00:00:00:04 - 00:00:30:22
HOST
Welcome to the People Property Place podcast. I'm absolutely delighted to welcome, Tobias Evans, founding partner and chief investment officer of Blue Noble LLP. Blue noble was founded in 2017 by a team of experienced real estate professionals from HSBC Alternative Investments. During their tenure with HSBC, the team transacted in and managed over $5 billion of real estate assets across the US, Europe and Asia.

00:00:30:24 - 00:01:04:09
HOST
Blue noble offers specialist real estate investment management through club deals, segregated accounts and funds on a global basis. Toby's role here is focus on developing bespoke investment opportunities, strategic business development, managing existing client relations and sourcing new capital. Toby started his career at Knight Frank, having graduated from both the University of Bristol, having studied Mechanical Engineering and Cass Business School, where he picked up his Ma in property Valuation and Law.

00:01:04:13 - 00:01:06:01
HOST
Toby, welcome to the podcast.

00:01:06:02 - 00:01:07:09
GUEST
Thank you very much. Good to be here.

00:01:07:10 - 00:01:24:13
HOST
Not at all. Well, look, I'm. You've got a fascinating background and career, and I'm really excited to get into the weeds of setting up Blue Noble. That the challenges, but also, the good, the good parts. That a place that we always like to start these conversations is how you got into real estate and why real estate?

00:01:24:14 - 00:01:44:00
GUEST
Yeah, sure. So, I've always loved architecture, design, art. I did kind of art, maths and physics for kind of A-level. And I wasn't quite sure what I wanted to do. So from kind of 16, I basically every summer I did work experience. So I spent time in advertising at Saatchi and Saatchi Architects with Gensler.

00:01:44:02 - 00:02:02:02
GUEST
And my, my father actually works in real estate, and that kind of put me off. And initially I was kind of like, I want to follow my own footsteps and make my own path. But actually, I realized that he had a great time doing doing real estate, doing property. Great bunch of mates, kind of. They all did kind of fairly well, but really enjoyed what they did.

00:02:02:04 - 00:02:18:03
GUEST
But still wasn't quite sure what I wanted to do when I kind of got post A-levels, other than potentially be an artist, but, but my best mate, was an artist, and he was absolutely fantastic at school, and I was realizing that there was someone at school slightly better than I was then. In the real world, it might be might be tricky.

00:02:18:03 - 00:02:37:05
GUEST
So I spoke to kind of career counselors and various things, at school, and they said, look, actually, if you don't want to kind of be pigeonholed into one area, kind of if you did architecture kind of, you're probably

on a path to be an architect. Actually engineering really, really respected kind of degree. You can go into engineering, but you can do finance.

00:02:37:05 - 00:03:07:19
GUEST
It’s a really good kind of base, degree. And so that’s kind of why I kind of followed that, that path. Being honest with you, I didn’t enjoy engineering particularly kind of deriving pages about equations from first principles or four pages was was not what I kind of necessarily found particularly fun, but I really enjoyed was kind of the problem solving element of that kind of how can we use kind of information that we’ve got, but also kind of bits that we’re missing to kind of come up and solve a problem.

00:03:07:19 - 00:03:27:00
GUEST
Ultimately, whether that’s solving a kind of an equation or, or a kind of problem. And so I think the training of kind of mindset was really, really I look back kind of going actually just instilled into you kind of that, that approach. And so I was meant to do a master’s in it, which was a four year course, but because very quickly I realized I didn’t really want to be an engineer either.

00:03:27:02 - 00:03:48:02
GUEST
I, I looked up kind of, conversion, courses, into, into real estate. My pride at that in kind of taking a back seat when actually the really say, well, there’s so many different areas within it that I don’t have to follow the exact area that my, my old man was in. So, yeah, I kind of went to kind of castleford’s in school now, Baz, I think there’s a school under the years course there.

00:03:48:04 - 00:04:08:10
GUEST
And then ultimately kind of, did they did the interview rounds of the of the kind of big, real estate advisory firms, and really like, like Frank’s approach, being honest. I like that it was a partnership. So potentially could be working with someone who heads up the team who actually is kind of an equity partner in the business and therefore get that insight of kind of the direction that they’re taking.

00:04:08:10 - 00:04:26:20
GUEST
Actually, a lot of them are very good at opening up about that. And I also like just that they kind of I get gets more detail of it. So they had four rotations over a two year program. Some companies did two, some did six. And I think two, I felt you could get stuck in one that potentially if you didn’t enjoy it, you were there for a whole year.

00:04:26:22 - 00:04:48:12
GUEST
Six probably you’re if you’re in and out in kind of four months, you maybe don’t really get a great grasp of, of it. But, six month rotations kind of felt kind of fair and right. So yeah, that kind of got a job offer, which was, was great. And join them. So, I started off a city agency, which is great, great fun to be back on it.

00:04:48:12 - 00:05:11:02
GUEST
It was 2006, so the market was really soaring kind of lots of kind of launches and networking events. And and actually in that area you’re given kind of fairly small instructions pretty much day one to manage. So it might be 1000 square foot kind of some vacant space somewhere. And organize the kind of the marketing for it, the kind of the kind of small brochure particulars.

00:05:11:04 - 00:05:28:17
GUEST
And, and kind of whether you’re going to do a launch subject to the owners kind of approval to kind of get

other agents around that space. So that was really good fun. I think the only thing I slightly struggled with was the city office, and I was very small, it was basically just kind of covert, whereas the head office was over in the West End.

00:05:28:19 - 00:05:50:24
GUEST
So all the undergraduates I joined with were based in the West End. And so I was kind of the only graduate in the city. So kind of that meant I networked with a lot of other graduates from other businesses. But to kind of go back to the Knight Frank, their quarters in Hanover Square at the time kind of, I definitely felt like I'm slightly missed out for that first six months on kind of the the networking internally.

00:05:51:01 - 00:06:11:04
GUEST
And then I got lucky enough to move over to a West End, investment, which I absolutely loved. I think the city side of it. Actually, again, in hindsight, you look back, there were a few bits which I loved the social bit, a few bits which I didn't enjoy so much. I doing a ring round every Friday to kind of to all the other agents going, well, what's that?

00:06:11:04 - 00:06:27:23
GUEST
What's still available? How much rent free did you get? So I could kind of present that to all the partners on the Monday morning meeting about kind of transactional stuff. But actually, in truth, it was the fastest way to get up to speed with the market. If actually, I hadn't done that, then you'd be sitting there kind of just trying to absorb from other people.

00:06:27:23 - 00:06:50:17
GUEST
So it was a very kind of proactive way, which probably I didn't necessarily realize was kind of being instilled into me at the time. But the Western investment side and the investment market I really, really enjoyed because it was taking kind of some of that leasing information. But ultimately, ultimately, trying to apply it to, to, to assets and value and kind of how can you drive value in performance?

00:06:50:19 - 00:07:10:02
GUEST
And I was lucky enough to work with a really, really good strong team, people with different skill sets. So I had a fantastic lady mentor there, who did this slightly more, I would say complex kind of head lease Regus buying in kind of shorter had leases for the Crown Estate particularly. And actually that was really, really interesting.

00:07:10:02 - 00:07:19:24
GUEST
Kind of used to be called marriage value. Now it's called synergistic. Synergistic value. That how actually two interests kind of put together can potentially be worth more than the them in their separate parts.

00:07:20:01 - 00:07:22:14
HOST
Learning it outside of a monopoly board. Correct.

00:07:22:14 - 00:07:46:09
GUEST
Exactly, exactly. No. Monopoly was my favorite game as a child. So, yeah. So that was that was really, really enjoyable. And I was lucky enough, actually, to be offered a full time seat, partway through that to kind of stay, stay in that, in that team. But a friend of mine who was a graduate, like Frank, said, oh, I'm popping over to meet HR about a role abroad for six months.

00:07:46:11 - 00:08:01:13
GUEST
I said, oh, that sounds very interesting, actually. I'll join you if you don't mind. And so we sat there and, they both said, look, do you speak any languages? Unfortunately I don't, so that kind of put the power's off. It's off the cards in the Madrid office. Off the cards where you have to speak the language.

00:08:01:15 - 00:08:22:15
GUEST
But they said, actually, we have an opportunity, in Moscow. Where they didn't necessarily expect someone to speak Russian. And we kind of slightly negotiated and said, like, is there any possibility you could send two of us rather than one? And at the time, this was kind of early 2007, so we hadn't quite got into the kind of GFC yet.

00:08:22:17 - 00:08:41:00
GUEST
They said, yeah, actually that's sounds kind of a great. So we got sent out for a recce weekend just about survive that came back. And then literally within three weeks I was on a plane with three bags packed to, to live in Moscow for six months over, over winter. So that was really, really, eye opening.

00:08:41:03 - 00:08:44:07
HOST
I can imagine if you if you felt isolated in the city market.

00:08:44:13 - 00:09:01:18
GUEST
Yeah, yeah. I think the fortunate thing is I had this really great mate who actually we happen to be at Bristol together and then at Cass Business School, and then joined, like, right together. So actually we shared an apartment. So although kind of we were the two young graduates from the UK kind of in the, in the Russian kind of office actually.

