levels, but, I'll have to, I'll have to Nike for, for a visit.

01:00:28:09 - 01:00:30:02
HOST
And, when it, when it's open.

01:00:30:02 - 01:00:58:09
GUEST
My my pleasure. The other room. So bleeding her yard. Yeah. Bleeding her yard. Which, we, that's something that's been getting all sorts of awards and recognition. It's a 1971 building. All of our buildings are refurbished. I should state that, I mean, through that, I think we've preserved 17 million, kilograms of carbon.

01:00:58:11 - 01:01:03:06

GUEST
I might get might have got that wrong. So a fact check that for you. But.

01:01:03:09 - 01:01:05:08
HOST
A significant amount. A lot.

01:01:05:10 - 01:01:28:18
GUEST
And, but we're, that project is a 1971 brick building that, we infilled with mass timber on the top. And, well, before people were talking about the importance of mass timber as a, as an alternative building material, the carbon sequestering nature of it, but also as a Canadian, I grew up being surrounded with mass timber.

01:01:28:24 - 01:02:05:05
GUEST
And it's such a beautiful material. And, and as you're probably aware, Julius Baer of the movement, that building, there was a great interview that I did with the CEO of, Julius Baer UK. His name is David Der Locher. About why he chose that building. And I think the most, most important line there for me, is, that he looked at over 32 glass box buildings before realizing that he needed something different, something experimental, something special to earn the commute of their employees.

01:02:05:07 - 01:02:24:13
GUEST
And, and he's, I mean, he's another great example of a visionary leader in the industry that, you know, if you go visit their offices. Last time I was there, he was in the second floor, you know, at a stand up cube working with the the team, you know, at a stand up desk. The sky is different.

01:02:24:13 - 01:03:00:10
GUEST
And, and I think it's the direction that the industry is going. Agent, I should say tenants today, you know, this unfolds slowly, tenancies expire slowly. But we're starting to see you've seen two massive, tenants leave. Canary Wharf. We're seeing tenants leave the city to go to the West End. We're seeing the type of buildings that people choose as being far more experiential, unique, not glass box buildings.

01:03:00:10 - 01:03:29:11
GUEST
These glass box buildings are both terrible environmental footprint, but also are, you know, emblematic of a of a bygone time when, you know, you know, like when I started working in banking, I wanted to work on a trading floor that was like, cool, right now, you know, this next generation of talent. Today, 53% of all office based employment in London is Gen-Z and millennials.

01:03:29:16 - 01:04:04:12
GUEST
It's going to 68% in the next six years. And they don't want to work on a factory floor. They they want different. These are the same young people that are driving vintage clothing to, you know, in the next six years, surpass fast fashion is the size of the market. These are people that want cool and interesting and, and, you know, want to have a lower carbon footprint and want to work for organizations that have values and purpose and are also concerned about their role in the environment.

01:04:04:14 - 01:04:10:21
GUEST
This refurbishment of market a product is not just good for the environment, it's actually what tenants want.

01:04:10:23 - 01:04:31:12
HOST
Yeah, 100%. I was going to, I was going to ask, how does the wider industry, go about refitting and repurposing the kind of share quantum of real estate needed? Because surely that is a huge challenge. Yeah. And we probably don't have enough time to get into it. Well, here's.

01:04:31:13 - 01:04:51:23
GUEST
Here's what I would say. It's not, you know, I talked about the deterioration of structural demand. That the fact is there are a lot of buildings, B and C grade buildings that are sitting vacant today that are not going to get reoccupied.

01:04:52:00 - 01:04:53:05
HOST
In their current use.

01:04:53:07 - 01:05:22:11
GUEST
Yeah. Well, yeah. Exactly. Can they get adaptive reuse. That's going to be a planning decision. Right. And right now the problem I mean we have a housing crisis probably will a bit tangential, but we have a housing crisis. Rents last year 15% growth this year could be close to that. Again, we saw new leases that rental growth in Edinburgh, which is a rent control market, rise by 13% year to date.

01:05:22:13 - 01:05:48:09
GUEST
This is not year today. It last 12 months. There's a housing crisis and we're failing to deliver stock. And developers can't afford to deliver stock even at depressed pricing. The affordability requirement, which is obviously important as well. The developers are like they're just can't make the numbers work. And so no stock is getting built right now.

01:05:48:09 - 01:06:27:21
GUEST
And so we have a crisis. There is an opportunity with these office buildings, but it's going to take some really hard decisions by by the government to, to accept, and to, you know, there are some planners that still think that they need to preserve, the employment generating space. Now, employment space is important, but given the extreme level of vacancy that we're seeing, I mean, we're seeing zone one buildings doing zero rent, just pay rates and pay service charge in zone one.

