00;00;03;27 - 00;00;25;27
HOST
Welcome to the People Property Place podcast with me. Your host, Matthew Watts founder and managing director of Rockbourne. This is a podcast where I share the stories, views, opinions and career journeys of the movers, shakers, innovators and leaders in the real estate industry.

00;00;25;29 - 00;01;00;17
HOST
Quick one from me. If you haven't already subscribed or followed this show on the podcast or app where you listen or watch, please do. It takes 10s and helps tremendously. I've got really big plans for the People Property Plays podcast and that one small action really, really helps grow the show and the presence and enables us to keep doing what we're doing.

00;01;00;18 - 00;01;11;24
HOST
So if you haven't already, please follow or like on the platform you watch or listen to. Thanks so much.

00;01;11;27 - 00;01;58;29
HOST
Welcome to the People Property Place podcast. Today we are joined by Craig Mason, investment director at Pathos Capital. Pathos capital was named after the largest storage jars used throughout the ancient Greek world to store, trade and preserve value. So it will come as no surprise that Pathos Capital invest in self-storage assets across European cities. Craig started his career at Madison International Realty, a business focused on providing liquidity to real estate owners and investors who otherwise had few options for facilitating an early exit from their illiquid real estate ownership positions or monetizing embedded equity.

00;01;59;01 - 00;02;05;13
HOST
Craig is a graduate of Cornell University, and it gives me great pleasure that he joins us on the podcast today. So, Craig, welcome.

00;02;05;15 - 00;02;06;14
GUEST
Lovely to be here. Matt.

00;02;06;16 - 00;02;27;25
HOST
No, not at all. Well, look, I'm really excited to find out a little bit more about your background and how you have, you know, curated the career that you have and also spend a little bit of time talking about people's capital and your views on the market. But before we get into all of that good stuff, a place that I always like to start this podcast is how and why did you, get into real estate?

00;02;27;28 - 00;02;28;26
GUEST
Where did it all begin?

00;02;29;00 - 00;02;29;22
HOST
Exactly.

00;02;29;23 - 00;02;52;08
GUEST
Yeah. So in my case, I would say this came back originally to a family business story. So I am from the US, as you can tell by how I speak, my hometown is in West Virginia. I grew up in an engineering

business, and my father had and I think like a lot of people who grow up in family businesses, you have, kind of this this, you know, two roads, fork in, the roads you get to.

00;02;52;08 - 00;03;10;08
GUEST
You either can't wait to become and do what your parents did or you kind of want to get away from it. And I think in my case, it was it was more the latter. And I had natural curiosities towards towards business, from seeing how he carried himself and how he grew its business over, over my, you know, kind of my childhood.

00;03;10;08 - 00;03;34;10
GUEST
But I think at the same time, I wanted to kind of make my own mark in a different way so that that's I would say that's kind of the the true origin of it. But then maybe as it was as simple as getting a letter in the mail from universities, I'm not sure if it's the same in the UK that you will receive in the post brochures about programs and, you know, engineering this and you know, business school that.

00;03;34;10 - 00;03;56;22
GUEST
But I received one that was about a hotel program at Cornell, and I thought, oh, that's interesting. That's different. It's in some ways a business school, but in some ways it had, let's say, applications of soft skills and other stuff that I thought would be complementary to what I wanted to do. So yeah, I gave it a go and put my best foot forward and was lucky enough to, to be a part of that program.

00;03;56;22 - 00;04;16;13
GUEST
But, I still remember very, very clearly in the town that I grew up in, there was one like internationally known hotel or like I say, international brand. It was a Hampton Inn and I was driving past it with my dad and he said, so just to get this clear, you want to go to a program so that you can run that Hampton Inn?

00;04;16;16 - 00;04;29;08
GUEST
And the cost of the tuition justifies this. And, you know, you know, if you want to go run a Hanson, there's probably other ways of doing it than, than this. And I was like, well, I don't think it's exactly that, but you're going to have to trust me, and there will be good things that will come from this.

00;04;29;08 - 00;04;31;07
GUEST
So that's that's really where it all began.

00;04;31;11 - 00;04;35;14
HOST
And what was that business that your, your dad was in? And that line.

00;04;35;17 - 00;04;58;28
GUEST
Yeah. So it's I mean, maybe couldn't be different from me sitting here in a suit today with you in West London. But I mean, it's, he's an electrical engineer, so the business was in basically building infrastructure, electrical infrastructure for predominantly the mining and gas sectors. So West Virginia is a place that is kind of wild, remote, has a lot of natural resources.

00;04;59;01 - 00;05;11;07
GUEST
So his business was really doing everything from building substations and, you know, power lines to, to helping to fund manufacturing facilities, stuff like this. And that fun sort of helping to, to power

manufacturing facilities.

00;05;11;09 - 00;05;13;29
HOST
So really, it’s completely different. Yeah.

00;05;13;29 - 00;05;41;17
GUEST
I mean, in many ways, yes. I mean, I think I, you know, I think that I saw an entrepreneurial spirit in him that probably in some ways can be applied to real estate or, you know, the idea of, okay, here’s a parcel of land and an idea on a project. How do you bring those things to life? But I think, you know, the idea of, you know, using Excel models and suits and, and briefcases was maybe not so much his world versus, you know, more actioning on on what he was doing.

00;05;41;17 - 00;05;41;26
GUEST
Yeah.

00;05;42;03 - 00;05;49;10
HOST
And at school or kind of growing up, what kind of kid were you? Were you. Yeah. How would you kind of characterize yourself if you reflect on that word.

00;05;49;16 - 00;06;09;18
GUEST
Yeah. So I’m one of three, which I think being in the middle of the three probably could tell you more about me than my words. Well, but, but no, I mean, look, I think that I, I probably tried to follow the follow the line my, my older brother and dad or. Sorry, my older brother, my father, I think, you know, there was a lot of expectations placed on the older child.

00;06;09;18 - 00;06;25;26
GUEST
And I think the younger child has, although obviously a lot of emphasis on them for different reasons. So I think I, you know, tried to find my place and get attention from, from them as I could. But no, I mean, I was interested in sports and I played soccer, football most of my life growing up. But yeah, I mean, it was a lot of time outside.

00;06;25;28 - 00;06;36;00
GUEST
I mean, that’s one of the few things I really do miss about living here is that, the access to nature where I grew up was pretty special, and I think I realize that more and every day.

00;06;36;02 - 00;06;50;12
HOST
So you you landed at Cornell. Did you know exactly what you’re getting into on the course? Or was was it a case of a land and then, you know, expand and kind of work out what this kind of world of real estate and hotel management looks like? Yeah.

00;06;50;12 - 00;07;25;25
GUEST
I mean, it’s funny. I don’t know if they still do this, I guess that they do. But they used to provide a postgraduate survey of alumni from the program about where they landed after they graduated, which actually, when I was looking at the program, was something that was really helpful for not only my negotiations, discussions with my parents about whether or not this was something that was, you know, worth the financial investment, but also just helping you to visualize, okay, 30% of the students end up in,

you know, operations, roles in hospitality, 30% of them end up in real estate and 20% up in Wall Street.