00:09:01:18 - 00:09:27:18
GUEST
You had someone who you could kind of compare notes with a lot. And I was put in a real with strategic consultancy, which is basically kind of running development appraisals, actually using a lot of data to kind of ultimately advise developers whether kind of what they thought might work in a location actually actually did. So doing kind of demographics, looking at kind of population growth, income growth to work out, and then ultimately, what's best used.

00:09:27:18 - 00:09:46:10
GUEST
Do you build an office building that you build residential? Could you build a shopping center? What what would they ultimately extract the most value? And so I was flown around kind of Russia, to go and look at these sites often with a translator. I had to do a few presentations to boards of directors, which they didn't speak any English.

00:09:46:10 - 00:10:12:03
GUEST
I didn't speak Russian still. So I would do my PowerPoint presentation, in English. It would get translated into Russian. I'd stand there, speak a few lines with slide that I couldn't understand anymore because it was all Russian. The translator would speak a lot of people, kind of a lot of kind of people looking at me, but not really understanding whether they kind of were kind of interested, happy, kind of not wait for the, wait for the questions to come and then be translated.

00:10:12:03 - 00:10:31:11

GUEST
Before I knew if it was I done an okay job or not. But, it really accelerated, kind of, I guess, responsibility, but also kind of, the, the chance to kind of front a few things. So, when I came back to the kind of West End kind of team, by that stage, it would be.

00:10:31:13 - 00:10:55:05
GUEST
Yeah, kind of early 2008. Actually, I felt like I'd really kind of progressed in a pretty short period of time. So then then stayed on the Western team, did my APC became chartered, surveyor. And kind of spent the rest of my time at Knight Frank, kind of in the central London kind of, investment market, which is said really, really love, love the people love the market.

00:10:55:05 - 00:11:12:01
GUEST
I kind of could walk around my patch, every, everywhere I walk, I can try and take a slightly different route back so I could walk down, discover new streets and buy it by the end of or suddenly kind of a few years and you really knew kind of rents per street, kind of what yields were, which buildings were owned by different people.

00:11:12:03 - 00:11:30:12
GUEST
And, and advised kind of, various kind of institutions, pension funds. But what I really enjoyed actually was starting to spend a little time with the kind of the land of the state. So cool, but kind of to the Crown Estate doing a lot of stuff for them. And then we had a, one, a pitch to advise Grosvenor on their central London office portfolio.

00:11:30:14 - 00:11:50:11
GUEST
And I love that actually, because it was rather than dealing kind of asset by assets where you kind of look at it, look at a building go, right, how can we improve just this building? What is our business plan? How can we do underwriting, maybe buy it for a it, but ultimately hand it over to them and not really see if your assumptions had made made sense or translated through?

00:11:50:15 - 00:12:12:09
GUEST
Did they achieve the rent that we thought we were going to do? Was a refurbishment the same cost that we assumed was a void or letting period or rent free? The same. You kind of lost sight of that because you're straight onto the next deal and actually being able to advise more strategically, and help kind of Grosvenor at the time, look at their office portfolio, where should they be putting kind of money into kind of buying.

00:12:12:09 - 00:12:34:14
GUEST
And some of these had leases potentially to take kind of more control and develop where maybe it made strategic sense to kind of sell buildings off on long leases, potentially. That was really, really fascinating. And seeing how people can take a bit of a longer term view of the real estate, particularly if you get kind of up money back, kind of, in bend funds, there's often a kind of five year kind of cycle of an asset.

00:12:34:14 - 00:12:51:11
GUEST
You buy it, you try and improve it. And then potentially it's kind of exited. Whereas these estates you were running 30, 40 year cash flows, in some instances, they can take a really long term view, kind of work up a block date that's kind of seven, eight years away, rather than having to kind of, drive value in the, in the very short term.

00:12:51:13 - 00:13:09:24
GUEST
And I really like that. Actually, if they were doing a whole bunch of public realm work on a street, actually it makes sense to buy in some buildings before you do all that work and add value to that to those by doing the public realm, rather than do all of those works, increase the value of other people's buildings and then start to buy them in.

00:13:09:24 - 00:13:13:02
GUEST
So that was really, really interesting.

00:13:13:04 - 00:13:29:01
HOST
You know, you a couple of things in there that people might not understand usual two things is, one thing is blocked it and then the other is like buy and head leases. Yeah. So can you just explain, like what means of why, why they might look to buy and held leases and why maybe it was easier or is.

00:13:29:06 - 00:13:30:06
HOST
Yeah relatively straightforward.

00:13:30:06 - 00:13:52:14
GUEST
Yeah. So I guess in the UK you kind of you have freehold, which effectively means that you own when you buy the building, you own the land you own. There is a sky above it to kind of, down and you own that forever into perpetuity, as it's called. You can also have, what's called a kind of a head lease or a long, long lease, which is basically someone that's kind of maintains and owns the freehold.

00:13:52:15 - 00:14:12:19
GUEST
So you don't own that, but they give you a lease often you might have a lease of an apartment for 12 months or kind of if you're an office tenant, they might sign a ten year lease. These are typically 125 years, sometimes 250 every now and again, 999 years. The 250 and the 999 are often called virtual freeholds because they're so long.

00:14:12:21 - 00:14:30:01
GUEST
But a lot of the kind of the reason that these estates are so valuable still is they've owned the freehold, and they probably sold the same building on a long leasehold, maybe 2 or 3 times now. And effective. That means I will grant you at least for 125 years. Normally, you can do broadly what you want with it.

00:14:30:01 - 00:14:58:12
GUEST
There will often be some restrictions, so it might be that you can redevelop it, but subject to coming and asking the freeholder kind of permission to develop what you want to. So actually the freehold is still retains quite a lot of control. But effectively you, you own it for 125 years now, you might have that on on this again might bore people in terms of detail, but it might be on a peppercorn lease, which effectively means historically you would go and give a single peppercorn to the freeholder each year to kind of as rent.

00:14:58:14 - 00:15:17:11
GUEST
There was a building on some James's, which I think in the head lease it was a single white rose that in theory had to be given from the leaseholder to the freeholder each year. But effectively you anything you rent that building on, you keep entirely. You can also have what's called gearing on rents. So I will grant

you 125 year lease, but it might be on a 10% gearing.

00:15:17:11 - 00:15:38:16
GUEST
So you as long leaseholder receive the income, you keep 90% of it. But actually you have to get past 10% back to the freeholder every year. Some a five year, 5%, some a ten, some a bit higher. But in fact, it means in 125 years time, if you haven't agreed, an extension with the freehold that you felt would give the keys back, you don't own that anymore.

00:15:38:18 - 00:16:04:05
GUEST
And the freeholder can then do what they want with it. So, often value the difference, particularly the good market, strong markets. The difference between a 125 year lease in the freehold is quite narrow. That might be a small differential in price, slightly cheaper for a leasehold, but not that much in more challenging markets. It obviously often kind of spreads a bit, but what happens is those had leases as they were reducing the lease length.

00:16:04:08 - 00:16:30:10
GUEST
So let's say you have only 60 years left on the lease rather than the hundred and 25 years. Suddenly that does have quite a big impact on value, because a bank's probably unlikely to lend you so much money against that leasehold interest because it's in a right erosion. And so it's it's an area where actually, let's say a freehold building is worth 100, the freehold interest with 60 years left where your seat in terms of the income.

00:16:30:10 - 00:16:50:04
GUEST
But in 60 years time, you get that entire building back might be worth 20, let's say. And the, the head lease, which is 60 years left in that instance, is worth 60. So you are the kind of freehold value of 20 plus the head lease of 60. That's 80. But actually if you combine those back together you it's worth 100.

00:16:50:04 - 00:17:12:04
GUEST
So that 20 differential it's called marriage value or synergistic value. So there was often examples where we could go and buy that had lease back from the, the long lease holder for the 60 and either literally the next day grant a new hundred and 25 year lease and sell it. Now it does reduce. And this is where again, my book review.

00:17:12:04 - 00:17:29:20
GUEST
It's getting a bit technical, but I love the value creation in a numbers is if the freehold are, then sell 105 for that freehold interest value actually will drop because they've effectively given away something for 125 years and they're not going to get it back for that time. But you obviously you've sold it, so you get a lot of value back.

00:17:29:22 - 00:17:43:22
HOST
Because you get some money because of that recycle. And so these estates, because the vast holdings rent actually to kind of maintain them. Correct. Selling off, some particular assets on a long leasehold basis gives them capital to kind of.

00:17:43:24 - 00:17:46:05
GUEST
Reinvest into other into other areas, but.

00:17:46:05 - 00:17:50:16
HOST
Ultimately retain control of the wider estate for the future. They get it back.

00:17:50:16 - 00:18:08:20
GUEST
And so there was a deal, in, in kind of Mayfair, where actually it wasn't in the kind of Grosvenor core office kind of location, but it it kind of was quite close to Park Lane. And it had offshore had leased the building was vacant. It had a restrictive covenants. So it could only be used as offices.

