00;00;03;28 - 00;00;26;24
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;26;26 - 00;01;00;08
HOST
Welcome to the People Property Place podcast today. We are joined by Crispin Gandy, CEO of Argo Real Estate. Argo is a dynamic, UK based thematic investor focused on delivering outperformance for their investors. As a group, they've concluded circa 2 billion of transactions and have expertise across all mainstream asset classes, investing across core to opportunistic risk profiles. Prior to joining Argo, Crispin was previously head of Investec Property in the UK.

00;01;00;10 - 00;01;16;23
HOST
He has over 25 years experience in the industry, working for companies such as Exemplar Properties, Schroders and Knight Frank. He holds a BSc honors degree in Estate Management and is a member of the RCS. And it gives me great pleasure that he joins me on the podcast today. So welcome, Crispin.

00;01;16;24 - 00;01;17;16
GUEST
Thanks for having.

00;01;17;16 - 00;01;31;06
HOST
Me. Not at all. We'll look and we'll get on to Argo and the business and the market and how you see things. But a place that I always like to start these conversations is how and why did you get into real estate?

00;01;31;08 - 00;01;52;20
GUEST
It was a family friend, actually. Was a friend of my father, who is a very charismatic individual. So. And I didn't really know what I wanted to do when I was, when I was younger, probably in my teens. And I went to go and spend a couple of days shadowing him, and I like what he did. It wasn't really real estate aspect of it.

00;01;52;22 - 00;02;10;12
GUEST
It was just that he had a very social career and I love that fact. I love the fact that he met a lot of people, a lot of different people involved in a lot of different things. And then that that led me to go to Oxford Brookes and study real estate estate management, as it was at the time.

00;02;10;15 - 00;02;31;07
GUEST
And from then, having done the course to Doctor Brookes II, I thought I'd go traveling, but ended up getting job offers, so never went traveling and, took, took a job, took a job on the, the graduate placement scheme at Knight Frank. And, yeah, spent a couple of years on the graduate placement scheme and then ended up, staying there for for five years.

00;02;31;09 - 00;02;36;05
HOST
So there's no family, no friends other than your your father's friend who is in property.

00;02;36;08 - 00;02;57;08

GUEST
That’s right. Yeah, it was simply him. And and, you know, and it was that social aspect that I love. It wasn’t even the real estate aspect. And I think, you know, it’s in many respects have been fortuitous. The I love real estate and I love what I do. And I’ve been lucky to, to get involved in something the, the you end up being passionate about and, and driven about.

00;02;57;08 - 00;03;01;19
GUEST
But it, you know, it’s really that social aspect that I love to begin with.

00;03;01;25 - 00;03;10;08
HOST
How? At school. What kind of kid were you at at school? If you can cast your mind back? That fall.

00;03;10;10 - 00;03;30;23
GUEST
Yeah. I love my school. I love my sport at, school. I think I was quite a socials kid. I was, I was not the most academic kid, but I wouldn’t say I was, academic, but, I wasn’t passionate about school. I couldn’t see I couldn’t see the lot of the benefit of it. And I need to be I need to be motivated by something.

00;03;30;23 - 00;03;51;00
GUEST
I need to see the benefit of doing something. And, you know, I certainly you’ve got that, more latterly, and I think I kind of winged my way through my A-levels. So going my way through my degree, it was all quite last minute and, but yeah, that then gets you out the other side and gets you where you need to be.

00;03;51;05 - 00;04;06;25
HOST
And then when you kind of met this, friend of your father, and you can see how social it was and you weren’t necessarily right behind a desk doing reports or essays at the time. It was like, actually, I can get behind this. And this is quite interesting and exciting and actually probably playing to more of your skills and interests.

00;04;06;25 - 00;04;09;09
HOST
If we kind of think about the sports aspect that you touched on.

00;04;09;09 - 00;04;40;11
GUEST
Yeah, that was a key aspect. I think, you know, not being behind a desk all the time, I think I found that that quite attractive. And also I could see the he wasn’t doing the same thing every day. Every day was slightly different. And I think that I also found that, that quite interesting. You know, certainly the sporting side, I think, you know, that’s more about the sort of drive and passion and motivation when you get stuck into something that you’re good at and you want to get better, that’s that’s where that how it comes out.

00;04;40;11 - 00;04;48;14
GUEST
And I think, you know, that’s been key throughout a career. It’s being being motivated and driven and passionate by what by what you’re involved in.

00;04;48;17 - 00;04;52;26
HOST
So you landed a knight, Frank. Did the graduate scheme there?

00;04;52;28 - 00;05;23;13

GUEST
Yeah. It was, it was, it was a brilliant course. I think there were probably 10 to 15 in my rotation at the time. We just so the recession was in the early 1990s and we were coming out of the recession, which actually in many ways had similar characteristics for to to the period we're in. We're now and it was a it was a growth period, and we were one of the first sort of years of graduates coming back into that growth period.

00;05;23;15 - 00;05;47;14
GUEST
And I did, we did six month rotations in the various different departments. And then I ended up getting a placement in the investment team. Working with, some, some excellent guys who I'm still connected to. It took a lot of time for. And, we were mainly, buying and selling portfolios, investment portfolios in the UK.

00;05;47;16 - 00;06;07;19
GUEST
And, yeah, it was a great time. And it was also a great time because it's where you make a lot of your contacts. We were penniless graduates, and you used to go out on a Thursday night, but we had no beer money. So we used to go out on the company, and they often used to have a sort of drink rotation type events.

00;06;07;19 - 00;06;17;19
GUEST
And you got to meet people from other different companies, get to meet and go out. And that's how you make your connection through, you know, which the many of them I'm still in touch with now.

00;06;17;25 - 00;06;20;23
HOST
Paid for socializing with the work benefit as well paid.

00;06;20;23 - 00;06;21;28
GUEST
For socializing.