00;07;25;25 - 00;07;47;01
GUEST
And you could kind of see in some ways, your life unfolding before you got there. But no, I think that, you know, the I mean, the more emotional side of it would be arriving there, being from a relatively obviously a different background in some cases educationally versus a lot of northeast focus, you know, people from cities and suburbs and stuff.

00;07;47;01 - 00;07;59;19
GUEST
I think I, I anticipated that I was going to have to work hard, pull my weight and, to stay in the part of the class that I wanted to be in. So, so, no, I think I, I went there with, with that attitude. Yeah.

00;07;59;21 - 00;08;12;01
HOST
And you, you were there for four years or so. Yeah. When you kind of graduated. Can you just talk to me about, you know, how you kind of secured your first role and you know, that first kind of route into real estate? What did that look like?

00;08;12;01 - 00;08;38;20
GUEST
Yeah, the it's funny, I think people place a lot of emphasis on the brand name of universities, which is which is valid. But I think in my experience, it's not so much the curriculum, it's more the environment of the people. You're you're around and the I wouldn't call it social pressure because that makes it sound negative. But when you're in a class, as I was, there were 200 people per year and people are talking, okay, what did you do last summer?

00;08;38;20 - 00;09;01;01
GUEST
What is your internship this year? Oh, I worked at X, Y, Z Bank. I worked for X, Y, Z Development Company. You know, I'm doing something at Hilton and, you know, the Caribbean or whatever it was. And I think you, you know, you very quickly realized that if you want to kind of be in the flow of, of of, you know, the program, you need to you need to work and you need to to have a, have a plan for yourself.

00;09;01;05 - 00;09;25;07
GUEST
So I think during my time there, I did a summer internship at, like a commercial residential brokerage firm. I did an internship at a hospitality focused venture capital fund and in California. And then I worked with traditional real estate investment like asset management business in Texas. So I think from those experiences, I was able to at least create enough of a story around what I was good at or what I thought I could bring to the table.

00;09;25;07 - 00;09;30;19
GUEST
That, and that allowed me to interview successfully and find find my way into my role. Yeah.

00;09;30;21 - 00;09;36;03
HOST
And what was that first role that you, you landed in and what was the job that you kind of brought in today?

00;09;36;06 - 00;09;56;08
GUEST
So it was at a investment firm called Madison International Realty, which is based in New York but has

offices in Germany, the UK, other places around the world. So that was yeah, that was really where I cut my teeth. And I think at the time there was a, an endless program that would bring in a couple of students from, from different programs and, and.

00;09;56;08 - 00;10;23;01
GUEST
Yeah. So I think that, the learning experience from, from that environment, whether you're talking about valuation models and understanding, you know, which assumptions drives which outcomes in and financial analysis, sitting in rooms with people about, you know, it's a debate between is this risk worth the, you know, the following return you get for it? And how did people think about, you know, waiting opportunities for each other?

00;10;23;01 - 00;10;37;00
GUEST
I think all of those considerations were really, you know, brought to center stage in that environment. So yeah, really obviously grateful for for that learning experience because I think it was a crash course and, and how this industry works.

00;10;37;03 - 00;10;56;07
HOST
It wasn't hotel specific though. Right. And when did it was that a conscious decision to kind of join a business that wasn't, you know, just hotel oriented? Because in my experience of dealing with people who've been to university with their with a hotel or hospitality angle as part of their degree, you get some that a a militant hoteliers and hospitality like obsessed.

00;10;56;13 - 00;11;01;10
HOST
Yeah. And that's all they ever want to do. Yeah. And then I guess you get others that you probably fall into the bucket.

00;11;01;13 - 00;11;28;06
GUEST
Yeah, I guess I don't know, I'm, you know, I don't know what we're, I've just use for that. But. Yeah, the one, the one who didn't go down the. Yeah. Sincere path with with hospitality. But I mean no, funny enough, there was not, there was not hotel focus within that business, I think. Yeah. You know, it's funny, since then I've, I've spent a little bit of time in environments where I've got to work, an asset manager hotel, but otherwise it's not really been a part of my professional career, which is kind of a funny thing.

00;11;28;06 - 00;11;49;15
GUEST
I mean, I go to to Cornell alumni events, especially here in the UK, where, a fair amount of the people who attend those sorts of things are from the same program and are, you know, legitimate hotel industry professionals where I think I've kind of lived ancillary to it, where you read headlines about what's happening and you understand it as an investment class, but it but it is a specific thing.

00;11;49;15 - 00;12;05;01
GUEST
I think if if you want to be in that space, you need to really understand it. And showing up and doing one deal and hoping it goes well is probably not the way to succeed in hotels. So yeah, maybe let's see something, something for the future. But it's not really been a part of my past.

00;12;05;04 - 00;12;25;06
HOST
Yeah, I guess the learnings, you know, in terms of the the op co prop co piece of hotel investment and management probably apply and we'll come on to it later in terms of the self storage. Definitely. Right.

You know there's that that operational piece that that's been through it. You with Madison for kind of a couple of years analyst program kind of brushing up and getting some experience across investment in asset management, is that right?

00;12;25;06 - 00;12;29;03
HOST
Correct. What kind of deals were you looking at and geographically, where were you focused?

00;12;29;09 - 00;12;48;10
GUEST
Yeah, I mean, it's the business is an international one. I guess it's the name would would imply. So it was everything from, you know, major, major gateway cities in the US to capital cities across Europe. I mean, I guess thinking back to that point in time, you're looking at 2012 to 2014, so, you know, won't surprise anyone to hear that office was more in favor.

00;12;48;12 - 00;13;10;28
GUEST
I think there were a lot more, what I would call kind of asset specific. I don't know if it's just the industry as a whole has become more, more complex about thinking about platforms and opcoes and, structured pref investments and structured positions that have, all of these kind of bells and whistles to them that maybe were not as much a part of the industry back then.

00;13;10;28 - 00;13;32;25
GUEST
I don't know if that's just my experience or maybe something that other people would agree with. But yeah, I mean, it was looking at largely the the traditional asset classes understanding, you know, valuations, building models and and yeah, I think most, most of my, track record coincidentally has been in Europe, even though I was based in New York for, for, you know, call it 40% of my time in Madison.

00;13;32;25 - 00;13;33;12
GUEST
Yeah.

00;13;33;14 - 00;13;40;10
HOST
So you with the business for, for a couple of years and then you left. Right. Can you just talk to me about the rationale for leaving and what you went on to go and do? Yeah.

00;13;40;17 - 00;14;00;08
GUEST
So, I, I guess everyone has, you know, we all have moments where you can look back and know where, you know, a page was about to turn. I mean, I think, for me, I'm not from New York City. I think I saw I saw my life getting not not not, not to be too grand about it, but I saw my life getting too serious too quickly.

00;14;00;13 - 00;14;18;11
GUEST
I think, you know, when people start talking about taking the Metro North, which is like the equivalent train that goes out to the suburbs, and people are talking about pension plans and children and private schools and all of this stuff in, in your 20s, which might sound crazy in Europe or in a UK context, but it does kind of happen in, in the US or in New York.