00:18:08:22 - 00:18:32:02
GUEST
But actually we bought in that lease for not a huge amount. Literally. Right. And you had leased which said it could be used for residential and sold it within three months. And I think kind of the they made kind of 10 million in profit in literally three months by doing nothing to the building, just changing the use class, or of that building and selling it to someone who basically developed it as a kind of rosy, rosy place.

00:18:32:02 - 00:18:42:16
GUEST
So there was a lot of ways to extract value, by actually not even having to do a huge amount. And then exactly as you say, you could then recycle that capital into, into strategies or buildings, which you did want to kind of do.

00:18:42:20 - 00:18:46:20
HOST
Yeah. And you mentioned block dates and I guess, you know, just that means. Yeah.

00:18:46:20 - 00:19:04:05
GUEST
So there's a block. There is actually let's say you have a building where it's, it's it's potentially it's a bit tired. The rents therefore are quite low. It might be that you actually want to get your hands on that building, because actually, if you spend a bit of money, you can really drive the rents on.

00:19:04:05 - 00:19:25:16
GUEST
So there was examples of buildings where on Grosvenor Street where they were kind of old, tired, let for 30, 40 pounds a square foot. This is kind of showing my, my age and er but and if you refurbish that and relit it, it could get 100. Now it's probably 150 back, kind of 100 at a time. And so actually you wanted to kind of be able to do that.

00:19:25:18 - 00:19:41:04
GUEST
But potentially not on just a unit by unit or floor by floor basis, because actually you want to do a whole bunch of work to the kind of the right common parts and the arrival experience and the works and all those bits. So it makes sense not to do it kind of a floor by floor. It makes sense to do it all in one go.

00:19:41:05 - 00:19:57:15
GUEST
And potentially you might be able you might go. We'll also going to add that square footage. So we'll get do a couple of kind of a loft extension or kind of add a few floors on the on the top, maybe some space at the back, move around the core. So I kind of where the lift and WC are and stairs are.

00:19:57:15 - 00:20:15:13
GUEST
So that's quite intrusive work. And so it's very difficult to do that with occupiers in situ. So you might kind

of say actually we’ve got some tenants who have a lease expiry in a couple of years time, some in three years time. So let’s pick a date. Generally kind of the latter. The latter, and go. Right.

00:20:15:13 - 00:20:30:22
GUEST
That is the date we were targeting to get vacant possession of the building so we can do our work if we can bring that forward. Fantastic. So you go and have a conversation with all the occupiers and say, look, I kind of is there any chance that actually you would be willing to leave early? Kind of for whatever reason.

00:20:31:02 - 00:20:44:03
GUEST
And sometimes you can move that, that forward, so you can get hold of the building earlier and try and drop that value. But if not, kind of, you know, that you can definitely get occupation by that kind of final estate. So you typically target what’s called a block date.

00:20:44:05 - 00:20:56:07
HOST
And so for you it was great. Rather than looking at a single asset, you could look at an estate. You’ve got a few more levers to kind of push and pull to create value. There was a little bit more strategic. And you enjoyed that part of. Yeah, really evolution of the role.

00:20:56:07 - 00:21:07:23
GUEST
Yeah, I really, really enjoyed it actually. I ended up doing two days a week congressional offices, to be really close to the investment team. I think you had Claire door who was here? She was there at the time at, at greater, which was fantastic working with her.

00:21:08:01 - 00:21:09:23
HOST
Paul O’Grady.

00:21:10:00 - 00:21:13:10
GUEST
I’m not sure of Paul O’Grady, actually, I dealt with okay some time.

00:21:13:10 - 00:21:15:17
HOST
Yeah, he’s been there for 17 years, so I’m sure you would have crossed.

00:21:15:18 - 00:21:37:17
GUEST
We probably did, but. Yeah, I worked with him. A guy called Tim Reid and Claire, who were kind of the investment function. And then then and they changed their kind of way of working, kind of sometimes they had kind of location teams and they went kind of sector teams. I think they’ve gone back to location teams. But it’s really interesting kind of speaking to that for the head of asset management, Belgravia, about kind of which buildings they might want to build by and if they could.

00:21:37:23 - 00:21:57:22
GUEST
And so we go kind of targeting kind of right. Who owns those and what can we do. So that was really interesting. So that whole kind of strategic longer term approach, and I think I kind of had a had a kind of, looked at, looked at the market and realized actually, particularly the West End, more and more money was coming in from private capital.

00:21:57:24 - 00:22:16:01
GUEST
It used to be that potentially you could have a very good relationship with a handful of kind of pension funds, and they would probably buy and sell assets every five years within the London market. And actually, if you were that trusted advisor, that was a great way to go. But more and more of this private capital was coming in buying assets, which were probably not going to get sold again.

00:22:16:03 - 00:22:44:22
GUEST
And I saw in my seven years one asset, particularly in Soho, concentrates three times. And I kind of thought, do I want to just work within this market my entire career? Kind of. I love Knight Frank as a business, and I really loved West Ham, but or actually, could I think about doing something a bit different? And I was very fortunate, actually, that I got approached in the end by HSBC private Bank to, to help grow that kind of private client real estate.

00:22:44:24 - 00:23:10:22
GUEST
Team. And I think a lot of it probably was because of my time with the Crown and Grosvenor looking kind of strategically, about coming on to kind of advising the high net worth clients, which, again, is typically on a kind of longer term strategic, asset allocation. And so, yeah, I joined joint, HSBC very lucky to work down on St James’s Street and a beautiful kind of building there.

00:23:10:24 - 00:23:29:20
GUEST
And that was, yeah, really kind of fascinating time to kind of go, I guess, from advisory to kind of more from a walk up sector principle side, although I still have other clients. Ultimately, though, I have to raise money for them in terms of the market perception, kind of where we were the money in there for kind of had requirements, and therefore we’re looking to kind of deploy capital.

00:23:29:22 - 00:23:47:12
HOST
The every day individual has an HSBC current account savings account and you know, that’s just HSBC just do retail banking for them. So it’s obviously a massive global conglomerate. And it’s got lots of different divisions and departments. Correct. Yeah. Where exactly did you sit in a where did you fit into the equation of HSBC.

00:23:47:13 - 00:24:08:13
GUEST
Sure. So very good question. So I joined at the time HSBC private Bank. And the team is called HSBC Alternative Investments Limited so shortened to hail which effectively covered private equity hedge funds and real estate. And I sat on the reset team and we were tasked effectively with coming up with really interesting kind of opportunities. But in real estate opportunities for high net worth clients of the bank.

00:24:08:14 - 00:24:16:09
GUEST
So this wasn’t your necessarily your your typical retail like unfortunately. Well like myself at the moment. But I don’t know how well you guys are doing it.

00:24:16:09 - 00:24:18:20
HOST
Yeah, that’s very much a reach out to retail.

00:24:18:20 - 00:24:37:01
GUEST
It was more kind of professional than investors effectively. So you had to be of certain wealth, a certain

kind of, experience in investing to kind of have access to what we did. But we effectively did that in kind of three different ways. We did raise money for third party managers. I'll come on two minute. We did what we call club deals.

00:24:37:03 - 00:24:58:01
GUEST
And we did called segregated accounts. So the funds effectively, we were tasked with, review in kind of lots of third party managers, their strategies, their abilities at any one time, were they capital raising and whether we thought actually their thesis kind of was interesting and that we would potentially want to put money, money into that.

00:24:58:01 - 00:25:20:02
GUEST
So as you did, quite a lot of, we did two big capture rates with Blackstone. So we did, Brett eight, which that kind of opportunistic global funds, we raised about 300 million, a dollars of private capital all the way from investors putting 250,000 up to kind of multiple millions. I think they raised 15.8 billion for that fund.

00:25:20:02 - 00:25:49:09
GUEST
So the numbers are extraordinary. And our value I really was, kind of access as much as kind of picking that. They had a phenomenal track record in terms of average. I think 17% are off since kind of they they kind of inception. So, really, really good at what they did. They would never have accepted a private client saying I could I put a few hundred thousand to their fund, but we could aggregate those, those private clients and get them access to Blackstone's fund, that they wouldn't normally be able to do.

00:25:49:11 - 00:26:10:24
GUEST
And Blackstone talk to us ultimately, because actually they were saying the kind of private wealth world and how could they get access to some of that rather than just kind of the institutional capital, the kind of pension funds which clearly are they have a very, very good relationship with. So actually it was a win win. And so that was really fascinating actually touring with some of them around kind of the HPC, mainly European offices.

00:26:10:24 - 00:26:35:04
GUEST
I did speaking to relationship managers, investment houses, but also kind of clients about that strategy and why we kind of thought as HPC was really interesting. We also did capture rates on on their breads three, which is kind of that debt fund strategy, and raised another close to 300 million for that. And then we did a capture rate, KKR who had actually did their first European, real estate fund.

00:26:35:06 - 00:26:56:00
GUEST
And so again, toured with them. So that was kind of interesting. But ultimately we were giving money to someone else to invest. And I like to kind of actually kind of being a bit more hands on. So kind of takes onto our Club Deal program, which I thought was where we would identify a single asset or a portfolio of assets, typically two, three, 400 million in size.