01:06:27:23 - 01:06:53:08
GUEST
This is this is bloodshed. We're seeing lenders saying, I don't want to lend to offices anymore. If you're in A, B or C grade building, it's not clear whether you're going to have financing when it comes up. Right. And then you've got the the mess regulations, which to be clear, I am 100% supportive of. We need mess regulations.

01:06:53:10 - 01:07:21:06
GUEST
Our built environment is pumping out far too much carbon into the atmosphere. We need to make these buildings energy efficient. All right, so I'm not saying we should scrap the mess regulations apart from it. All right. The the the draft regulations are saying that buildings need to be EPC by 2027. All right. And potentially be by 2030. More than 50% of stock is not EPC or better right.

01:07:21:06 - 01:07:49:24
GUEST
Yeah. Or is not is EPC C or worse. If you think about B and C grade buildings, proportionately much

higher share is going to be falling on B and C grade buildings. So these landlords are losing tenants, can't find new tenants, have massively increased debt financing costs and potentially are getting phone calls from their lenders saying, look, we need a capital call.

01:07:49:24 - 01:08:18:13
GUEST
The new valuation has come in and you need to write a check for more equity, or we're out or we're just not lending to be great offices anymore or Brown offices anymore. And at the same time, they're expected to write checks for CapEx. This is this is a problem. And so we can either get ahead of it. I mean, when I say we I mean really it's the built environment, but it's also the, the, the planners.

01:08:18:15 - 01:08:43:12
GUEST
What I would say though, we are working with, with partners and, you know, we've got our real estate, Seaforth Solutions business, which is not us buying buildings with partners, but actually helping people that own real estate to reposition their buildings. So the Seaforth Solutions business is there for that. And the the fact is some of these can be saved.

01:08:43:14 - 01:09:10:04
GUEST
Some of these buildings can be turned around. And some cannot. And that's hard advice to give. Right. We we will partner with people. We can bring in fresh capital, and, and put capital into these buildings that we believe in. It's really tough when you have to tell somebody that actually this is no longer highest and best use.

01:09:10:04 - 01:09:37:09
GUEST
And if you could pursue a, an alternative use, that might be a better route. The challenge right now, though, is in a lot of these boroughs, they're still like, you know, preserving office space is sacrosanct. And, and that, that unfortunately is, you know, because they're trying to preserve the rate space. I think the rate space is, is is not coming back to to where it was before.

01:09:37:11 - 01:09:51:12
HOST
Oh, I've got so many more questions for you. And I think we could spend so much more time on C4. Maybe round to the podcast in the future. A question as we draw to a close that I asked everyone on the podcast, is if I gave you 500 million pounds worth of capital, who are the people?

01:09:51:12 - 01:09:55:09
HOST
What property? In which place would you look to deploy that capital?

01:09:55:11 - 01:09:58:02
GUEST
Yeah, you can just write us a check.

01:09:58:04 - 01:10:01:02
HOST
But if you. But outside of that.

01:10:01:08 - 01:10:40:16
GUEST
No, I'm being facetious. Of course. Look, 500 million pounds today. It's tough to put money to work. All right? It's tough to put money to work. I would I, I do believe that, that buying the right buildings, in the right locations and repositioning them is still a really smart business. I think exit cap rates, if you look at

the pool of institutional capital, it's massive.

01:10:40:18 - 01:11:14:05
GUEST
If you think about the pool of institutional quality real estate, core real estate, it has shrunk considerably. So that's a lot more capital investing in a much smaller pond. All right. Notwithstanding what's happening today, I think inevitably when when liquidity returns to the market, there'll be a new understanding of what qualifies as core. If you can make that or be that, you're going to win.

01:11:14:07 - 01:11:41:22
GUEST
All right. That but also if you think about the lack of really great experiential office buildings out there today, if you can be that and create that, you're also going to win, you're going to be the market, you're going to be the price maker as opposed to the price taker. So I think that's really smart strategy. I do think residential when policy gets it right.

01:11:41:24 - 01:12:04:23
GUEST
Unfortunately, right now it's almost like there's a, there's a it's almost like the biggest developers of residential are on strike because the math just isn't making sense. And, but but I do think, I put some of that money into residential, just into a strategy. Just you got to try to figure out what the strategy is.

01:12:05:00 - 01:12:12:23
GUEST
Because, if not for anything else, to help abate the crisis that's evolving right now in housing.

01:12:13:00 - 01:12:28:21
HOST
Well, Tyler, you've you've had a fascinating background career and, excited to see what you and the CFL team go on to do, how you navigate the interesting market opportunity that lies ahead. And, yeah, keen to go and check out space House when you've picked up.

01:12:28:23 - 01:12:29:12
GUEST
Thanks, Matt.

01:12:29:16 - 01:12:33:18
HOST
Not at all. Well, look, all the best. And, Yeah, excited to see what you guys do.