00;06;22;01 - 00;06;34;03
HOST
So was it was investment always the route that, you wanted to go down and up to see? You always look to kind of move into, having kind of rotated through a couple of different departments.

00;06;34;03 - 00;06;54;08
GUEST
Yeah, I think so. I mean, there were certainly there were certainly some departments that I realized I was less interested in, maybe the sort of landlord and tenant side and the, property management side and valuation side. But I think, you know, what I cut out of those was they were hugely important. They gave you skills are really important on the investment side.

00;06;54;08 - 00;07;05;13
GUEST
But but the investment side was where I wanted to be. You know, I mean, was it the more glamorous side? Possibly. But I think it also played probably to my, my interests as well.

00;07;05;18 - 00;07;13;10
HOST
And so the team itself was particularly portfolio orientated in terms of the types of deals you were doing. So rather than single asset, you're buying portfolios.

00;07;13;16 - 00;07;38;11
GUEST
Yeah. The partner I work for, Alistair Graham Campbell, who is still around and doing portfolio transactions now, he focused on portfolios in those days. And, we would even be selling portfolios or buying portfolios and working with the clients to work out, either how we maximized, you know, the sell value for those clients or how we, put those portfolios together to find the right buyers.

00;07;38;14 - 00;07;48;29
HOST
You moved after five years to Schroders. What how and why did that move to about and why did you decide to move away from the advisory side to the principle side?

00;07;49;02 - 00;08;21;01
GUEST
Because I realized that, and I think agencies developed an awful lot in these days, and, and it’s much more about, advisory work and brokerage work as a, as a broker work as it used to be. And when I started out in broking was quite simplistic. It was it was on the buy side. It was basically matching, you know, finding the buyer and being the first to get an introduction and and on the sell side, it was really advising them as to how they achieve best price.

00;08;21;03 - 00;08;38;07
GUEST
But it wasn’t how you make money out of real estate. And, I quickly realized that the agency side that I actually wanted to learn. How do you make money out of real estate? How do you buy real estate cheap? How do you then maximize the value? And then how do you sell it at the best price? And to do that I needed to go client side.

00;08;38;07 - 00;09;01;16
GUEST
So I went client side and I went to to Schroders. I looked around and had, you know, various discussions and when I joined Schroders, I thought they were quite an interesting team. At the time I was, I was working on the transactional side and it later gained my strength contacts. I had numerous contacts, who I could only not to, to help me find deals.

00;09;01;18 - 00;09;12;23
GUEST
And it was not sector specific, so I could go and find deals across the various sectors, which at that time, you know, you know, it was perfect of for my jump across to, to the client side.

00;09;12;25 - 00;09;17;00
HOST
And was that the investable universe office retail, industrial at that stage?

00;09;17;02 - 00;09;30;18
GUEST
Yeah, it was I think ten Schroders were perhaps at the forefront of, some of the, less mainstream alternative investments. But for me it was predominantly retail, industrial and office. Yeah.

00;09;30;23 - 00;09;38;02
HOST
And in terms of was it kind of core plus returns that you’re looking for or is it more value either opportunistic or did it really depend on the mandate and the instruction and.

00;09;38;04 - 00;09;57;02
GUEST

The it depended on the mandate and the instruction. They ran a balanced, property unit trust. You used to do most of the buying for, but they did also run an opportunity fund. The balanced, property unit trust was a relative performance. So they just had to outperform benchmark. It was on leveraged or very, very low leveraged.

00;09;57;04 - 00;10;06;00
GUEST
And so the deals tended to be more core in core in nature. But occasionally they would they would put an element towards more opportunity transactions.

00;10;06;07 - 00;10;16;22
HOST
And if you can remember, what was the what was the biggest kind of lesson or the biggest shift from going from advisor to a principal in terms of transacting and deal making?

00;10;16;24 - 00;10;37;21
GUEST
I know it sounds obvious, but I think it was working out what real asset quality is. What the fundamentals, what what actually really drives real estate. How do you, how do you make returns based on locational, physical, occupational investment characteristics and then how you see that through a cycle? I think that that’s what I learned the most.

00;10;37;23 - 00;11;06;19
GUEST
You know, and certainly I think you do that through through some of the deals you do, whether they’re good deals or perhaps less good deals. You know, in the majority, I would hope for good deals and I kind of got a bit frustrated. In the end, it was going, you know, I left in 2006, and that was a time when, when funds were spending money, I would call it, rather than investing money, you know, is about getting money into the market rather than perhaps doing the best deals.

00;11;06;19 - 00;11;26;23
GUEST
And I felt that we weren’t necessarily motivate by always doing the best deals, which kind of was getting to my motivation. That’s what I want to do is was the really strong deals and then and then ultimately be, you know, remunerated based on the quality of deals. You do not just, not just spending capital.

00;11;26;25 - 00;11;36;09
HOST
And in terms of that role itself, is it everything from kind of origination and through to asset management and disposition, or were you just focused on origination and maybe kind of structuring those deals?

00;11;36;09 - 00;11;55;21
GUEST
Yeah. You you focus on the origination and then then business management team, I think, you know, that that’s something I’ve always looks back on as to whether that’s the, the right structure when you just purely originate and then hand over to an asset management team, you know, you sort of underwrite a deal and then they might pick up and go, hang on a minute.

00;11;55;21 - 00;12;16;01
GUEST
Have they underwritten this? You know, how how involved are they in in what actually goes on. And I think that actually feeds back to your point about team. You know, a team is a, a, a bunch of individuals who are all connected. And where you have that disconnect, there’s, you know, maybe the potential for the team not to work as well as it, as it could do.

00;12;16;01 - 00;12;28;25
GUEST
I’m not not saying that that was the case, but it certainly was something that I took away from from that role. The, if we if we underwrote a deal, I want an asset manager, to really be heavily involved in, in the underwriting of the deal.

00;12;28;29 - 00;12;34;26
HOST
Providing some assumptions or something like that to meet the realist, realistic aspects of what is achievable.