00:26:56:02 - 00:27:18:01
GUEST
And and mainly at the time it was, a strong income component. So investors really wanted that quarterly income distribution. But with the ability to add value through active asset management. So we had assets in two office buildings in New York to, in Washington, a central London office building, a student accommodation portfolio in the UK that we did a shopping center in Dublin.

00:27:18:03 - 00:27:37:13

GUEST
And so investors liked it because they could we ultimately would present them with the opportunity our thoughts are underwriting. We thought I'd make it out today. Opt in or opt out. Say yes. I want to have actually an element of, of ownership in a New York office building. But actually, I don't want to have, ownership in, in a shopping center, for instance.

00:27:37:15 - 00:27:55:23
GUEST
And that was a really nice way of particularly the relationship managers looking at, kind of asset allocation for those clients and giving them kind of selection rather than putting money into a blind pool, which effectively is the kind of funds where you don't you're ultimately entrusting the manager to invest it, but you don't know what's actually in that or where it's going to go.

00:27:56:00 - 00:28:15:20
GUEST
This will have the kind of visibility, and for a lot of our clients, typically that was a $5 million minimum rather than 250 for the fund. So slightly larger clients, and that work rate, that was a really, really popular, investment kind of offering for, for us and for ultimately clients. And the relationship is really, really like that.

00:28:15:22 - 00:28:40:16
GUEST
And then the third thing we did is for a very select number of clients, and this was ultimately incredibly large family offices, very, very wealthy individuals who want to dedicate $100 million plus to real estate. We would buy individual assets, and ultimately help them create a kind of a bespoke real estate portfolio where they probably would allocate some funds to a club deal program, maybe even the fund program, but they may have an element where they go.

00:28:40:16 - 00:29:07:00
GUEST
Actually, we're starting to think about trusts, for the next generation kind of, estate planning, actually, we want to own some assets 100%, which we will own for the long term. And those are typically very long term secure income deals. So my first deal, when I joined HBC, was I bought OPEC's headquarters in Vienna, for a private client, 25 years later, OPEC index linked.

00:29:07:02 - 00:29:26:20
GUEST
Kind of really nice income distribution ultimately, very kind of strong also actually OPEC that the it was a slightly quirky lease but OPEC ultimately the lease was actually underwritten by the Austrian government. So it was effectively kind of a government bond. And you got an arbitrage between what you would have got for that. And actually the, the yield that we were getting on the asset.

00:29:26:20 - 00:29:47:21
GUEST
So really nice. I bought Scottish Widows, headquartered in Edinburgh. Standard life cycle. What's up in Edinburgh? Iris's kind of control center quite recently. So typically these are very long term secure income deals ideally with indexation or kind of fixed uplifts. The world of kind of open market rent reviews, it's, it's is an art rather than science, as everyone always says.

00:29:47:21 - 00:29:58:24
GUEST
And you can get lucky or unlucky when the, when that kind of, event comes up. So to kind of guarantee some element of performance typically having kind of indexation, is, is a nice way to go.

00:29:59:01 - 00:30:21:06

HOST
I guess. You said you start with into the real estate part. HSBC had offerings I guess into fixed income. Correct. So hedge funds, private lots of other. And you know, you talk about asset class allocation. I guess that's asset class allocation within office retail student accommodation. But also wider broader asset class allocation in the sense of yeah into fixed income or equity.

00:30:21:08 - 00:30:45:01
GUEST
Exactly. And so we would kind of we'd have a very close relationship with our kind of ultimately the private clients kind of relationship managers. And they always had what was called investment counselors as well. Who would kind of look at that, that clients kind of wealth and portfolio and ultimately make kind of recommendations about how much should they have in in kind of equities versus kind of gilts and bonds versus kind of alternatives.

00:30:45:03 - 00:31:10:10
GUEST
And, and then within that alternative space as. Yeah, exactly. Say it's not just real estate. It's kind of hedge funds, private equity. And then even within the real estate, it's different sectors, different geographies. So you can kind of get diversification quite, quite quickly. But that was really good. Spending time seeing how these investors kind of the private clouds, some of them, how they made their money, but also then how they think about kind of life going forward and where they want to allocate allocate funds.

00:31:10:13 - 00:31:24:19
HOST
Was there a kind of a theme that you would kind of identify in the the wealth of these individuals? Was it, you know, they'd built an exit businesses family generational capsule. It's it's made within equities or it's made within real estate or.

00:31:24:21 - 00:31:44:20
GUEST
It, it was a it was a real mixture. Being honest, I think a lot of our kind of wealth, when I first joined was very much Middle Eastern and that was a lot of oil, and then some self-made kind of billionaires, ultimately from kind of tech. I think as, yeah, I was a HVC for, for years.

00:31:44:20 - 00:32:07:05
GUEST
And actually over that period of time, kind of there was a lot more money being created in Asia. And I think HPC often is pivoting more and more to kind of Asia. So kind of that was that was definitely the area. But the, the relationships, particularly on the bigger side. So I did I kind of ran the segregated mandate side, pretty much all kind of Middle Eastern kind of capital O people based then in kind of in the Middle East.

00:32:07:07 - 00:32:32:12
GUEST
So, yeah, it was a really fascinating kind of to get the opportunity sometimes to sit down with principals there and kind of get their get their take on things. But ultimately, I think a lot of them. Yeah. Loved real estate as an asset class. And felt that it was a good place, particularly for the next generation, to kind of allocate funds, which kind of would hopefully grow from a capital perspective, but also pay out a nice income distribution, which kind of could fund kind of lifestyle.

00:32:32:12 - 00:32:41:02
HOST
And private jets, yachts, and the likes. Exactly. So tell me about Blue Noble and how that came about and why you set that.

00:32:41:04 - 00:33:04:24
GUEST
Yeah, sure. So kind of the opportunity that we kind of had HSBC in terms of access to capital was was absolute phenomenal. And we had a really strong relationship with ultimately the investors who very fortunately loved what we did love the offering that we did, which quite a lot of other banks kind of didn’t necessarily do. But I think we were struggling with kind of internal processes to be able to ultimately offer clients what they were asking from us.

00:33:05:01 - 00:33:32:17
GUEST
So, just having to kind of go through lots and lots of kind of internal committees before we could even speak to investors about an opportunity. And by that stage, the opportunity potentially had gone. So that kind of like kind of both personal but also kind of team frustration. And we ultimately I’d always felt at some point I like the concept of kind of doing my own thing, but it was having the experience so that you had kind of credibility ultimately.

00:33:32:19 - 00:33:50:05
GUEST
But also, potentially doing it with kind of another person or a few other people I like. I love working as part of a team. I love the ability to kind of bounce ideas off each other. I kind of, I focused, I think we could kind of individually get on with our own own bits, but actually being able to have sounding boards is was really kind of good.

00:33:50:10 - 00:34:10:02
GUEST
Good. And so I think individually I’ve been bubbling away kind of going, well, do I see myself being here longer term? The potential is huge, but are we going to be able to access that potential? And ultimately we were actually approached, by one of our clients who were, Swiss multifamily office who loved what we were doing.

00:34:10:04 - 00:34:28:03
GUEST
And I had allocated funds to pretty much all of our club to a program. And the families really wanted to massively increase the allocation into real estate and felt actually was there an opportunity to back and team, to, to help them do that? And from our perspective, it felt like a really interesting kind of opportunity.

00:34:28:03 - 00:34:50:22
GUEST
So, we, we formed Blue Snowball, with, with the backing, their backing. They had a bit of equity stake in the business in return for seeding us with assets under management day one. And so that was really I kind of, I guess our safety blanket. I think the big debate probably as a business kind of creative entrepreneur, you’re you’re obviously one of them is how do you start day one?

00:34:50:22 - 00:35:08:18
GUEST
Kind of do you have assets under management? Do you have a kind of a client or clients who are going to kind of potentially kind of give you kind of work straight away, or actually most of the time, are you starting with zero in your bank account? And you basically have to kind of try and kind of perform very, very quickly.

00:35:08:18 - 00:35:35:10
GUEST
Otherwise you might not be here in a year’s time. And I think personally, I and the team kind of didn’t

necessarily want that pressure because it then puts, I guess you're so focused on doing that first deal where you want to be in a position, where are you making the right decision? Is it the right deal? And you don't want to be under that additional pressure just to deploy kind of funds for the sake of kind of getting stressed under management so that was really, really kind of good.

00:35:35:10 - 00:35:55:10
HOST
And, and I guess, just closing the square in a circle here so people understand if you've got assets under management, that means there's, there's typically revenue or fee income stream that funds the business. Yeah. And also there's additional cost when you start buying properties you get. Yeah. And fees not going to ongoing agent fees that will fund salaries and office costs and everything else.

00:35:55:10 - 00:36:14:00
GUEST
Absolutely. So I guess where I was in like Frank, kind of in the kind of brokerage side or advisory side, you start that you have zero revenue and ultimately you make money through buying and selling. So if you buy something, you often get an acquisition fee. If you sell something, you'll get a sales fee. But you've got to kind of build up that, that revenue.