00;14;18;11 - 00;14;41;04
GUEST
And I think I, I felt like I wanted to see other things before I moved into a world. There was a little bit more

permanent. And yeah, I thought to myself, okay, what what skills do I have? Well, I have ideas about, you know, strategies and sectors. I have the ability to to build financial models and value deals and be helpful from an analytical perspective.

00;14;41;07 - 00;15;06;29
GUEST
Where could those skill sets be transferable? So I was looking at fraud because I thought it'd be interesting to, to, to do, to do a period of time in my life, in my professional career outside of the US, just for, you know, for obvious reasons. And, coincidentally, I was I was actually doing networking within, within Asia and was planning to actually take a trip there, meet people from my broader network that that could try to unlock some doors.

00;15;06;29 - 00;15;26;14
GUEST
And then somewhere before that happened, I got a phone call from someone and said, hey, look, I know you're looking at doing other things and you want to move abroad. There's a, a mixed use Marina development project which is underway in, in Eastern Europe, that that business called Porto Montenegro. Maybe you'd want to talk to this guy.

00;15;26;14 - 00;15;44;15
GUEST
He's leaving his role to go back to business school. You know, he's a few years ahead of you in terms of your experience level. So it might line up well. And a couple of months later, that was that was where I went. So I think in many ways it was it satisfied the international curiosity. It was an operating business.

00;15;44;17 - 00;16;06;04
GUEST
There was a hotel which had just opened that had 100 keys. There were 200 apartments, there was a 450 berth Marina and 50 retail units within the village. So it was really trying to be a home port for really large private boats and yachts. And I think if you look back over the last decade, it really has has become that.

00;16;06;09 - 00;16;09;12
GUEST
So I was there for a period of that business life cycle.

00;16;09;14 - 00;16;30;11
HOST
And what were the kind of the key takeaways of that period is you're kind of becoming. Yeah. Marina is it's slightly more alternative, right. I guess a lot of the principles that you were learning in terms of underwriting and valuing core real estate. Yeah. You're transferring those to a slightly alternative. Yeah. Asset class and still really state your infrastructure underpin it.

00;16;30;11 - 00;17;01;14
GUEST
Right. Yeah. It's funny I mean maybe maybe I should just so branding all these things is a form of operational real estate, which is true. I mean, I think the Marina business is not one that everyone spends time in, but it's interesting in that you have effectively an inventory of space, either, the basin of water, which you can, depending on how flexible your, you know, your basically your jetties and your pontoons and stuff are, you can, you know, move it around like a Tetris board to try to sell space more efficiently to larger boats, to smaller boats, depending on seasonality.

00;17;01;14 - 00;17;29;17
GUEST
There's so it's in some ways similar to a hotel in that regard, except for the fact that it's not a necessarily a

fixed space or fixed interval of size that that you're selling. And also the duration of the contracts were in some cases three hours, in some cases three months, three years. So how do you price each of those pieces of, of your, of your revenue stream, not necessarily knowing what business will look like three months from now or six months from now.

00;17;29;17 - 00;17;45;21
GUEST
So from that sense, I think it was a very interesting business to understand. And if you I mean, if you connect that to other operational real estate asset classes like hotels or, or what I'm doing now with storage, there's there's certainly lessons you can learn about yield management. Yeah.

00;17;45;24 - 00;17;56;05
HOST
You were there as you, as you said, for kind of a year and a half or so before, before leaving. Can you just talk to me about that, that next step, because there was an entrepreneurial itch? I'm not. Yeah. Mistaken.

00;17;56;05 - 00;18;17;21
GUEST
Yeah. So I have a, I have an older brother who's very much kind of, I guess embodies the startup venture capital California. I have an idea and I have confidence and I can find people to to to believe, believe in me and believe in what I'm doing. And he's he's really done that his whole career, which is has been an impressive thing to watch from the sidelines.

00;18;17;21 - 00;18;47;11
GUEST
And, at some point along his journey, when he and I were, were speaking about his life or my life or how people work. I mean, this was in 2015. So a different landscape in terms of, in terms of a lot of things. But we we had this opinion that basically the, if you want to call it the housing model of fixed one year leases within large cities didn't really accommodate the way that digital, let's call them.

00;18;47;11 - 00;19;11;06
GUEST
Digitally employed people were working. And I think we were beginning to see the, you know, people use this term digital nomad, which I in some cases, like in some cases don't. But, I mean, I think we were seeing the earliest development of that cohort of people, and he was one of them. And I think I, I saw this from the real estate side, and I saw this from, you know, kind of the housing side, if you want to think of it like that.

00;19;11;06 - 00;19;34;20
GUEST
So we basically set out to create a platform where you could sign a lease with a business, and that lease would provide you access to land and ten different cities if you wanted to. And you know, so I guess if you're the digital nomad, what you get out of that, you have, you know, easier access to reliable Wi-Fi, a safe place to live.

00;19;34;22 - 00;19;59;07
GUEST
People that you enjoy talking to, the collaborative co-working environments that you wanted to be in, and that local interconnectivity, which is hard to hard to find. And I think that we wanted to we wanted to do that to service the US market. So we were looking at places in the US time zones, which is why we first tried to to basically start a location in Puerto Rico, which for those of you that are not from the US, maybe it's a little bit less familiar.

00;19;59;07 - 00;20;18;12

GUEST
It’s a commonwealth, so it’s technically part of the US. They have passports, but they don’t have representation in Congress, which is kind of a bizarre thing. But you can fly there without a passport. You can use a hospital system. Your phones would work there. If you arrive from America. It’s on the same time zone as Eastern Standard Time, but it’s culturally quite distinct.

00;20;18;12 - 00;20;37;15
GUEST
So I think we thought that would be the right place to to start this business, because it would provide some kind of, a different cultural environment, but would be, you know, have many of the creature comforts at home for American working populations that were based on the East Coast. And the plan was to do that in, you know, ten places.

00;20;37;15 - 00;20;54;20
GUEST
Obviously, we didn’t necessarily get that far, but raised a bit of money, tried to put it to work. We got Excel accepted to an accelerated program, but ultimately found it too difficult to secure, a first site and, and gave back the money that we hadn’t spent or invested and, and moved on.

00;20;54;22 - 00;21;09;11
HOST
Ahead of your time. So obviously we were kind of came in and, you know, not quite the same business model, but maybe provided some of the, the infrastructure of real estate. Yeah. Networking opportunities, digitally minded or nomadic, you dated individuals.

00;21;09;11 - 00;21;37;02
GUEST
It’s funny. I mean, I haven’t looked at the emails or the pitch books of that business for a long time, but, I mean, the things that we were quoting as evidence of what was going on in the sector were, you know, it was we work as a as a co-working brand. We were kind of, a housing arm called We Live, which it opened a couple of locations in New York, which we were looking at is evidence that this was going to continue to, to be a way that a way that people would live, especially millennials.