00;12;34;26 - 00;12;50;09
GUEST
Yeah, yeah. And for the, for the, you know, for the, for the asset to be properly underwritten by, by all who are going to be involved in making that to happen. Because once you build an asset, there’s there’s no going back. It’s not like you can sell it. The next day.

00;12;50;11 - 00;12;56;03
HOST
You touched on your shoulders for four years or so and then you moved to city. How, how and why did that come about?

00;12;56;06 - 00;13;23;08
GUEST
So I mean, again, it was a it was an interesting time in the market. It was it was 2006 and, and it felt quite strongly, maybe similar to, to the environment that we were in, in, in 21 post post-pandemic. And, and yeah, I, I felt like the market might turn. I got my timing wrong by a couple of years, but it certainly felt like there was going to be opportunity at some stage around the corner.

00;13;23;08 - 00;13;41;25
GUEST
And I think, you know, it’s one of those career moves. In hindsight, should I have gone, should I have not gone? And but one thing I did learn and again, I think this comes back to, to what I’ve always tried to do is we have money to spend, but I’m not very good at spending money. When when I can’t find opportunity.

00;13;41;25 - 00;14;00;25
GUEST
So it did very little during that cycle. It sat in my hands and it was a it was a really frustrating time. You know, I would see others who, who were doing deals and I was kind of not doing an awful lot. And I was sometimes questioning one, not doing much. And I think the reality is, because it probably wasn’t a good time to be investing capital.

00;14;01;00 - 00;14;22;06
GUEST
So, you know, is brought out, a couple of years later. So, but I still learned a lot. You learn a lot wherever you go. I learned a lot about leveraged transactions. You know, how the debt markets work. And and how you can, you know, then sell back to the institutional market that I used to work for.

00;14;22;08 - 00;14;38;18
GUEST
So you certainly you certainly gain elements from it, but it was a it was a slightly frustrating period. Not actually being able to to, you know, do as many transactions as you would ultimately like because that’s what I was, you know, brought into that particular, company.

00;14;38;20 - 00;14;55;14

HOST
And was it the kind of the first time where you kind of touched on, like debt and structuring? Was that the first time it was, more, You know, mathematical or more of a financially orientated structuring type approach to real estate transactions or not?

00;14;55;16 - 00;15;21;26
GUEST
Yeah, I think so. I mean, we've always been, you know, even at Schroders, we were, mathematically motivated. But the structuring, the leverage definitely. Added, another element to it. And certainly, you know, again, Schroders, the balanced property unit trust was tax exempt. So you didn't really have to worry about tax and, you know, structure, you know, those, these elements.

00;15;21;26 - 00;15;44;23
GUEST
So going into a leverage field and learning how to properly, structure deals in a tax efficient manner and then also had leverage. Yeah, it was an interesting, was an interesting learning curve. And, and and then actually learning, how leverage really impacts a deal as we went into the the GFC that, that was fascinating.

00;15;44;23 - 00;15;47;17
HOST
Can you, can you share some learnings on, on on that.

00;15;47;19 - 00;16;26;01
GUEST
Oh yeah. Just ultimately that, the amount of leverage you've got, can and the sort of ratio of leverage you've got will greatly, influence the volatility of returns. And therefore, you know, when you were leveraged at 90, 90% to possibly even 95%, there wasn't a lot that needed to go wrong for for your equity to be wiped out if you not to be in control of transactions and, sorry, the, the assets you owned and, for the consequences to not be great for your, for your equity investors for, for which are ultimately responsible for making returns.

00;16;26;04 - 00;16;26;29
GUEST
So yeah.

00;16;27;02 - 00;16;38;09
HOST
Real estate is often, classified as a bit of a herd, whether it's a herd mentality that comes with real estate. Was there a herd mentality back at that sort of time in the market as well?

00;16;38;14 - 00;17;10;02
GUEST
Yeah, I think that there definitely was. And the reason being was there was limited risk in, you know, effectively putting in minimal equity and, and taking, and taking bank debt. But, in some respects it's got similarities to, to what went on in the industrial cycle in, in 21. You know, it was felt that the industrial market was pay for gold and ultimately yields, you know, were in a sub 3%.

00;17;10;05 - 00;17;39;09
GUEST
And people were paying hugely aggressive prices, not necessarily looking at asset quality and, and how they would drive performance. They just wanted to invest in the sector. And we certainly got uncomfortable with that. And we were early investors into, into that particular sector as well as some of the, the, the urban retail warehouse space and, and certainly we saw the signals when we would be trying to bid on assets, and we were somewhere between 20 and 40% behind the pace.

00;17;39;09 - 00;18;07;04
GUEST
And that kind of just suggested to us that that things were, you know, very, very overpriced and that perhaps we should be looking to exit that portfolio rather than hanging on you know, none of us could have seen what happened with the Ukraine war and with Liz Truss, the impact of inflation and what would happen. But certainly we just felt that there was, the that pricing had pushed to a level that was not sustainable for the long term.

00;18;07;06 - 00;18;13;10
HOST
And so that was obviously kind of the Argo piece, 2001 kind of the exit of those portfolios that you kind of touched on.

00;18;13;10 - 00;18;14;00
GUEST
21 yeah.

00;18;14;00 - 00;18;31;07
HOST
21 there is that is that because you knew the rails you touched on? People weren’t necessarily asset quality or, or really the fundamentals of it is that because you are so ingrained in the sector, you know it so well, you, that’s why you’re 20 to 40% of the price, because you were actually being more conservative in terms of your underwrite.

00;18;31;07 - 00;18;34;19
HOST
And actually what’s realistic in terms of a return.

00;18;34;21 - 00;18;52;15
GUEST
I think that’s right. I think that you get to a position or investors get to a position where they’ve raised capital and they’re they’re almost forced to to spend that capital, you know, the capital is there and it’s waiting and they’ve got to invest it. And then they’re in competition. On the asset. There might be 15 people bidding.