00:36:14:00 - 00:36:36:00
GUEST
You don't get to the end of the year done. Well, you haven't. You start again with the zero. Having assets under management actually means your your pay to look continue to look after that asset. So you hopefully or may get an acquisition fee for buying it. Similar to the advice side, but actually you are then responsible for continuing to manage and ultimately extract value from that asset.

00:36:36:05 - 00:37:06:00
GUEST
But it means that you continue to get revenues kind of while you have that asset under under management, some of them will come into play, you know, but you might sell that asset at some point and therefore kind of hopefully recycle that capital. You'll lose that assets under management fee then. But yeah, ultimately if you can have a good balance of assets under management, which pays your office, your, your costs, and then if you do new transactions, that ultimately kind of adds profit to the business means that you can invest in hopefully growing and future people.

00:37:06:00 - 00:37:24:17
GUEST
It's a nice kind of balance. So being given those assets under management in return for them having a stake in the business was, was was great. They also were there ultimately to kind of capital raise, give us an allocation from the families, but also raise money from, from other families that they knew. But importantly, we weren't exclusive.

00:37:24:17 - 00:37:46:02
GUEST
So kind of once we were outside of, kind of, restrictive covenants from, from previous employment, we were able to go and kind of speak to kind of former clients, but also grow network. So we have brought a number of clients across who, again, like to what we did while we were at the bank, and have fortunately entrusted us to kind of continue to invest in were just assets for them.

00:37:46:04 - 00:37:53:18
HOST
You touched on a Swiss multifamily office. Can you just, break down what's different between a multifamily office and a single family or.

00:37:53:19 - 00:38:19:20

GUEST
Sure, sure. You know, very good question. So I guess the single family office is kind of one family might be made up of various individuals, but ultimately they're all under in one family. A multifamily kind of office is where actually kind of it's made up of a number of different families who have kind of come together. Now, they might do that because of size or scale, or they might do that just from a operational perspective, or actually they all work, in the same sector or business.

00:38:19:22 - 00:38:51:20
GUEST
So actually our, our backer, they all owned various businesses together, and therefore a lot of their revenue came from similar sources. And so it made sense rather than them having individual family offices for themselves, actually, to kind of pool resources and have a multifamily office, which ultimately looked after all of them. And so, that in theory, kind of what kind of really where we kind of went set off is Blue Snowball within three months, we had our first deal kind of under offer.

00:38:51:21 - 00:39:18:17
GUEST
So we bought, a site down in Milan, right next to the university, with the plan of doing student accommodation development. I think if you'd asked any of us what would our first deal be? It would not have been kind of speculative student development in in Italy. We hadn't actually done kind of transact initially at a HSBC, but we had done a big UK for real estate, student accommodation portfolio, which was fortunately very successful.

00:39:18:17 - 00:39:40:08
GUEST
We got in in 2013. We forward committed to buying a portfolio, of eight assets, about 2500 beds. And ultimately saw kind of yields compress, particularly in, in that space. I think we learned a lot kind of the gross income. So the, the kind of rent that we received from students was, was pretty much in line with what we forecast.

00:39:40:10 - 00:39:57:17
GUEST
But our net operating income. So by the time you take off kind of staff costs, utilities, all those things was slightly under, to be honest. So we definitely eyes opened learned a kind of operationally kind of a takes it's a bit more intensive. But we saw big yield compression. So kind of we got a big bump in kind of capital values on that side.

00:39:57:19 - 00:40:18:21
GUEST
And so we took that knowledge kind of into, into our first acquisition and ultimately a bit like the landed estates. It's great if peop other people are spending money and improving the micro location because your assets likely to go up in value without you having to actually spend any money on, on those streets, as well as what you're doing actively to the asset.

00:40:18:22 - 00:40:40:03
GUEST
So but currently we're doing a big campus extension. They are adding an MBA program, new massive sports facilities, and ultimately in terms of kind of student purpose built student accommodation, the US is by far the leader, kind of roughly 50% of students have access to purpose built student. The UK is kind of top in Europe. It's about third students.

00:40:40:05 - 00:41:01:08
GUEST
And then you go into Europe and it really falls. So kind of France and the Netherlands, kind of mid-teens. Poland, Denmark, I think just double digits. Spain, Germany 7%. And Italy, when we did, 3% of students

had access to purpose built student accommodation. So really, really low kind of supply demand about this. And we had 14,000 students.

00:41:01:08 - 00:41:18:24
GUEST
They had 2000 beds of their own, a few on campus, but they were really, really old. There was zero amenities, and then a lot that were miles away from campus. And we had the site literally across the street, and so felt that actually, if we could build, build those, the business plan was to do that direct.

00:41:18:24 - 00:41:52:15
GUEST
Let’s but we always felt that there was going to be a natural conversation with, with Bocconi and with kind of interviewed students. And actually and Bocconi had done this as well, to be fair, and they absolutely tick the box from kind of quality of education. They tick the box, but were doing their own kind of, investment in terms of facilities with this big kind of campus extension, but where they were struggling compared to other international universities that were trying to attract kind of the international students, was was where are they going to live?

00:41:52:17 - 00:42:13:23
GUEST
And particularly if you’re moving abroad to kind of trying to find if it’s not perhaps a student kind of an apartment somewhere in a city that you’ve ever been to before. It’s quite kind of challenging and also intimidating. Whereas actually, if you can go, I know that I can get it a get a room kind of in a, in a block right opposite where my campus is going to be, that’s going to have another 600 students who are kind of like minded.

00:42:13:23 - 00:42:34:11
GUEST
So I can network very quickly, kind of, form a community. It really tick the box. So they were very, supportive of our planning application as well. To be fair, the kind of municipality Milan that realized actually we need to provide more student a bit like a lot of cities, kind of, there there’s not enough residential often.

00:42:34:11 - 00:42:53:18
GUEST
And if that residential is then being taken up by students, it’s also kind of not so. So having the purpose built student is very positive from a logic perspective. So we bought that in 2018, took it through the planning kind of, just about to start on site. The neighborhood committee then appealed the planning. Not actually to us.

00:42:53:18 - 00:43:18:12
GUEST
They paved that. The municipality shouldn’t have given us quite so much kind of area. So we had to negotiate with them. We ended up reducing kind of the top, top building of the tower, the biggest tower, by a few floors to appease them. But to be fair, the municipalities were very positive. We we ultimately had an element of capped rents so kind of couldn’t affordable, which were able to kind of slightly increase those rents to make up for losing the area.

00:43:18:12 - 00:43:39:16
GUEST
So they were still affordable, but ultimately kind of we got our performance back. So there largely everyone was kind of very like minded in terms of trying to solve a problem. And we ultimately once we brought that with investors, another opportunity on the other side of the campus came up. And we wanted to kind of ultimately control that micro location.

00:43:39:18 - 00:43:59:07
GUEST
So the first project was about 600 beds, the second one 700 beds. So kind of big critical mass, and we were fortunate we could go back to the same underlying investors and said, look, we all bought into the the kind of thesis, the supply demand balance, why this is actually kind of we would like to do the same again on the other site.

00:43:59:09 - 00:44:18:06
GUEST
And they all kind of increase our allocation to, to, our kind of vehicle, our fund to balance allows us to, to do that and control that one. So the first project actually we sold earlier this year, to a local Italian pension fund, which was, which is great kind of proving track records, kind of giving investors a kind of a great return.

00:44:18:08 - 00:44:26:17
GUEST
And the second project, and we're just about to PC that, the final part of that. And then we'll look to probably kind of exit that in the, in the coming months.

00:44:26:19 - 00:44:36:15
HOST
Amazing. Well, you know, it sounds like from a, from a geo location, a rising tide lifts all boats and that, you know, yeah. Plays into your hand if you can kind of get it at the right side. It's first. Yeah.

00:44:36:15 - 00:44:52:14
GUEST
First. There's always a balance of kind of there is risk with first mover advantage. Is it going to work kind of generally in the red state. Well kind of you you look at values, you look at comparables. So you kind of go, well what the what was the building opposite left for or kind of what did that trade out for a capital value per square foot or yield?

00:44:52:16 - 00:45:11:05
GUEST
Actually, there was almost no evidence in the student space in Italy because it just doesn't it didn't exist. And so that was ultimately trying to get comfortable with what rent is achievable that kind of for this, because there wasn't any product that was kind of comparable. What exit value could we achieve? Because again, there's no kind of comparables.

00:45:11:05 - 00:45:30:12
GUEST
So we had to look at kind of cross geography. So to other cities, what is the kind of where do student yields sit in more mature markets compared to other asset classes to work out kind of where we could benchmark it. So and then we applied a bit of a discount to our underwriting to assume that it was a kind of a first kind of new sector within that market.

00:45:30:14 - 00:45:48:13
GUEST
But actually, yeah, it performed fortunately kind of kind of very well. And I think we'll come on to it with other other projects. We obviously are in a higher interest, higher kind of inflationary environment now. And that puts a lot of pressure on on development of just general values. But a lot of, lot of of development.