00;21;37;05 - 00;21;57;29
GUEST
There were a couple of other businesses, that I don’t think exist anymore. But then probably the maybe the winner of that sector was a group called Selena that, was based in Central America and set in Latin America primarily. I would I would have described them as more of a hostel hotel concept, but over time, they opened enough of these locations.

00;21;57;29 - 00;22;16;15
GUEST
I think they understood that a lot of their underlying customers were people who were traveling and working and maybe would stay for two weeks, or for a month or for longer. And over time, I think they actually, at some point rolled out a, I don’t know, kind of a monthly program, which in some ways looked very similar to what we wanted to create.

00;22;16;17 - 00;22;27;03
GUEST
So I do I do believe that we were onto something maybe too early, maybe, maybe didn’t have all of the right pieces in place. But but yeah, it was obviously something you learn more from the things that don’t go right than the ones that do.

00;22;27;06 - 00;22;41;04
HOST

100%. Talk to me about the move because you kind of boomeranged back to to Madison, right? Can you just talk to me about the the rationale in that piece in terms of going back to Madison, where were you based and what were kind of the deals and what are the things you're working on? Yeah.

00;22;41;04 - 00;23;02;29
GUEST
So I well, let's say after spending a year and a half living in Montenegro and in a year living in Puerto Rico, I probably would have been an unusual candidate for. I mean, you work in the in the world of recruitment, Matt. So, like, you know, if I called you and said, hey, look, I'm working for an institutional, to to basically re, reintroduce myself to institutional environments.

00;23;02;29 - 00;23;21;03
GUEST
It's it's not, it's not a story you'd hear every day, but I think the, the skills that I picked up from that translated into, you know, operational real estate, a lot of what I did in my sneaker was, you know, kind of asset management of the, the assets and the different business lines of that project. So I wanted to come back into institutional property.

00;23;21;03 - 00;23;44;06
GUEST
I wanted to cut my teeth in that sector in a, in a proper way and apply some of the things that I learned the, the, the folks at Madison at the time I'd been close to, I think in many ways use them as mentors and and. Yeah, so it was it was a relatively natural conversation around, you know, come back and help us, help us to continue to grow the business and, you know, work on the things that you'd worked on.

00;23;44;06 - 00;24;10;27
GUEST
And, you know, we've expanded in the following ways, which, you know, you probably will find interesting. So so yeah, it was and I mean, I interviewed other places and was looking at other roles, but I think ultimately the the people are what brought me back. And I think the fact that it is an international business was a nice complement to what probably had been a, a somewhat fundamental shift in my mental landscape about how I thought about my own future in the U.S or, or living outside of it.

00;24;10;29 - 00;24;39;02
HOST
In the intro, I gave a bit of a blurb about Madison International Realty. It's a bit of a mouthful, and I'll reread it again, just and then it'll be useful for each kind of unpick or just kind of just, compartmentalize the different areas of business and where and how it operates. So business focus on providing liquidity to real estate owners and investors who otherwise had few options for facilitating early exits from their illiquid real estate ownership positions or monetizing embedded equity.

00;24;39;04 - 00;24;41;22
HOST
So for someone who's like, listening to this.

00;24;41;22 - 00;24;42;18
GUEST
What is that all about?

00;24;42;18 - 00;24;52;13
HOST
What what is that all about? What does it mean? And what part of the the real estate investment management landscape, capital stack, etc., etc. were you guys looking at?

00;24;52;17 - 00;25;19;02

GUEST
Yeah, I would, I would maybe simplify it into saying that most of the strategies Madison was employing were, were kind of indirect equity strategies, or I think the industry frames, most of these are secondary, or there's some differentiation between fund level secondaries and direct secondaries, which I can come on to. But yeah, I mean, I think in if we maybe take a step back and you go look at the commercial real estate space in general, there's a lot of structuring that takes place.

00;25;19;02 - 00;25;58;16
GUEST
You have, operating partners and capital partners. You have funds, you have syndicates, you have closed ended vehicles, open ended vehicles, all of these, all of these structures that our industry has created with, with good reason over the past couple of decades, inherently create illiquidity in in the ownership structure where you might own 20% of something. And at a point during the business plan, you want out of that, out of that exposure, how do you how do you find liquidity in some cases, if it's an open ended vehicle, it might just be trying to find a buyer for your shares if it's listed, obviously that's easier than if it's a non-listed name.

00;25;58;16 - 00;26;25;19
GUEST
But in the world of private real estate, those solutions are a little bit more complicated. So I think the really the focus of the business was finding situations where there was some story around liquidity where, you know, not not due to let's, let's I want to be clear, it's not due to issues regarding the underlying health or performance of the assets themselves, but more, you know, people use the phrase like not bad assets, but buy a bad balance sheets.

00;26;25;19 - 00;26;44;10
GUEST
A lot of times when they talk about secondaries. And I think that that is is probably something that would have applied to the Madison business as well. We would. Yeah. I mean, it was it was looking for, you know, moments where pieces of equity could be priced appropriately and and you could step into sectors and markets and alongside managers that you believed in.

00;26;44;10 - 00;26;58;25
GUEST
So it's it's not operating real estate in kind of the conventional sense of the word. It was it was a little bit more passive than that. But a lot of the a lot of the examples were, you know, you could you could pull from this here. They're everywhere. They were all really case by case. Yeah.

00;26;59;00 - 00;27;20;00
HOST
So Madison itself as a business would raise dedicated funds, right. Yeah. So like normal private equity. Yeah. Businesses that go and raise a fund with a strategy and and target return profiles, etc., etc.. Yeah. And then as part of the role, you were looking at these opportunities to basically acquire stakes in real estate either funds or individual assets.

00;27;20;00 - 00;27;37;18
HOST
Yeah. And for ease of maths, if, hopefully this kind of adds up. Yeah. If you're gonna put me on the spot, it's you're going to, I don't know, acquire a 20% stake in a building for 100 million pounds, if that's what the word. Sorry if 20% of the building is worth 100 million.

00;27;37;23 - 00;27;38;26
GUEST
Yeah.

00;27;38;28 - 00;27;42;24
HOST
But that particular owner of that stake wants out.

00;27;42;24 - 00;27;43;18
GUEST
Yeah.

00;27;43;20 - 00;27;48;26
HOST
You might buy that stake for 90 million or for 80 million, right.

00;27;48;28 - 00;27;50;06
GUEST
I guess is an implied value.

00;27;50;06 - 00;27;59;15
HOST
As an implied value. Yeah. And so you’re kind of getting your upside in terms of the arbitrage difference. Yeah. So they’re getting their exit. But you’re also getting a stake in.

00;27;59;15 - 00;28;34;07
GUEST
Yeah. Maybe to yeah. To, to to put it another, another way. Like if you said, you know maybe setting aside the actual values of it, if you said you bought something for a 20% discount versus what you thought it was worth because you were buying a piece of something, not the whole thing, if you let’s say you bought into a business plan that had four years left for meaning, and you bought it for a 20% discount, roughly speaking, splitting that discount into four years would give you 5% of of annual IRR accretion from from the discount on your way in.