00;18;52;15 - 00;19;21;15
GUEST
And so the dial up, the rental growth assumptions, they pull in, the exit yield assumptions, they forget about CapEx. They forget that the assets leasehold and, you know, and therefore they’re producing a return on paper, forecast return on paper. But actually, in reality, can the asset actually achieve, you know, the return that they’re, that they’re suggesting and the two might be quite different, which means that you end up in a situation where people are overpaying for assets.

00;19;21;18 - 00;19;28;04
HOST
And so there’s synergy between kind of that. 070809 period with 21.

00;19;28;06 - 00;19;53;08
GUEST
Yeah, there is, there is in the industrial sector, definitely. I think there are some synergies, certainly in terms of the herd mentality by for both for different in terms of, you know, the reasons why why people were, placing Capital One was debt related. You know, the debt was cheap and, you could get great leverage in 2006, 2007, and in 2021 is more of an equity driven situation.

00;19;53;08 - 00;20;22;22
GUEST
And also that people, had identified a particular sector is very polarized market. You know, where people didn't know where to go is really oh, the industrial sector is about the only place to invest. Living was slightly behind, but the industrial sector was was full of. And so all the capital was focused in one sector. And and the reality is it was the competition for that capital to invest in a certain sector that was driving pricing to, to unsustainable levels.

00;20;22;25 - 00;20;29;03
HOST
You sit for a couple of years before moving to exemplar properties. How and why did that come about?

00;20;29;05 - 00;20;56;19
GUEST
Yeah. No. Yeah. I mean, it was interesting. It was an opportunity at the bottom in the market. An exemplar was a well known, central London developer. But at that time in the market, they, they didn't have any, any investment capabilities in there. They wanted to build an investment management platform. And, the, the reason being that ultimately, I think they felt exposed purely to the development sector, and they were worried that it might take a while for it to come back.

00;20;56;22 - 00;21;18;21
GUEST
So I spent, just over two years there helping them build an investment platform, and we did various deals. It was a really tricky time trying to, persuade capital to invest in deals at the bottom of the market. There were certainly huge opportunities around, but it was it was fascinating being there. And, and we did some great deals.

00;21;18;27 - 00;21;25;04
HOST
So kind of moving from a kind of a private equity shop to a developer to set up an investment management type platform.

00;21;25;05 - 00;21;51;05
GUEST
Yeah, yeah. And the other thing was interesting to me was I wasn't just, investing the capital. I'd then have to asset manage, the, the deals. And, that was really interesting. And I actually found that a lot of the asset management, as much as I love doing the transaction, you know, it's actually really interesting taking this thing from, you know, from, from cradle to grave and taking it through that cycle and, and extracting the value going on that journey.

00;21;51;11 - 00;22;00;27
HOST
And do you think you became a better investment manager or a better investment professional, having gained the more tangible asset management 100 the experience as well? 100%.

00;22;01;00 - 00;22;20;08
GUEST
Because you realize how difficult it is to to extract value out of these things. It's very easy to put assumptions down on paper, but then when you've actually got to do it, it inevitably takes more time, costs more, and there's complications along the way. And I think what it also teaches you is that you need a flexible business plan.

00;22;20;08 - 00;22;39;23
GUEST
You need assets that you've got multiple business plans for. So if one route doesn't work out, you can go

another direction and still make good return. You know, if you're solely stuck down, one route that's, you know, it's certainly much more risk. Should be should be applied to, you know, to to the do.

00;22;39;26 - 00;22;51;05
HOST
You moved on for a couple of years. You touched on to Investec South African Investment Bank. How why did that come about? And can you just tell me about the role that you went there for and how maybe that evolved over time?

00;22;51;09 - 00;23;13;15
GUEST
Yeah, it's interesting actually, because, Investec, I went in there initially they were they were looking to to launch a fund and this was effectively, they were a South African originated bank. You had, you listed both on the Johannesburg and London Stock Exchange and they were 52, 50 listed. So, you know, is the opportunity to to help them build a property platform.

00;23;13;15 - 00;23;38;18
GUEST
They were in the property debt space, but they weren't in the property equity space. And and it was interesting going there and learning to deal with individuals from foreign jurisdictions. And certainly they felt they knew London real estate or UK real estate and actually having to educate them on how the market really works, how we transact the broker market.

00;23;38;20 - 00;24;04;27
GUEST
You know, all the things that, the different over here. And we realized the best way to enter the market was actually to, to joint venture. They wanted opportunity returns, but they didn't really they weren't really prepared to take the risk themselves. So we essentially went in and, backed property companies, asset managers who would have an asset, have a business plan, but perhaps not have all the, all the capital for it.

00;24;05;02 - 00;24;27;20
GUEST
So we would come in and provide perhaps 90% of the equity, though, put in 10% of the equity. And then we would work out a promote structure in, over and above a hurdle, a typical PE type model. And that's how we got into, into, the UK market. And we had a successful run until 2016.

00;24;27;22 - 00;24;51;28
GUEST
And at that stage we then got more confidence and we'd done a number of transactions actually with, with my now colleague Gavin Rabinovitch. We had limited, capital because we were using the banks balance sheet. You don't want to bust the bank's balance sheet by doing mega deals, and therefore, we we tended to clobber deals, and I clubbed a lot of deals.

00;24;51;29 - 00;25;12;27
GUEST
Gavin. I'd show my deals, he'd show me his deals, and we would, co-invest in these deals alongside each other. And and it worked really well. And then in 2016, we decided to set up a joint fund ourselves and actually invest directly in real estate rather than backing, the, the partners, we would go and invest directly ourselves.

00;25;13;00 - 00;25;35;22
GUEST
And so we set up a joint fund and, invest it and that since our industrial journey started, we weren't sector specific. And we invested cross-sector, but we invested in quality real estate and fundamentals. You

know, real estate fundamentals are key to how we invested during that time and remain key today.