00:45:48:15 - 00:46:05:14
GUEST
But the area that has ultimately really continued to it is rental growth. Which has kind of helped, I think, in

a, in multiple sectors to kind of recover, let's say some of the value that kind of we're seeing kind of a road via kind of yields yields moving out.

00:46:05:16 - 00:46:10:15
HOST
Can you talk to me about the other assets in your portfolio. Right. Yeah. How that sits.

00:46:10:19 - 00:46:30:10
GUEST
Yeah, sure. So the first couple of deals we did, we did in the student space, we then, bought a UK kind of office office building, which was a multi led, office, which was part of our, our kind of fund. So one of the families as part of our, our blue noble kind of see deals with some, some, some money as well as assets under management.

00:46:30:12 - 00:47:11:09
GUEST
So we could kind of go and deploy some of that. And so that that was a kind of great, multi like office building, albeit common to Covid in the and the impact that it had on the occupiers. And then we had an opportunity to buy a, a project in Florence. So Florence, really interesting market to be fair, from a student perspective, kind of there's over 40 affiliate US universities in Florence, lots of fashion kind of colleges, art programs, but actually from a tourist perspective, we felt there was an interesting kind of, emergence of the, of the kind of Airbnb market.

00:47:11:11 - 00:47:35:20
GUEST
And within Florence, the five star hotel market was unbelievably expensive, kind of, a suite could be €1,000 a night. Whereas the forced on three star hotel market were typically very old historic buildings often listed and therefore hadn't had any refurbishment for a long, long time, and often had no amenities. Some of them didn't have areas where you could kind of have breakfast or anything like that.

00:47:35:22 - 00:47:52:21
GUEST
And then as a kind of the emergent Airbnb where people were enjoying kind of living as a local, having an apartment, but typically it might be an apartment in a block where half of them are already occupies. Some of them are kind of let out. And so you had no kind of arrival experience, or kind of managed area.

00:47:52:23 - 00:48:13:05
GUEST
And we felt actually the ability to kind of merge the two so have serviced apartments. So the amenities of the kind of five star hotel, but at a kind of price point of a four star or two kind of apartment where you have a bit more space. Was a really interesting kind of opportunity. And typically the stay duration on apartments is longer than hotel.

00:48:13:05 - 00:48:36:19
GUEST
So hotels average two nights, apartments often four nights, five nights. And so merging those two together. So we bought a site there actually subject to planning. And it was actually the old historic, theater in Florence, which was been vacant for a number of years. They built a brand new, theater. And so this sat within a kind of infrastructure Italian fund wasn't going to be used again.

00:48:36:21 - 00:49:04:00
GUEST
And so, we hope, bought planning. 4 or 5, 156, serviced apartments. And then we went out to tender ultimately to find an operator to, to manage, manage those. And we've, we selected a company called Star Hotels who kind of our own the most hotel rooms in, in Italy that that kind of home in the Florence

market, but also saw this pivot from traditional hotels into service apartments.

00:49:04:02 - 00:49:26:22
GUEST
So it's the first new build in, Florence Historic Center for over a decade. And if you can imagine, the theater actually the we can build a factory within the massing of the old theater. So where you have the the kind of seating so the kind of circle and the upper stools and various. That's probably about 5 or 6 stories, but actually where the stage was where you had to lift the set design is about eight stories.

00:49:26:24 - 00:49:40:20
GUEST
So we're going to have these duplex apartments up on eight storeys, high, overlooking the whole of Florence Tuscan hills. It's going to be pretty exceptional product. So that one that we're really excited about, and that PC hopefully at the end of end of next year.

00:49:40:20 - 00:49:43:18
HOST
So, it's been busy.

00:49:43:20 - 00:50:03:11
GUEST
Trying to be trying to be I think it's look, we're still a small businesses that we started off with, four of us. We're now six. Brought in a PhD in, an asset manager who are absolute fantastic, I think, I guess reversing back, kind of setting up a new business. There are some bits which, you think are going to be easy in a difficult and some bits which are difficult to actually end up being easy.

00:50:03:11 - 00:50:29:19
GUEST
We because of our kind of HSBC background, we wanted to kind of be regulated by the FCA. We thought that was quite an important kind of, kind of showing of kind of being continued our kind of institutional background and kind of kind of reporting and discipline and fiduciary responsibility. And actually that getting that we were told was going to take quite a lot of time, actually, kind of because of our background, we were authorized before actually came quite quickly.

00:50:29:21 - 00:50:46:05
GUEST
But setting up a bank account was an absolute nightmare, kind of. We go and present to banks about our business and they kind of say, okay, so if you're, your new business, so you haven't got huge revenues. Okay, you probably sit in the retail bank and then we would say, actually, we're kind of we're going to be regulated by the FCA.

00:50:46:05 - 00:51:13:08
GUEST
Oh, well, then you're more grown up business. So you should be in there kind of of investment bank. But our revenues weren't quite big enough. So we kept on getting kind of passed between those two bit. So that took us far, far longer than it should have. And then small things like coming up with the name of the business, I'm sure it'd be interesting to hear about how you came up with yours, but much, much debate while right, like writing our business plan, it was always on the agenda, but would always be kind of, we'll come back to that one next time.

00:51:13:08 - 00:51:15:00
HOST
How did how did you square that off?

00:51:15:02 - 00:51:31:21

GUEST
So our corporate partners, original partners not come to that, had a number of other businesses that they invested into. So the families basically want to do investment to hedge funds. So they backed it into do hedge funds. We wanted to kind of have some fixed income allocation. So back to Team Annette and all of them had a kind of tree theme.

00:51:31:23 - 00:52:00:24
GUEST
And so there's actually what's called a blue noble fur, which basically looks like a Christmas tree. But we quite liked that kind of continuation of kind of tree theme. And we did a recent blues, the most popular color for both men and females, and noble, if you're noble, kind of your honorable, you're trustworthy and trying to find a name that actually translates across multiple kind of languages and cultures is a really important kind of part.

00:52:01:01 - 00:52:22:24
GUEST
I think we came up there's there's a number of kind of, Greek or Nordic gods within the real estate profession. But that was 1 or 2 names that we came up with. But actually some of those translate in certain cultures into kind of not necessarily positive kind of connotation. So trying to find something that kind of worked across what we felt was potentially going to be our client base was quite important.

00:52:22:24 - 00:52:24:02
GUEST
So yeah, we came up.

00:52:24:02 - 00:52:26:04
HOST
With some sort of pick the name names, go for.

00:52:26:04 - 00:52:28:05
GUEST
It. Totally. So how about you? How did you.

00:52:28:07 - 00:52:47:18
HOST
Rock? Born was actually, the village that my grandfather lived in. And yeah, I threw loads of names around, and, my grandfather had passed by the time I set the business up, but I imagine I'm sort of going to him and, sign up all these names and he would probably be just like, just pick something.

00:52:47:18 - 00:53:00:00
HOST
Get on with it. Yeah. I don't want to, like, focusing on it. So I kind of rock born. I, I like the name rock spring and black rock and, a couple of others, which had like black.

00:53:00:02 - 00:53:00:23
GUEST
Stone.

00:53:01:00 - 00:53:10:00
HOST
And it was just, you know, rock one recruitment, rock one real estate. It's kind of like had a bit of clay and I was like, it's going to pick it and, and go from there, run with that. So,

00:53:10:02 - 00:53:10:17
GUEST

Yeah, that's great.

00:53:10:18 - 00:53:39:23
HOST
That was the kind of story that I was finding fascinating, just the identity that comes off the back of them. And why people name businesses as they do. But but tell me then. So dealing with high net worth individuals, it's kind of bread and but and butter of your background. Yeah. How do high net worth individuals or family offices, differ compared to institutional investors from like a mindset perspective, but also the pros and the cons of dealing with this.

00:53:40:02 - 00:54:08:12
GUEST
Yeah. So I guess, institute and and look, we're starting to try and work with some more institutional capital. Ultimately the kind of institutions have, have processes. We came from a bank. So we know those processes. Sometimes those can be fairly long. But actually there's an element of kind of detail. And once you can get through those processes, potentially the allocation of funds can be very fast private capital.

00:54:08:14 - 00:54:29:22
GUEST
There's some families, right, who are worth billions of billions, but there are others who are worth still incredibly wealthy, but kind of maybe less. And, they all approach things slightly differently and putting together a club, which is kind of what we do. For a lot of our Italian projects, I, a small collection of, of smaller investors or private clients to it.

00:54:29:22 - 00:54:51:00
GUEST
It's a handful at any one time. They'll, they'll each be able to allocate different amounts. And they each have different processes. So it can be quite time consuming sitting down with, with all of them. Some, some are very detailed in the process. Other are slightly more kind of big, big picture kind of buy in to the theme and thesis quite a lot.

00:54:51:00 - 00:55:07:20
GUEST
And buy into our kind of track record in terms of delivering for them and therefore kind of we always co-invest into all of our kind of club deals. And so that alignment of interest kind of works very, very well. And others will interrogate every single assumption that you've made in your model, your share them, or you'll go through every detail.