00;28;34;10 - 00;29;10;09
GUEST
Now that would be assuming that you could exit on a market price basis, which is kind of the other I don’t know if I call it magic to secondaries. Is that, you know, you really become an arbiter of liquidity and liquidity and understand how to price it. So if you’re buying something that is fractional, you know, on your way in and you’re getting a discounted price versus what you think it maybe otherwise would be worth, if the whole asset sold, you need to make sure that you’re exiting your position alongside the other shareholders, or through an asset sale, or through some sort of a process that provides a market priced exit so that you bought

00;29;10;09 - 00;29;19;02
GUEST
something liquid. But you exited on a on a market price basis because buying a like illiquidity and selling illiquidity is, is not going to really do anything for you.

00;29;19;02 - 00;29;37;11
HOST
I knew I should have got you to explain it. Rather, we tried to to to work it through. So in terms of the landscape, then where were you kind of looking? What types of deals can you just expand on asset level. Fund level. Yeah. You know, and how how often do these types of deals present themselves as well.

00;29;37;17 - 00;29;37;29
HOST
Yeah.

00;29;37;29 - 00;30;01;16
GUEST
So I would separate the world of again, speaking in general terms, the world of secondaries into fund secondaries and direct secondaries. The difference being if you said, you know, a, b, c commingled fund raises $1 billion, they have pensions and sovereign wealth funds as investors, and they go do a bunch of underlying investments in their strategy.

00;30;01;16 - 00;30;30;11
GUEST
So if you were recapitalizing or buying out some of the LP equity in their commingled fund, I would call that more of a fund secondary versus if on the underlying asset asset level transactions themselves, maybe they were joint venture partners or maybe there was clawback Whitney or syndicated equity or other other forms of, you know, kind of multiple multi entity capitalization that that you were buying, you know, interest in those pieces.

00;30;30;11 - 00;30;55;22
GUEST
So the I guess there’s differences between them in that if you’re buying at a fund level, you probably have, you have less access to transparent. See, because you’re, you know, you have 20 deals and then a fund structure and you’re sitting above the fund structure. So you need to basically price your entry to understand that you might not have a perfect view as to what what everything’s going on underneath you.

00;30;55;25 - 00;31;17;07
GUEST
But at the same time, because you’re buying in partway through a fund’s life cycle, you’re holding period is compressed, which would help your IRR. Also, the first couple of years of the the business plan are usually the riskiest in terms of execution in terms of effects of the J curve. So there’s some benefit of stepping in midway through like a commingled fund from that perspective.

00;31;17;07 - 00;31;40;00
GUEST
But but yeah. And then it’s just really trying to get a sense of what do you think the end of the, of that vehicle would be. And, you know, therefore what what price are you, are you would you need to pay to generate a return that you feel good about understanding that you probably don’t have much if any, control on the underlying sales processes and outcomes of the assets.

00;31;40;00 - 00;32;04;03
GUEST
You’re kind of along for the ride, but you’re you’re you’re in the car at a better basis versus some of your peers. Yeah. Is is in general the story on direct secondaries. It’s different because you, you can be more precise about what asset classes you want exposure to, what specific are assets, and managers and maybe they’re harder to find because the deal sizes are probably a little bit smaller.

00;32;04;05 - 00;32;23;00
GUEST
You’re really going to have to roll your sleeves up in some cases to do the work on the underlying, you know, leases in the portfolio, the dad, the other partners. What is the motivation for the party who’s looking to sell? In some cases, maybe you will get liquidity provisions to where you can get out of it, or for sales or have put rights to your partners.

00;32;23;00 - 00;32;47;29
GUEST
But, it’s it’s I would say it’s a more granular and more kind of real estate business doing direct secondaries versus fund secondaries. But at this point, I think a lot of the, the players in the secondaries

universe do both. Maybe historically some groups were focused more on one versus the other. But I think the, you know, the, the landscape of opportunities is not it’s not mutually exclusive.

00;32;47;29 - 00;32;48;26
GUEST
Yeah.

00;32;48;28 - 00;33;09;17
HOST
And in terms of wider market volatility or movements, does, you know, is there a perfect storm, you know, when the market’s crashing and there’s distress. Is that good to be is that in a good place to be in a secondary secondary seat or you know, can you take take advantage of when the market’s going really well is as well.

00;33;09;20 - 00;33;12;03
HOST
Or is that the right way of looking at things?

00;33;12;06 - 00;33;36;25
GUEST
It’s funny I think you’re you’re you’re kind of you’re, you’re very close to like the, the, you know, hitting the nail on the head with this. I think that if there’s too much volatility in a market where you have, you know, very steep periods of asset increases or decreases and you know, that causes defaults and it causes, you know, bankruptcies and assets to be sold at auction and all of these kind of other more distressed forms of real estate transactions.

00;33;36;25 - 00;34;06;26
GUEST
I think oftentimes the people who are actioning on that opportunity set are direct investors themselves. So if you move outside the bandwidth too much, then, opportunity funds and others can, you know, can really step into the spotlight and, and make deals at those moments. I think secondaries do well in moments of well, especially as we’ve seen in the last 24 months and moments of illiquidity or, let’s call it just a reduced amount of transaction flow.

00;34;06;28 - 00;34;26;27
GUEST
Within the marketplace, I mean, 2022 by volume was the best year that the secondaries industry has had in terms of transaction volume. But I think that’s probably not accidental in that it was a run up in the market for the beginning part of the year, and then for the the latter part of the year, you were beginning to see things really slow down.

00;34;26;27 - 00;35;00;21
GUEST
And the only things that were taking place were, were basically real estate investors looking for, you know, sources of capital that, that, you know, they they probably couldn’t find from the debt markets. The equity markets were trying to, they were trying to price risk at a time when rates were rising and I think that that’s very much the story of what last year looked like, where if you can’t go to the bank and get a solution on some part of your business, and it’s difficult to to bring on new equity at a price or a valuation that feels fair or that you can agree upon.

00;35;00;23 - 00;35;14;12
GUEST
In some cases, secondary transactions become a a potential solution to some of those structures. And I think it’s not accidental that the the sector has become more kind of talked about or in vogue or however you’d want to frame it.

00;35;14;14 - 00;35;25;20
HOST
So these are the types of opportunity sets that you're looking at when you call. It came back to to Madison. We definitely where were you kind of based geographically when you came back, and how did your kind of role evolve?

00;35;25;22 - 00;35;46;24
GUEST
Yeah. So the first call, I guess the first call it almost two years. I was back in New York enjoying living there, looking at a mix of U.S. and European opportunities. I think, you know, the, the at the at the time, it was it's somewhat more of, an open structure where you could have people and, especially at a junior level, working on, on deals in different places.

00;35;46;24 - 00;36;09;28
GUEST
And then over time, they asked me to move to London. They asked me to help, you know, expand the size of the business here and be a contributor to, to the, to the platform on the European side, which I think for someone who had lived abroad relatively recently and enjoyed my time, but frankly, the places I had lived abroad were a little bit more unusual or probably not places I permanently would have lived.