00;25;35;24 - 00;26;10;12
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 people property Plays podcast, and that one small action really, really helps grow the show and the present and enables us to keep doing what we do.

00;26;10;13 - 00;26;29;04
HOST
So if you haven't already, please follow or like on the platform you watch or listen to. Thanks so much. And so it was a as a fund that you both created kind of value add return still UK focused cross-sector. You just deal deal led.

00;26;29;04 - 00;26;55;29
GUEST
Or we were actually cool. Plus, at that stage in, in the returns that we were looking for, we were cross-sector, UK focused. But I think whilst we were core plus really we were core plus risk value and returns was ultimately what we were looking for. So assets that there was an element of mispricing, sectors that we felt might have been slightly overlooked.

00;26;56;01 - 00;27;26;15
GUEST
But the underlying real estate quality was there. And, you know, certainly that's how we invested throughout the the cycle into 21. So we invested in multi layer urban industrial. And we got into that sector early and could see the growth that was coming through. We invested in supermarkets and bought a portfolio of supermarkets where the the vendor perhaps they had no elsewhere and didn't realize that these were excellent trading supermarkets really resilient and the tenants wanted to stay in.

00;27;26;15 - 00;27;53;23
GUEST
We can reset the leases. We then reset the leases we bought into the retail warehouse sector is actually really interesting. We bought into the retail warehouse sector when it was completely out of favor. When, everyone thought the internet was going to take over everything. And what we realized was the, the locational quality of the retail warehousing was, was phenomenal, was actually better than the, the urban industrial assets that we were buying.

00;27;53;26 - 00;28;13;13
GUEST
But we were able to buy those assets at a discount to industrial values. And we just felt that was a complete disconnect. And so we bought a number of, retail warehouse assets at a real discount to what we felt their true value would be. And then people recognized, post, post the pandemic that actually retail was resilient.

00;28;13;13 - 00;28;47;03
GUEST
People did want to go shopping. They wanted to shop out of town. And oh, these assets are extremely well positioned and we were able to then sell on these assets at a at a price that actually people recognize the, the real merit of that. So, so yeah, it was a, it was an interesting mix of assets. And I think the taking that sort of opportunity approach to finding deals, you know, we always remain quite entrepreneurial in the way that we approach deals and tend to be, early investors into some of these thematic strategies.

00;28;47;05 - 00;29;05;00

GUEST
And, that’s and when you look at things based on a, on a fundamental pricing basis, you base it on a cap value per square foot. You know, pound per acre basis. You can sometimes see those, those, you know, there’s disconnects and opportunities to, to invest.

00;29;05;07 - 00;29;40;02
HOST
They the kind of the metrics that you look for because I assume if you’re a, if you’re kind of UK focused, but you can be sector agnostic in terms of what you invest for, but you’re looking for some sort of edge or angle. How do you start with supermarkets at a time? Retail, logistics, offices, nurseries, student like how in this kind of investable universe, how do you start trying to pin, or how do you try to box off areas of focus or mispricing or yeah, unity, because surely that there’s just just a vast quantum of stuff you look at, you can get distracted quite easily.

00;29;40;03 - 00;30;00;07
GUEST
You definitely can. And I think that you, you, you do need to be quite careful on that. So for instance, you know, I think the living sector is a phenomenal sector. But we don’t you know, we’re not you need to be an operator in that space to really understand that sector. And we are not an operator. So in that sector we will bring in operating partners.

00;30;00;07 - 00;30;19;15
GUEST
And it’s not somewhere we ourselves will go and necessarily and really look to invest, unless it’s too good to be true. And when it’s too good to be true, it normally isn’t too good to be true. So we have a second look and then we say, actually, you know, perhaps let’s not or, or let’s go and, get some external help on this with an operating partner.

00;30;19;16 - 00;30;41;06
GUEST
If it still remains too good to be true, then, then, then we might look to invest. But but typically, yeah, we focus on cap value foot pound break. We focus on replacement cost. You know ultimately what are you buying something for versus a replacement cost. If you were to discount that puts you in a good place because you know you’re ultimately buying the buildings cheap, you might be getting the land for free.

00;30;41;09 - 00;31;01;00
GUEST
To. So though there are those key metrics, but also looking at the the fundamentals of the building. And it’s not this building. Does it have the right floor play. How far is it from Crossrail? You know, what’s the slab to slab out like height. Like can you put in you know, what’s the aspect like, does it have natural light on 3 or 4 sites?

00;31;01;00 - 00;31;22;04
GUEST
Is it a corner building? All these kind of things feed into into how you look in an investment and what you might be able to lease it for, and then ultimately sell it for, and I think it comes down to two things. We’re looking for occupational liquidity. And we’re looking for investment liquidity. You know, the most tenants are going to be attracted to that building.

00;31;22;06 - 00;31;31;03
GUEST
And, the most investors who can be attracted to an exit that that’s ultimately, if you can get comfortable with those two elements, then you know, you’ve got a good opportunity.

00;31;31;08 - 00;31;37;18

HOST
And you articulate that to the agents of the agent that you built up to kind of bring bring deals on an off market to you as well.

00;31;37;20 - 00;32;07;19
GUEST
Yeah. You do, you do go through your, your broker network and ultimately, you know, you have to focus again on, on your track record and reputation of doing deals and particularly when you're investing in early cycle in, in, markets in a more difficult you want to be able to see those transactions through. So you gives the broker network and the vendor, certainty of your ability to transact.

00;32;07;21 - 00;32;31;10
GUEST
And quite often you also need to know the vendor on the other side. So it's not good enough just to know the broker. You actually need to know that the person who's selling on the other side. So having been in the fund management industry or, you know, having been in the market for 25 plus years, you get to know a lot of people across the markets, people who are working in the institutional market and therefore, you know them personally.