00:55:07:22 - 00:55:32:10
GUEST
So they do vary. I think coming back to, I guess, Blue Note being founded within about 18 months of founding blue logo without kind of corporate partner coming on to kind of some of them maybe the challenges of private capital, there was a falling out of the families within that, that kind of entity. And therefore a number of them kind of spun out and went went their separate ways.

00:55:32:10 - 00:55:55:20
GUEST
They were still they are still clients files, but it ended up actually the whole management team and a couple other change. They weren't the ones who we created the joint venture with ultimately, and our alignment of kind of what we wanted to achieve, what they wanted to achieve, kind of pivoted. They obviously wanted to kind of go in that change the direction of, of, of that, that family office, which is absolutely fine, that rocketship.

00:55:56:01 - 00:56:16:04
GUEST

But actually they didn't really want to allocate as much to real estate as kind of the previous management to families 1 to 2. So, actually kind of we started off with us on the management, with the cork partner and within about through well to it took a good 12 months to just work out kind of what was the right way to kind of for us to go our separate, separate ways.

00:56:16:04 - 00:56:31:17
GUEST
But ultimately we did. And the partners kind of we we took control of it, full control of the business after about three years. So we then, surrendered some of the assets under management back to them. Fortunate. We had done a number of deals as a business, so we kind of then had created our own assets under management.

00:56:31:19 - 00:56:55:03
GUEST
But I think private clients can be some sometimes emotional, and there are some things where that was totally out of our control. And so I think that decision making can be very quick, but also kind of sometimes they can change their mind, whereas institutions process can be longer. But I think once they've kind of decided something typically that they would they would do it.

00:56:55:03 - 00:57:22:22
GUEST
So it's a slightly different mindset. But not all family offers to before at that at all are the same. You have some that are set up. They have their own internal investment committees. They're almost like that. They are very kind of institutional in their focus and approach. And then others, ultimately it will be the, the, the heads of the family or kind of the parents, the family who will literally just be making the decisions and kind of that could be after an hour conversation saying, yes, actually, I want to buy this building, kind of go into it.

00:57:22:23 - 00:57:23:04
GUEST
Yeah.

00:57:23:04 - 00:57:46:21
HOST
It's into I sat down with someone who's head of investment, but a family office actually. And, this individual was telling me that, they can get a few hundred million quid every year to allocate into, into real estate. But and that's all driven by investment committee and sign off and it's all fine. But actually, the principal and the ultimate owner, will scrutinize every single, salary cost, bonus cost.

00:57:46:23 - 00:58:02:22
HOST
And, you know, you kind of look at it and you compare, like a 20 grand bonus or an uplifting. Yeah, in salary compared to a £100 million ticket or thereabouts, right, against a real estate deal. And it's it's kind of almost irrational, but I guess a lot of them are very entrenched. And, you have to have there are nuances of doing.

00:58:02:22 - 00:58:18:18
GUEST
Yeah, absolutely. I exactly I think kind of it's, it's kind of how you approach and kind of priorities and, and that's where kind of having investment committees is useful because actually you have different people approaching things kind of often the same way, but kind of picking up on different risks and kind of how do we mitigate those risks?

00:58:18:18 - 00:58:41:19
GUEST

Because ultimately investing in whatever you want is kind of, a balance of kind of risk reward ultimately. But yeah, you're right. But kind of I found it actually to be very HVC kind of having non real estate people on investment committees can be incredibly helpful because they can kind of look at things slightly differently and, and get asked you questions that need to be asked about, have you thought about this.

00:58:41:19 - 00:59:02:18
GUEST
And actually you might have been very focused on the real estate side and gone, actually, that's a very relevant question. We need to spend, but often can go down tangents where you go that is just not relevant at all. So there's always a bit of a balance on, on that side. But it's and hence it's, it's from our perspective is we want to diversify, I guess our, our equity and our, our capital.

00:59:02:20 - 00:59:19:20
GUEST
So but when we first started, we were thinking about launching a fund, with our partners, assistance, but also potentially with placement agents for various things, but actually kind of the advice we got from, from the kind of capital raisings at the time was like, you need to have a proven track record as a new business.

00:59:19:20 - 00:59:36:10
GUEST
Yes. As a team, you've come from HSBC, you've got a proven track record, but as a new business you don't. And actually raising money for a first time fund is more challenging. And to be fair, we felt like we had managers come when we were at the bank who were first time funds and a great track record historically.

00:59:36:10 - 00:59:58:00
GUEST
But literally we kind of we were just not allowed to do any kind of first time funds. So I think hopefully now on our journey, we're starting to crystallize performance from our first projects. We can start to think about kind of that. And, and also we've through kind of part luck, part judgment, kind of ended up doing a lot in the kind of in the beds space.

00:59:58:02 - 01:00:21:18
GUEST
So where we've actually got a boutique hotel that we're developing now in Milan as well, and we just bought another site for more student up by Polytechnic Co, which is kind of if Bocconi is a kind of top business finance school in Italy, polytechnic areas, the top kind of engineering kind of school and again, very similar dynamic kind of we're just opposite the campus, very little student kind of provision in that location.

01:00:21:20 - 01:00:42:23
GUEST
And kind of we think that that's a really interesting market. So we'll continue definitely on that theme in terms of kind of beds, particularly student, I think in southern, Southern Europe, that's kind of really, lack of of, of, of provision ultimately at the moment. And I think probably worth touching upon in terms of where we're obviously based in London, quite a small team.

01:00:42:23 - 01:01:02:01
GUEST
So kind of naturally people say, well, how can you do developing kind of in other jurisdictions, geographies? And I think that is a very, very fair question. We kind of followed our mindset of of HSBC, which was kind of stay quite lean at our level and be kind of look at opportunities kind of across sectors and across markets.

01:01:02:03 - 01:01:20:22
GUEST
And then ultimately work with best in class kind of development managers on the ground to help deliver, what we want to achieve. So we actually worked or worked with Hinds in Italy. They've got a really, really strong team. When we bought our first project, I think they had seven people in Milan. They now got over 80.

01:01:20:23 - 01:01:51:07
GUEST
Well, and actually we can leverage that kind of local track record, experience, knowledge, ultimately to get the best outcome for our ultimately investors. And they co-invest alongside us in our investors too, which is really, really important for alignment of interest. But it allows us to stay fairly kind of lean, without going. And there's absolutely advantages and disadvantages to kind of say, actually, let's start a business and let's recruit people in every geography that we think we might want to, want to operate in.

01:01:51:09 - 01:02:12:22
GUEST
But that's very CapEx and heavy kind of from a kind of operational cost perspective. Day one. And if you don't have under management or you don't have a backer, it's quite challenging. And so our, our model is actually let's and then ultimately might have pressure trying to do a transaction in the market that you have someone, even if actually the timing of that market is not necessarily right.

01:02:12:24 - 01:02:34:12
GUEST
So not having that pressure, having kind of the ability to go actually Italy, that's really interesting at the moment. And therefore we're going to go into that then going actually there's another market, the kind of sector or market that actually feels like there's an opportunity to kind of go in early, is it's quite, it's quite nice with kind of a manager who you've got track good on the ground that we can kind of utilize.

01:02:34:17 - 01:02:51:09
HOST
Yeah, it makes make some sense. It's obviously a challenging investment capital raising market at the moment. But you didn't have time to go into all of those. But flipping that on its head, what are you excited about? In terms of kind of looking forward and, trying to navigate your way through this? Yeah, sure. Other interesting market.

01:02:51:09 - 01:03:20:06
GUEST
So, yeah. Look, the kind of the rise inflation and therefore kind of, very central kind of banks kind of putting up interest rates as is putting a huge pressure on the kind of real estate values. There's no doubt about that. And ultimately we're seeing that with massive drops in transactional levels and volumes. And ultimately an arbitrage between kind of where kind of sellers still think prices or owners still think price is kind of all of us is where purchasers are willing to actually transact.

01:03:20:08 - 01:03:40:12
GUEST
And we're the same kind of we we would love to be buying in this market. We're looking at various things, but, and often our private clients, the advantages we can buy all equity and then potentially finance kind of at some point in the future. But if you look at where kind of interest rates, finance and costs come in, I just I'm fortunate I don't think yields have moved enough yet.

01:03:40:14 - 01:04:09:15
GUEST
And they've moved a fair amount in certain markets. UK quite ahead in terms of that. Europe's probably still kind of kind of sees more movement, but still probably not to the extent that they need to be to kind of

make make sense from a kind of return risk adjusted returns perspective. So I think that's something where, we'll have to see if more pressure is applied via refinances, particularly, kind of in the next kind of 12 months.

01:04:09:17 - 01:04:40:00
GUEST
So we're looking at things, I think ways of structuring deals potentially is so on our club deal program, we're still looking at developments, but again, factoring in increased kind of construction costs, increased kind of borrowing costs. And ultimately kind of going well, where are yields going to be in 3 to 5 years time? I think as kind of touched for really like the, the area that has definitely been very resilient and actually helped kind of stabilize and recover value is rental performance.