00;36;10;00 - 00;36;34;11
GUEST
So coming to London was a really nice middle ground of being different, but not that different. And yeah, I mean, I think the opportunities that of of the things that we were looking at as time evolved, the business became more, let's say, more interested in some of the operational or alternative real estate asset classes. I think that probably coincided with other investor sentiment towards things like retail.

00;36;34;11 - 00;36;50;23
GUEST
I mean, if it's funny that now sitting here today, going looking back at kind of the the hiccups asset class wise over the last five years, I mean, it's almost like the the world of e-commerce and the effect on retail feels like such a distant memory. But it's like that was maybe one of the first one of these.

00;36;50;23 - 00;37;12;04
GUEST
And then you had, you know, obviously flow through and and larger shopping centers and then now obviously things with offices and you know, is, is pull back of Amazon leasing going to affect industrial logistics sector. All of this stuff. So yeah. But I mean as a as a business Madison was relatively I would say it was relatively flexible regarding asset class exposure.

00;37;12;04 - 00;37;36;04
GUEST
And there were a number of investments in different geographies, in different different sectors that were done because either we really like the partner or we really like the story around why the piece was being priced attractively, and it was kind of a true illiquidity story. You know, I think as a, as a prerequisite, it doing things with partners that you felt good about was, was a requirement, not a, not a one to have.

00;37;36;06 - 00;37;48;17
GUEST
So yeah, I mean over I guess over my time there, we, you know, we worked on transactions and closed things and the UK and the Nordics and Spain and Germany and, you know, Netherlands, many, many other parts of the continent.

00;37;48;19 - 00;38;02;11

HOST
Is there a different skill set to working on the indirect on the secondary side in comparison to the direct side, or do you need to have a really good knowledge and understanding of both to be a, competent investment professional? Yeah, I'm I.

00;38;02;18 - 00;38;24;29
GUEST
But it'd be very helpful if we brought in someone who is a direct side person, for, for ten years of their career to debate the other side of this, because I think, if you asked me what is the skill set you develop? And I would often talk about this when I'd be interviewing people or talking to, you know, people from the Cornell community that were undergraduates about how to pattern their career or where where should they work to build skill sets.

00;38;24;29 - 00;38;50;21
GUEST
And it's it's interesting. I think the skill set you develop in a secondary capacity is you you understand where capital flows are going. You understand why they're moving the way they are. I think you have you're you're kind of forced to be, conversational and fluent and have an opinion about macro things when it comes to the real estate sector, because, you know, the expertise you develop is not project specific.

00;38;50;21 - 00;39;14;20
GUEST
Like, I would not be the best person to go walk outside this office and make an estimate about the per square foot replacement cost of the building next to you. That's not that's not something I would excel at. But I think that if you work in these, what I would call, you know, either indirect funds or fund of funds or, you know, more kind of capital allocators, I think you, you understand why partnership structures have set up the way they are.

00;39;14;23 - 00;39;46;05
GUEST
You understand which structures incentivize certain outcomes and which ones don't. And I think you get a really good sense for what best practices are in terms of those markets, so that, you know, if you were to to put something in place, you would have a pretty good idea about how to go about it. But there's no escaping the fact that the granular kind of real estate understandings that come from developing real estate, operating real estate, managing real estate, you know, negotiating leases with tenants, overseeing CapEx projects like that is a that is a set of skills.

00;39;46;05 - 00;39;50;24
GUEST
That is that is, I think in some ways, you know, separate from the skills you would develop in.

00;39;50;27 - 00;40;10;16
HOST
Your Eurostep two, three, four, four away, right? Yeah, yeah. Higher. Not higher up the, you know, higher at the food chain, but just a different part of the ecosystem. Yeah. In the space you, you're at Madison for your second stint just over seven years or, or so. And you left the business in January 2024 to recently. Yeah, yeah.

00;40;10;16 - 00;40;21;03
HOST
To go to Pathos Capital as an investment director. Can you just talk to me about the rationale for doing that and talk a little bit about pathos, who they are, and of course, what you've kind of join them to do?

00;40;21;05 - 00;40;40;07

GUEST
So the I guess, the evolution of my career maybe is, I don't know, somewhat related to your last question, I think I from seeing different sectors and getting a developing a view about where I thought there was potential or, you know, maybe, in short, where do you think which sectors will have a good next 5 or 10 years in front of them?

00;40;40;07 - 00;41;08;12
GUEST
I think over over the last 12 or 24 months, I increasingly felt confident and spent a lot of time on on self storage. And, you know, there's been other folks in your podcast who kind of shared their views on UK storage and, you know, kind of other, other aspects of that sector. But I think, you know, in my view, there's a few, but maybe taking a step back, a lot of real estate trends that you experience in Europe or in the UK, you know, originated in the US.

00;41;08;12 - 00;41;28;23
GUEST
I'm not saying fundamentally that's the case, but I think in, in many cases the large kind of waves move that direction. And then there's there's subtleties and there's nuance around how they get adapted to these, to these markets in Europe. And if you look at the storage landscape, yes, there's a lot more supply per capita. People always quote, you know, this, you know, ten times more supply in the US than than the UK.

00;41;28;26 - 00;42;02;08
GUEST
I, I prefer a statistic which is, that something like 5% of the US population has a storage unit that they rent. Well, where in the UK that number is around one, and in Europe it's just above half a percent. So, you know, you don't need to believe the full exuberance of the American storage customer story to, to believe that there's even if, even if the UK and Europe came to 2%, there still would be a lot of supply and a lot of institutionalization to take place in the sector.

00;42;02;08 - 00;42;20;17
GUEST
And that's ultimately something that I was drawn towards. There's also some other kind of key differences about the sector, which I think are are interesting from a from a European context. If you look at the US, you have predominantly 30 year mortgages where the in the moment we're sitting and many of these are kind of in the money.

00;42;20;17 - 00;42;44;27
GUEST
And in regards to the interest rate versus where they can borrow for, for a new, a new financing. So what does that mean? That means that people aren't moving and they're not buying homes because they're they're sitting on the existing financing that they have. And the storage sector, I guess depending on how you want to slice it, is, is quite correlated to the amount of moves that are happening within the real estate space.

00;42;44;27 - 00;43;07;12
GUEST
So I'm talking more on a personal level, like downsizing, buying family homes. You know, someone passes away in the home, goes on the market, you know, there's divorces, there's people going to university and and moving out of one home and into another. All of those what I would call personal life. Life, shifts, necessitate some sort of a storage demand.

00;43;07;14 - 00;43;26;19
GUEST
And I think that the mortgage market in the US, because it's because it's slowed down, has caused the

US storage market to slow down in lockstep, which I think you you would have seen if you looked at some of the listed names over the last 12 months in Europe. Conversely, you know, many markets are floating rate debt for mortgages.