00;32;31;10 - 00;32;44;01
GUEST
And I think it's really important that you it's old school. You shake hands on a deal and you try and make sure that deal happens, you know, and in a manner that is is fair and sensible.

00;32;44;03 - 00;33;02;12
HOST
You touched on the importance of knowing knowing people on the other side. Can you just explain why why is that so important to have that? To have that relationship or, professional relationship outside of kind of brokers or advisors operating or trying to make a deal happen and on on your side.

00;33;02;15 - 00;33;30;02
GUEST
Because deals are difficult enough to do. They they're often complex. They often have pressures surrounding them, whether it's reasons for the vendors selling or you deploying capital. And sometimes they have touch points. And if you know the person on the other side, you're much more likely to have a personal rapport and be able to deal with those touch points in a, you know, in a in a more sensible manner.

00;33;30;05 - 00;34;03;04
GUEST
And certainly, again, I think we along with our track record, which is hugely important, you know, we have a track record of two bases. One is to our clients and how we invest their capital, but two is within the within the market of actually, doing deals and a reputation for doing deals, within the market. And they are both hugely important to our business that we maintain our, our reputation and track record, because ultimately that gets you to deals in difficult times as well, because people know that you will you will get the deal.

00;34;03;05 - 00;34;12;07
HOST
But you do what you say you do. You do what you say might be the what? The highest price, but actually in terms of certainty of an exit or certainty in terms of transacting, they'll they'll trust that you're the.

00;34;12;12 - 00;34;34;28
GUEST
Yeah. So I mean, we've just we've concluded two portfolio transactions over the last, you know, 12

months. And it it was not long after the, the Liz Truss period. And I think people were still very concerned about the inflationary environment. And, you know, we saw an opportunity to, to invest, at a time when others weren't in the market and buy quality assets.

00;34;34;28 - 00;34;56;12
GUEST
But we managed to transact those because, you know, the vendors realized that we had the reputation and we would get those deals done. And, you know, there weren't many people who were actually prepared to put, significant amounts. Captain, to the market in that stage. But we did, and I think we now, you know, seeing the benefits of doing that.

00;34;56;14 - 00;35;04;07
HOST
So you had the, the JV know the fund with Argo. Can you just talk to me about the transition from you leaving Investec to join Argo full time?

00;35;04;09 - 00;35;24;21
GUEST
Yeah, sure. So it ended up being part of a recapitalization of the fund. The management company was was also sold. And we effectively then joined Alco, full time as its employees. So some of my team came across them myself. And we then looked to the opportunity to grow the fund again, you know, fully inside algo.

00;35;24;21 - 00;35;43;00
GUEST
And I've really been working with those guys for, for a long time, both, through, opportunity deals, that, that we've done since 2010. But then also, in this joint venture fund that we've been running. So it was great to join Gavin and the team and, and go again and grow that business.

00;35;43;03 - 00;35;54;02
HOST
So for someone who hasn't heard of Argo, can you just paint a little bit of picture over and above what you've maybe mentioned already, just in terms of the business size, what you kind of do? And the team as well.

00;35;54;02 - 00;36;21;25
GUEST
Yeah. So we're a privately owned business. There's, there's about 14 of us in, the team we focus on the UK. Our sweet spot is really cool. Plus, the value at, And we have been to matic in, in how we approach the market very much focusing on the industrial market of late. But we're opportunity driven in terms of where we're sector agnostic and we're quite entrepreneurial in terms of where we look and how we find value.

00;36;21;25 - 00;36;45;20
GUEST
So, we're working on a number of different projects at the moment. To give you an example, one is, a student accommodation scheme up in York. As I say, students, not the, you know, live the living sector is not something that we, specialize in, but we saw an opportunity and saw value. And, that is something we work in a joint venture, actually, with one of the people you've had, formerly on your podcast, Nigel Henry.

00;36;45;20 - 00;37;14;14
GUEST
So. So that's one situation. We've got a data center opportunity. We've got our industrial platform where we've got a capital partner in there. And, having sold out in 21, it's not really a sort of new phase of

growth for us. So, we typically invest our money, our balance sheet money alongside, high net worth client money, and then we go and, partner alongside, institutional capital.

00;37;14;16 - 00;37;22;18
HOST
And, in terms of kind of that exit in 2021, that was some of the earlier stuff we bought from an out of town retail perspective that you touched on earlier, right?

00;37;22;21 - 00;37;47;13
GUEST
Yeah. So so we ended up exiting, you know, the best part, a half billion, of assets both across the industrial sector, retail warehouse sector, supermarket sector and a couple of Lazards assets as well that sat outside, the fund. So, you know, we had a good we had a good run, I think, we, we picked our timing quite carefully and we monitor the market really carefully.

00;37;47;13 - 00;38;20;25
GUEST
And actually we didn’t go through a wide marketing process. We were happy actually, to do off market deals, on two particular portfolios, and again, it was about certainty. It was about the quality and caliber of the parties that we were dealing with. We were very happy with the price. And it was interesting actually, because after the event, you kind of almost go through that little paddock could we got more you know, the market actually still still continues and you sort of like, have we done the right thing?

00;38;20;27 - 00;38;45;14
GUEST
But then looking back, you realize that you might not have got 100% at peak pricing. You probably got 97%. But what you did was you got your timing right when everyone wanted to invest at that particular point. So, you know, they would prepare to take views. They got the deal done quickly. We never even met, one of the parties who we transacted with.

00;38;45;14 - 00;38;50;23
GUEST
And, you know, for the scale of portfolio, they were buying, we thought that was quite surprising.

00;38;50;25 - 00;39;06;13
HOST
And these all these little one percenters you kind of look for and you look out into the market. And we touched on earlier in terms of you trying to get your head around underwrites and pricing. These are the indicators that you look for to go, right. We’re we’re getting to the top now. And actually we need to kind of think about exiting and and selling our own kit.