01:04:40:00 - 01:05:06:03
GUEST
And that's kind of across the board for best in class. So if it's offices kind of central lofts kind of prime rents are continue to grow. I think BNP Paribas came out recently saying they could see rents get to 300 pounds a square foot in London, which I'd be interested to read more about that. Exactly, exactly. But I think having from the beds perspective, actually, you generally can capture rental growth very quickly because typically leases are kind of yearly.

01:05:06:05 - 01:05:28:17
GUEST
And we've seen really strong kind of rental performance, I think, across the board, whether it's kind of a bite kind of bill to rent or whether it's kind of student accommodation, rents have really. And so that's definitely helped kind of cushion some of the kind of outward yield shift. But we're looking at structures whereby we potentially will say, look, we will buy kind of a building for development or a piece of land, lower price.

01:05:28:17 - 01:05:46:12
GUEST
Clearly, than we would have paid 12, 18 months ago, but maybe put some kind of overage provision in place. So once we develop it out, once we get to a level of return that we're comfortable with, actually will share some of the upside with the original owner. So that's potentially helping kind of people really kind of agree to sell at lower than they'd maybe want.

01:05:46:14 - 01:06:09:09
GUEST
But have I kind of aligned that actually if things go go okay and faithfully, then they might get a bit more. And so looking at how we structure deals is a really important bit, I think coming from the kind of advisory area where it's very much asset level suddenly to where how can we structure this so that we ultimately get our investors capital in and out of the structure in the most efficient way?

01:06:09:09 - 01:06:30:02
GUEST
And that is a hugely valuable area, kind of having the right tax advisors, structuring advisors, lawyers, because that can make and break deals. You can actually kind of gain and extract a lot of value through clever financing, kind of good structuring. But on the flip side, if you don't get it right, you can erode and destroy a lot of value.

01:06:30:02 - 01:06:50:02
GUEST
And I, I really enjoy that kind of learning curve of kind of going from I believe I understand the kind of nuts and bolts of kind of the real estate bricks and mortar real estate. But actually that's huge about what we do at the moment is kind of structuring how can we kind of put, put equity to work in a creative kind of way, and how can we structure deals that ultimately kind of make a lot of sense?

01:06:50:04 - 01:06:53:08
HOST
So let's bring it back full circle to your engineering play right?

01:06:53:10 - 01:07:08:02
GUEST
Yeah, I kind of problem solving a lot of kind of problem solving and approaching things in a way that, yeah, hopefully kind of comes up. It's like, well, what are the challenges? But how what are the solutions to ultimately get the end result? Which is kind of interesting, really just that kind of, risk adjusted returns.

01:07:08:04 - 01:07:17:07
HOST
So as we, draw to close a question that I ask everyone, the podcast is if I gave you 500 million pounds worth of capital, who are the people? What property, in which place would you look at deploying that?

01:07:17:10 - 01:07:33:03
GUEST
So now you ask this question because I listened to some of your focus. So it's a very good question. I think, the the market at the moment is, is kind of challenging. And I think it's that it's that debate of kind of actually, if you've got firepower now, do you deploy it or do you kind of wait ultimately for that to be a bit more pressure?

01:07:33:03 - 01:07:53:12
GUEST
And I think that pressure, unfortunately for some owners, is definitely coming. I think we're seeing the, the, the days of kind of open ended real estate funds over kind of LNG kind of announcing that they're not going to do those. And so I think there are going to be kind of opportunities where people are kind of under pressure, let's say maybe not quite forced yet, but under pressure.

01:07:53:12 - 01:08:20:19
GUEST
So kind of that that's a really interesting kind of area. Ultimately we've got these two pockets of longing comfort for our clients. And kind of more opportunistic kind of club deals. I do think there's some interesting opportunities in the long income, but we need to see yields move a little bit more. I think not only on the real estate side from a kind of traditional debt perspective and refinancing and kind of they're going to be kind of arbitrage between value to come down your debt refinance coming up.

01:08:20:19 - 01:08:43:08
GUEST
There is going to be a funding gap. Is that going to mean that you're going to need to put in kind of equity or other other types of kind of credit, or are you actually going to be have to sell? But that's also going to happen with businesses as well. I think one of your kind of speakers kind of said that she is going to share with 70 SPACs, which I totally agree with, kind of if businesses have got kind of financing against the business.

01:08:43:08 - 01:09:06:20
GUEST
And that's coming up, actually, is there a way to kind of extract value from a real estate portfolio, to put more money back into the business to grow? So I think that's a very interesting area. So I definitely have a focus on element of money on on that. And then I really like beds ultimately kind of operational where two states where kind of the rents you can, you can kind of capture rental growth very quickly.

01:09:06:20 - 01:09:27:13
GUEST

So that's we're absolutely focusing and looking at kind of, caught a lot more student deals, and ultimately beds. But in, in kind of Europe, and the other area that I really like at the moment is self storage. I think it's an area where kind of UK is kind of in kind of behind a lot of other markets.

01:09:27:13 - 01:09:51:11
GUEST
So kind of in the UK rough. Well, actually it's under under one square foot per person of self-storage. Around Australia it's about two square feet per person and the US is nine square feet per person. So and often themes from the US come across the UK and then over over to Europe. So I think that's a big, big opportunities there.

01:09:51:13 - 01:10:18:04
GUEST
It's quite fragmented market at the moment. But I have a self-storage, kind of place opposite where I used to have a flat in, in London. You know, it's cool. And I looked up kind of yesterday, actually. How much would it cost me to kind of go and rent a unit there? And so they have a kind of introductory offer in the various things, but broadly speaking, it was about 35 pounds a week for $16ft^2$, which they described basically as a as a foam base, to put it in perspective to listeners.

01:10:18:06 - 01:10:38:11
GUEST
So 35 over kind of a year is about 1,800 pounds, which is pretty out to about 110 pounds a square foot for a box. And I think given even kind of leading into the kind of residential market, new builds typically are getting kind of smaller. I don't know about you, but I lived in Newport for a while.

01:10:38:11 - 01:10:59:20
GUEST
There was almost no storage. So I think more and more people are going to if we're going to build new houses or new or it's going to probably be smaller kind of areas. So where people can store their stuff probably in, in kind of self storage. And I know a lot of friends who've moved house said, I'll, I'll put stuff in storage for three months, and two years later they're still paying that.

01:10:59:22 - 01:11:01:05
HOST
We're a nation of hoarders, right?

01:11:01:05 - 01:11:22:21
GUEST
Absolutely, absolutely. And unfortunately, kind of statistics of kind of divorce and a marriage and various things like that mean that there's going to be more households separate and therefore kind of often that means people using it. So I think that's a really, really interesting area. Is high typically high, high cash very diversified. You've got income kind of lots that you're not subject to.

01:11:22:21 - 01:11:37:08
GUEST
One offer, one, one and two kind of may kind of perform or may not. So that's an area that we're spending quite a lot of time on at the moment. It's kind of thinking about how can we access it and potentially look at the operational side as well as the property side.

01:11:37:14 - 01:11:48:20
HOST
Yeah, we had James last on the podcast, who's, head of Operation Real Estate, A Swiss Life, who heads up a student, sorry, not student, a, self-storage fund. And also Jacob Sampson of compensation.

01:11:48:20 - 01:11:49:14

GUEST
To JP.

01:11:49:16 - 01:11:50:04
HOST
Who has a.

01:11:50:04 - 01:11:50:19
GUEST
Fascinating.

01:11:50:21 - 01:11:54:03
HOST
Self-Storage, business as well. So there's definitely lots of noise.

01:11:54:03 - 01:11:58:17
GUEST
I think it's really interesting kind of area for sure. So, Yeah.

01:11:58:17 - 01:12:03:19
HOST
Watch this space, people and place a UK some of these. So I.

01:12:03:21 - 01:12:36:24
GUEST
I love, I love the UK, I love because our local market. So absolutely we will, we will be looking in trying to do more more things here I really like and I still kind of like with you can find the right strategic partner. And I think there are that that's definitely as kind of a lot of our time kind of we get approached by a lot of different kind of managers about kind of funding, but finding people who are totally lined, their assumptions and their underwriting are kind of realistic, kind of weeds out a lot of people.

01:12:36:24 - 01:13:05:09
GUEST
So I think having the right kind of people as strategic partners, I think is, is really key. So yeah, places kind of Europe, kind of across the board. And people that we're a small team. But I think how, how I envisage hopefully our business kind of growing is continue to work strategically with, with kind of people who have got a different skill set that kind of we can we can work together ultimately kind of we hopefully have a skill set that they don't have maybe, and vice versa.

01:13:05:09 - 01:13:14:23
GUEST
They have an expertise on, on the ground. And actually those kind of two component parts, I guess, coming on to kind of had leases and various things, kind of two component parts a stronger together than than apart.

01:13:14:24 - 01:13:30:19
HOST
So one plus one equals three. Exactly. Well, look, Toby, thank you so much for joining me on the podcast presentation. A fascinating background, outlook view and opinion on the market. And, I've certainly learned an awful lot. And I know that, the people checking this podcast out well as well. So thank you. So much for joining me.

01:13:30:22 - 01:13:33:03
HOST
Pleasure to see you and, the team go on today.

01:13:33:06 - 01:13:34:03
GUEST
Great. Thanks so much.