00;43;26;19 - 00;43;56;14
GUEST
So you don't have this this kind of in the money, out of the money concept when it comes to to borrowing money or moving homes. And, and then like in the UK, you obviously have these two, three, five year fixed periods which introduce some level of in the money out of the money, but it's obviously much shorter term, which I think will keep ultimately transaction volumes high amongst home sales and and moves and and rents, but also yeah I think it will basically keep those underlying demand factors moving.

00;43;56;19 - 00;43;57;07
GUEST
Yeah.

00;43;57;09 - 00;44;19;00
HOST
So a lot of those things you talk about a kind of defensive reasons or life things. There's also and I talked about this before or other guests have come on the book have spoken about, you know, the emergence of e-commerce and more offensive reasons to take storage. I setting up an online business selling perfumes or fragrances or TV cables or whatever it might be.

00;44;19;00 - 00;44;37;25
HOST
And yeah, you know, shipping in from China, but, you know, you're in a flat to your house and yeah, there's only so much space you can have and actually kind of taking space on a so what I'm looking for kind of operational industrial basis to be able to expand and contract is your, you know, maybe seasonality or is your business kind of scale is another reason.

00;44;37;25 - 00;44;38;13
HOST
Completely.

00;44;38;13 - 00;45;18;28
GUEST
And I, you know, I mean, there's, there's I think there's an argument to be made that certain kinds of storage, I mean, if you said maybe the the larger brands and operators in the UK, people use a walking around number of 30% for, for commercial business versus 70% for, for for personal. I think if you move up the size spectrum from, you know, let's just use big yellow or safe store kind of the large listed names, if you moved into more drive up style units that might have a garage bay inside and a mezzanine level in the back, those are in some cases people storing cars or a boat, or maybe it's being used by

00;45;18;28 - 00;45;44;02
GUEST
tradespeople or construction companies to store materials or high value pieces of equipment that they don't want to leave on site, but ultimately it's still a self storage business. I mean, there's there's a number of different European businesses, like there's a German business called storage 24, which is has grown really, really impressively over the last five years. And I would say very much fits into that kind of like drive up garage units sort of segment.

00;45;44;02 - 00;46;05;17
GUEST
It's like, is it self storage, is it some, some form of kind of multi unit industrial estate. The lines between those are somewhat gray. But I mean I think for the sector in general it's part of what people like finance.

You said it's you know you have you know thousands of underlying customers and it's not one lease that goes badly that can throw off your business plan.

00;46;05;19 - 00;46;27;15
GUEST
And ultimately, if you are able to do things to either increase your margins or, increase your occupancy or your rate through sale strategies, through things you can do digitally with SEO or, you know, micro micro strategies of integrating with the local community where the facility is. There's there's a lot of ways you can improve what you're doing.

00;46;27;15 - 00;46;36;28
GUEST
And it's not just a lease, a financing event, an exit cap, an entry price, but that's that's also that's the beauty. But also the course. It's an operational business.

00;46;37;00 - 00;46;41;02
HOST
So talk to me about those capital and why you decided to to make the move there.

00;46;41;07 - 00;47;04;24
GUEST
Yeah. So I guess I've made clear my enthusiasm for the sector. But I mean, the, I think when I was, when I was spending more time around people who were active operators and investors in the sector over the past couple of years and having conversations about what they were doing and how they saw the landscape. I think, it was a relatively natural conversation with, with, with the team at plus.

00;47;04;24 - 00;47;33;15
GUEST
I mean, they are I guess Megan has a quick background on them. They're based, in Geneva, Switzerland. So there are, I guess, originally more of a diversified investor, backed by a couple of family offices in Switzerland. At some point several years ago decided to acquire a local storage business in their home market. And I think, you know, without putting words in their mouth, had a good experience with that investment and sought to do more in the sector.

00;47;33;17 - 00;47;59;22
GUEST
The natural growth from that was then to acquire the largest operating storage operating business in Switzerland. So we now have the the largest market share in that market. And, you know, subsequent subsequent to that, I think more enthusiasm existed internally for the strategy, the, you know, the idea of those as a specific storage, call it, like investor, operating partner was born.

00;47;59;22 - 00;48;22;13
GUEST
And from that it's expanded into the UK. So we have a joint venture here on 28 assets with Davidson Kempner, where we're the operating partner, and we've invested together with with Dick and those assets, and it's a business called UK storage. And then there's a, there's several assets that we have acquired through either asset acquisitions or M&A of small operators in France and Spain.

00;48;22;16 - 00;48;59;16
GUEST
So, you know, that's the platform I think I like their business because I think in my in my view, there is a relatively limited landscape of operating partners who are equipped to understand the subtleties and the nuances of the sector. And when I was kind of, you know, beginning to feel more and more confident that I understand who the participants were and, the investors in this landscape, I think that they were well-placed to, to basically action on some of the big, big trends that they described at the beginning,

maybe to talk a little bit about, like the storage sector in Europe.

00;48;59;16 - 00;49;12;05
GUEST
I think that some of the struggles that investment funds will find is that you have a handful of really large deals, and once a really large, you’re talking about 100 million plus euros. It’s still small relative to other asset classes.

00;49;12;05 - 00;49;15;17
HOST
That and that a portfolio deals on a single asset trader talking about.

00;49;15;23 - 00;49;41;27
GUEST
Its, portfolios. Yeah. I think, you know, you’re probably not going to find single assets in storage that are worth more than ten, 20 million, pounds of euros anywhere. So when I’m talking about 100 million plus size tech, a lot size, it’d be a business somewhere. So people start a brand and assets and usually those businesses get they get priced up because the the interest in the sector is real.

00;49;41;27 - 00;50;08;11
GUEST
But the access points at scale are are infrequent. So, you know, you basically are left with the decision. If you’re an investor who likes the sector, do I want to pay those prices to buy platforms, or do I want to do some sort of a granular strategy where I acquire assets, convert them to storage, and acquire one by one by one operating assets and merge them into a brand?

00;50;08;13 - 00;50;27;04
GUEST
Some of them have chosen to do that in-house. I think that’s it’s a relatively small number of investment funds that have taken that taking that decision. And I think the majority of them have been left somewhere in the middle where they go. The granular build up, amalgamation strategies are are two there too long? They’re too they’re too granular.

00;50;27;06 - 00;50;49;12
GUEST
The sizes are too small. But we don’t want to pay some of the prices that are being paid for the platforms. So what are we going to do? And I think, frankly, a group like ours is, is well placed to try to either grow platform to a size that there would be interesting to institutional capital, either with institutional capital or, or kind of for them.

00;50;49;12 - 00;50;55;03
GUEST
Or you can basically help investors navigate that. What if I’d call it like the middle market landscape?

00;50;55;05 - 00;51;16;13
HOST
Yes, I buy it or build it. Yeah. Somewhere in the, in the middle, middle. And are you finding that the people who decide to build it from a granularity perspective, they converting secondary offices or they kind of building on, you know, land or sites? Well, yeah. You know, are they kind of upgrading industrial estates and kind of repositioning them?