00;39;06;15 - 00;39;33;10
GUEST
Yeah I think certainly we we were definitely feeling we were getting towards late cycle, particularly when investors are buying more secondary assets, but pricing them as if they were prime. And putting in assumptions that we couldn’t really understand, driving, you know, putting in some pretty aggressive rental growth assumptions. And ultimately, you know, you just look at the cap rates that people are putting on transactions.

00;39;33;10 - 00;39;49;15
GUEST
And when you’re when you’re putting a cap rate on on some of the assets in the twos, and you look at that on a cap value basis, and you look at where they would then have to exit that asset off and how much growth they would have to make. And you kind of you can’t stack that deal up yourself.

00;39;49;15 - 00;39;51;22
GUEST
You know, it’s probably time to go.

00;39;52;00 - 00;40;10;24
HOST
Is there a part of you that goes, what’s their age? What’s their angle like? How are they trying to, you know, if it’s a shed, is it like, oh, is there access to power that we don’t know about or, you know, to turn it into a data center or do you do that kind of constantly feed on your mind in terms of like how how are they going to be able to exit this?

00;40;10;27 - 00;40;31;26
GUEST
You definitely think think that way. I like to think that we, you know, explore those angles before we do sell. So, so we don’t miss anything. And ultimately at that time, it was all about rental growth. It was all about people putting in very significant amounts of rent growth and and ultimately reflecting exit values that were, you know, very toppy.

00;40;31;26 - 00;40;45;05
GUEST
So, I think we we didn’t really think it was anything more. Well, then, you know, the strength of the market and and the assumptions of people applying rather than with actually missed a missed an opportunity within our own portfolio.

00;40;45;05 - 00;40;47;09
HOST
And the hurt the herd mentality that we the.

00;40;47;12 - 00;40;48;07
GUEST
Had.

00;40;48;10 - 00;40;57;19
HOST
Touched on earlier, something that you put a lot of emphasis on personally but also Argo was the business is track record. Can you just expand on that for me?

00;40;57;21 - 00;41;19;15
GUEST
Yeah. So you say track record and, and reputation, that’s our access to deals. So reputation is our access through through the broker market and through the vendor market being able to, to buy deals, making sure that they can see that you have the ability to transact. So that’s hugely important to us. And then track record with our clients.

00;41;19;18 - 00;41;41;19
GUEST
Ultimately that’s that’s how we get our capital. You get all capital because people know you’re going to do a good job, you’re going to provide good returns for them. And therefore we maintain that at, you know, at all costs. And we co-invest, capital alongside, you know, our investors and, and ultimately we see that capital, and that capital is our own money.

00;41;41;19 - 00;41;44;28
GUEST
So we make decisions on that basis.

00;41;45;00 - 00;42;02;06
HOST
The real estate or any investment management, world is not, upwards only. And, you know, positive returns all the time. How do you reconcile a track record when it goes wrong or when the market turns or you miss something or what happens? How do you own that?

00;42;02;10 - 00;42;22;06
GUEST
Yeah, ultimately, I think when when you see that money is around you, you do the right thing by your clients and, you know, there are sometimes situations, fortunately, it’s, you know, it’s it’s relatively rare for us. But when things don’t go quite so well, you work bloody hard. You you really work hard to to work these asset through.

00;42;22;07 - 00;42;40;06
GUEST
Sometimes it requires a bit of patience. Sometimes it requires a change of business plan. But ultimately, you know, quite often for, for limited rewards, we will always make sure that we fight to get every penny of our our client’s capital back and hopefully get them some return as well.

00;42;40;09 - 00;43;00;06
HOST
CEOs that I talk to and then the real estate investment manager world kind of typically three challenges that they have raising capital, deploying capital or finding deals and then hiring and retaining staff. Well, what are some of the challenges if that if that does ring true in terms of what’s on your plate, what are kind of the key challenges out of those three that you kind of face on?

00;43;00;13 - 00;43;04;26
HOST
And if there isn’t a key challenge that I touched on, can you elaborate on what that might be?

00;43;04;29 - 00;43;30;05
GUEST
Yeah, I think, I think staff is is perhaps the least of our challenges. So I think we’ve got a great, team and it’s borne by the culture that we have within the business. And we have a very flat hierarchy. Everyone has a voice, and everyone has a voice that’s heard and and is important. I come back to some of the things I said earlier about, you can’t underwrite a deal without having an asset managers input.

00;43;30;05 - 00;43;50;12
GUEST
And, you know, we work across that basis across the entire team. And, and it’s really important. And I think that that’s where the sort of team situation plays out. And we also have fun in the business as well. So I think the hiring side is is fine. I think, the hardest thing at the moment is access to deals and quality deals.

00;43;50;12 - 00;44;03;17
GUEST
You know, we’re in we’re in an environment where vendors are really trying to hold on. They don’t really want to let assets go because they probably recognize that they’re selling and selling them in the low point in the cycle. So accessing stock is one of the hardest things at the moment.

00;44;03;19 - 00;44;31;00
HOST
And how how does one having exit half 1 billion pounds worth of kit in 2001 2000 and not 2001, 2021, at like peak time? In terms of the cycle, how do you how does one remain patient, having recycled a load of capital to investors, you know, clearly done well and, looking for the next opportunity. How do you

balance, wanting to kind of go again with the practicalities and realities and the challenges in the market?

00;44;31;03 - 00;44;57;02
GUEST
Yeah, I think it's I think it's really important to remain disciplined. We we always will. And I think we will only do deals when we think they're super quality deals. And it's and therefore it's about underwriting. You know, it's about underwriting the quality of those transactions and making sure that the returns are, genuinely good. And making sure that you are buying quality assets.

00;44;57;02 - 00;45;15;24
GUEST
You know, we tend to focus very much on the property fundamentals and making sure that we will buy assets that we know will perform in the right, in the right areas of the market. But yeah, you have to remain patient. It's really important in this market not to just deploy, but to buy good quality assets.