00;51;16;13 - 00;51;18;27
HOST
What, what types of

00;51;19;00 - 00;51;42;14
GUEST
I think in the UK you've probably I mean, this is the most mature institutional market in Europe by, by any measure. So the kinds of strategies you're seeing here are probably the most innovative if we want to frame it like that. So you would see, you know, I think like not to be too granular about it. I think storage is technically an industrial use class in the UK.

00;51;42;14 - 00;52;09;14
GUEST
So if you're using an existing B class industrial building, you have less of, of a process with local council around change of use or any of those parts of the business plan. So I think there are investors who are targeting only B class conversions where they're buying industrial facilities, maybe adding mezzanine layers to to add more storage depending on the ceiling heights, and then trying to get them operational.

00;52;09;17 - 00;52;41;10
GUEST
I would be of the opinion that there's a lot of interesting conversion opportunities that will come through in the world of retail, and secondary offices. The I don't think that we've seen quite all of the, if you want to call them like the either the kind of out of the money investment structures or banks that own assets that, you know, were handed back to them by borrowers or, or things that don't have an obvious next use, they're probably not going to attract a, an office tenant to, to sign a ten year lease there.

00;52;41;10 - 00;53;01;22
GUEST
And they're in a part of the UK that maybe is is not as much of an office market as it was 20 years ago when the building was built. I think those kinds of assets could could find a home in self-storage. I guess without giving away too many of the secrets, like the the considerations around that largely have to do with heights of the buildings access or parking visibility.

00;53;01;24 - 00;53;21;23
GUEST
How much can the the floor support in terms of weight? Because oftentimes office buildings or retail buildings were not maybe built with the same specs in mind, where industrial buildings are often easier conversion candidates because they're they're they were constructed with the intent of supporting a lot of weight, which, which storages as well.

00;53;21;26 - 00;53;39;18
HOST
Are you seeing a growing trend in terms of storage for super fine art? And luxury luxury high end materials like really precious artifacts that very wealthy people own? Or is that is that a growing part of the market or.

00;53;39;21 - 00;54;15;09
GUEST
I think if we're sitting here five years from now, that will be a part of the conversation? Or certainly an increasing part of the conversation. I mean, the it's funny, actually, over a close friend of mine whose wife we're actually both them used to work in, in the art advisory world for, for Sotheby's and Christie's. And then at some point, she kind of, through a series of discussions, ended up working for a kind of like an art I don't call a handling business, but like they would look after the portfolios of physical art that people had and, and the storage solutions and the transportation and the the care and restoration of, of some of

00;54;15;09 - 00;54;48;16
GUEST
those pieces. So and it's a properly mature business in the US and I think for, for those same reasons does already exist here. Do temperature sensitive wine, you know, or other, you know, other kind of

private collectible items make sense to put into to storage in some cases? Yeah. I, I think some of the larger operators here have parts of their portfolio or parts of their assets that do have exposure for, for kind of wine cellars or, you know, temperature and humidity sensitivities for, for humidors or other things.

00;54;48;16 - 00;54;56;18
GUEST
But I, I think that you will see specialist storage groups evolve to, to cater to that demand. And I guess probably in capital cities only I'd say.

00;54;56;19 - 00;55;21;28
HOST
Yeah, sure. And I guess there's a medical angle to it as well. Right. And it's really a growing, a growing space there or certainly with innovation and lab space as well to make, you know, more prominent to more of an investable ecosystem. There's probably an angle and I'll go there. So just talk in terms of the ambitions that you have and you kind of the role that you've been brought in because you touched on LC, the, the JV with DK and as a platform you kind of co-invest alongside other LPs.

00;55;21;28 - 00;55;24;20
HOST
What what are your kind of plans to kind of scale and build the business?

00;55;24;24 - 00;56;00;11
GUEST
Yeah, I mean, maybe in simplest words, it's that we would like to do more of those sorts of transactions going forward. I think that we are of the broader view that the European landscape and the UK landscape are attractive places for the for the sector. Okay. That's great. The next the next question is, you know, where we have house views based off of the, the data that we sift through and, the kind of analysis we run on it about where where we think it would be interesting to be active and why.

00;56;00;13 - 00;56;18;06
GUEST
And then it's really about talking to other investors that would find those investment stories and those those business plans interesting and, and finding a way to work together. I mean, I think for us, we're not, you know, I guess, yes, in some ways, yes, we are a capital source and we can organically grow some of these businesses ourselves.

00;56;18;06 - 00;56;38;21
GUEST
But also it's, it's looking to find other, other investors who, like the sector, want to find a way to build exposure to it, but are looking for the right kind of operating partner to give them confidence that they're making the right decision in terms of how they're going about their allocation. So so yeah, I think that there's a lot to be done.

00;56;38;21 - 00;56;44;07
GUEST
And, you know, my my role within those is to help effectuate some of those, those outcomes.

00;56;44;10 - 00;56;55;28
HOST
So a question that I ask everyone as we draw to a close is if I gave you 500 million pounds of capital, who are the people? What property and which place would you look to deploy that capital?

00;56;56;00 - 00;57;23;27
GUEST
I had a sense this question was coming, so I'll I'll put my money where my mouth is in terms of saying one

of the largest of that allocation would be in storage, period. So in terms of who, what, where I would say pan-European self storage and in terms of how do you access the sector? There are a few ways to go into the sector, but I think that so long as you're being thoughtful about who you're partnering with and what your goals are, you will do well.

00;57;23;27 - 00;57;49;17
GUEST
So that would be that would be one big piece of it. And then I think the the other big themes in real estate that are worth actioning upon digital infrastructure, you know, whether you're talking about DCS or data centers or cables or EV charging points, there's there's a lot of kind of sub, you know, kind of sub subcategories in that, in that world.

00;57;49;17 - 00;58;19;11
GUEST
But I think building exposure to that on a, on a, you know, five year basis will serve you really well. And, and then maybe as a curveball recommendation, it would probably be maybe 50 of the 500, let's say. I think there are probably opportunities within retail centers that are continue to be mispriced. And if you think about they've survived the e-commerce wave, they've survived Covid, they've survived inflation and higher bank rates.

00;58;19;13 - 00;58;41;24
GUEST
The centers that are still performing well in my mind are are are pretty strong assets. And if you can finance them attractively relative to the price of your buying an ad, you know, they might benefit from some some compression over the next 12 to 24 months where you're you're basically paid for being a bit of a contrarian. So that would be the, the the curveball, the curveball part of the portfolio.

00;58;41;26 - 00;59;06;11
HOST
Well, Craig, you've had an amazing career. One that has been entrenched in operational real estate right from Cornell. Given your hotel exposure, even on a limited basis, it's more theoretical through to, the self-storage platforms that, you are working on at the moment. Thank you so much for joining me. And, sharing a little bit about your background and story.

00;59;06;11 - 00;59;10;08
HOST
And I'm really, really excited to see what you and the team go on to, to build.

00;59;10;11 - 00;59;13;17
GUEST
It's been a pleasure to be here, man. So, so thank you for the time.

00;59;13;20 - 00;59;36;03
HOST
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00;59;36;06 - 01;00;03;11
HOST
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01;00;03;13 - 01;00;11;07
HOST
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