00;45;15;26 - 00;45;23;28
HOST
You've had a few people in your time over the years. What are the kind of the values and behaviors you look for, when hiring high performance?

00;45;24;01 - 00;45;57;00
GUEST
Yeah, it's it's interesting because, you know, we're really lucky with our team. And we put together a really high quality team, and I think, you know, for small business, that sometimes is difficult to achieve when they might want to go and work at the the bigger, more glamorous firms. And I think one of the things we've always focused on, and I think the caliber of individuals has got much higher since when I joined the industry and people have, you know, they're better educated, they've got phenomenal degrees, they've got phenomenal results.

00;45;57;00 - 00;46;23;16
GUEST
But but one of the things we always look for is drive, driving commitment. You know, something that that sets them apart than just having, a phenomenal degree. You know, they might have a service, but if they don't have drives they can't demonstrate that drive then then we don't hire them. And I'd rather take somebody with a lower caliber degree, or who may have done a job that's not quite right, but they, they demonstrate that, that drive to us.

00;46;23;16 - 00;46;44;06
GUEST
And ultimately, you know, when when you're working as a business and you're a small business, everyone's going to be motivated for that common purpose. And we have a team of people who are driven for that common purpose. And it's it's that inner dynamo that is making them all give that extra 10% that I think, you know, it really helps your business.

00;46;44;06 - 00;47;00;18
HOST
Before, as we draw to a close, Crispin, a question that I ask everyone that comes from 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 to deploy that capital as we sit here? At the start of June 2024.

00;47;00;21 - 00;47;26;27
GUEST
Yeah, it's it's it's a difficult question because when you say, who are the people? I hope you would, you know, you'd invest in yourself. So number one, I'd say we're back ourselves to invest, but I think, you know, there are some, some long, you know, people who've been in the, the cycles before. And Nick

Leslie, it would be an obvious one to, to to talk about who I think has done very well over the years, invested in numerous cycles and and done well.

00;47;26;27 - 00;47;40;02
GUEST
So I probably followed Nick. And Andrew Jones, I think is doing a great job at the moment. In his taking forward his rate as well. So, you know, I think they're doing well, but I would say I'd rather the capital comes to me on the spectrum.

00;47;40;02 - 00;47;43;03
HOST
Comes to you with Andrew. Nick is not exactly your advice.

00;47;43;03 - 00;48;09;16
GUEST
Exactly, exactly. And then and then we can go to invest. I think the market is more broad for opportunity than it has been in, in some time. And I think there is definitely some dislocation going on in the market. I think I think there is also some structural change which, which some sees opportunity and some will perhaps fit, you know, the institutional markets going through a lot of change, some of the defined benefit pension funds closing down.

00;48;09;18 - 00;48;33;00
GUEST
You know, for for us we see these period of dislocation as, as well opportunity periods. This is our time to to invest. And yes, there may be, you know, different pots capital but it, but it also means that those vendors you know that that that's where we go hunting from. And typically they've actually been relatively good stock pickers, but they haven't necessarily had the ability then.

00;48;33;00 - 00;48;53;08
GUEST
And the teams to asset manage to, to a quality that maybe they would want to. And therefore we can pick up what are fundamentally good assets then asset management. Then through and then sell back to a, a more core, you know, buyer when those when those investors reappear later in the cycle as they tend to do so.

00;48;53;11 - 00;49;00;16
HOST
So place UK any particular geography and property type. You're pretty agnostic. Every opportunity that we.

00;49;00;17 - 00;49;20;16
GUEST
Where we're opportunity led. But I think, you know, we still we still very much favor the industrial market. I think power is also important at the moment. There are opportunities within power. You know, the AI is definitely going to affect our market. And, but it needs infrastructure, it needs a backbone. And that that backbone is, is really power.

00;49;20;16 - 00;49;41;21
GUEST
So I think that's that's quite interesting. But but I as I say, I think the opportunity is quite broad. We, we typically tend to focus on urban areas. You know, urban areas are great because you've got, you know, different, trends that are all focused on those same patches, whether it's the living space, whether it's industrial, whether it's AOS, whether it's student.

00;49;41;21 - 00;49;59;18

GUEST
Well, whatever it is, you know, they're all trying to grab the same land and there's only so much of it. And they all want to focus within the so urban patches. So, as I said before, you know, if one business plan fails, another one, you know, is is there. And that's particularly, prevalent in the urban space.

00;49;59;21 - 00;50;18;09
HOST
As someone who's worked advisory side, core institution, private equity business developer, gone to a bank and then, is it a thematic investment manager at the moment? What advice would you give someone who's maybe early on in their career who, would have the aspirations to have half the career that you've had?

00;50;18;12 - 00;50;34;09
GUEST
I'd say be patient. And and you know, what I've learned along the way is, is you pick up a huge map from each row you're in, and, you know, some of it may, you may feel it's successful, some of it, you know, that there may be a bump in the road, but I think that that's a learning journey.

00;50;34;09 - 00;50;58;07
GUEST
It's an opportunity to pick up skills. It's an opportunity to learn how the market works. It's an opportunity to, you know, to to see how you may then sell on to that type of investor at a, at a certain point in time. And I think, it's it's not a race ultimately, an enjoy it. You know, it's amazing how quick, the 25 plus years go, but make sure you enjoy every moment.

00;50;58;09 - 00;51;06;16
HOST
Crispin, thank you so much for joining me on the podcast. Loved hearing a little bit about your background story, views on the market, and how you've been able to do, a small bit of what you've been up to do. So thank you.

00;51;06;16 - 00;51;08;24
GUEST
So much. Thanks for having me on.

00;51;08;27 - 00;51;31;11
HOST
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00;51;31;13 - 00;51;58;17
HOST
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00;51;58;19 - 00;52;06;16
HOST
Or feel free to drop me a message on LinkedIn. Have a great day wherever you are, and I look forward to catch you next time.