00;00;03;28 - 00;00;25;03
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;06 - 00;00;53;05
HOST
Welcome to the People Property Place podcast. Today we are joined by Keith Breslauer, Managing Director and Senior Partner at Patreon Capital. Established in 1999, Patron Capital Partners has evolved into one of the leading opportunistic real estate managers in Europe. To date, it has raised over €5.4 billion and as and has undertaken more than 200 transactions across 106 investments.

00;00;53;05 - 00;01;29;29
HOST
In 17 countries. The patron organization includes a 64 person in-house team with offices in the UK, Spain and Luxembourg. Patron strategy is to back local partners and management teams in growing their respective businesses, investing in property, corporate operating entities, credit related businesses and debt related instruments whose value is primarily supported by property assets. Keith started his career at Lehman Brothers in New York and is a graduate of NYU and and the University of Chicago Booth School of Business.

00;01;29;29 - 00;01;33;09
HOST
And it gives me great pleasure that he's here today. So, Keith, welcome to the podcast.

00;01;33;16 - 00;01;34;04
GUEST
Thank you.

00;01;34;06 - 00;02;02;02
HOST
Not at all. Well, look, I'm. The listeners love hearing about entrepreneurs and founders stories. And I'm really interested to get on to how and why you set up patron and a little bit about the business later in our conversation. But, before we get get there, can you give me a little bit of context to, where you from, your upbringing and kind of maybe how those early years have defined who who you are today?

00;02;02;05 - 00;02;20;26
GUEST
Sure. So I grew up in originally effectively New York, but, in know in a city in Jersey city, which is right next to Manhattan. Went to high school in New York, went university in New York. Very good parents, good people. Unfortunately, my father's a real estate developer. There was always perpetually undercapitalized. So from a very young age.

00;02;20;26 - 00;02;37;25
GUEST
Right. Lived through the boom and bust cycles that happened in property and around 16 years old or so forth. Around the time I decided to really set up my own first business that helped support me in my enjoying things I wanted to do in high school. And then university had a very good business that got me to graduate school.

00;02;37;27 - 00;02;55;05
GUEST
And then from graduate school, I got a good job in industry. So I would say that the early years were formative in a sense that I had very good parents, a very supportive, emotionally but financially

bootstrapped and, I woke up one day realizing there to something that I needed to figure out how to solve for.

00;02;55;08 - 00;03;03;27
HOST
And so you realize that business or taking an entrepreneurial route would give you that, opportunity to make your own money or carve your own way?

00;03;04;00 - 00;03;19;27
GUEST
I never really thought of the concept of an entrepreneurial aspect. In fact, I didn't really learn that were until grad school. What I knew was that there was a opportunity I need to make money. I knew that there were a lot of people out there who weren't prepared to work as hard as I was prepared to work.

00;03;19;29 - 00;03;40;14
GUEST
And if I found the right opportunity, I could make sufficient money to pay for my parents and my family and and the lifestyle that I wanted to have. So the real, the real aspect was, you know, what was it going to take to do that? And back in the years of when I was in university, you know, they was very organized structures and organized interviewing processes, etc..

00;03;40;17 - 00;03;56;16
GUEST
And I realized that I was not in that mold. And I had to figure out a way to beat the mold. And that's one of the reasons why I set up my first business in college. And that took care of, quite a bit and helped me get to graduate school, which I felt was the golden key to potentially land the job at that time.

00;03;56;17 - 00;04;11;08
GUEST
So it was let's see, why do I want to be an entrepreneur or not? It was much more about what was my primary objective and how is it going to get there. And and now is really the goal. And that's what led to the, you know, the start of a lot of these sort of business ideas and thoughts.

00;04;11;12 - 00;04;15;27
HOST
And what what businesses were they that you kind of dabbled in in those, those early years?

00;04;16;00 - 00;04;31;18
GUEST
So the you know, I was a, I was a in America when you go to universities, quite expensive United States. So even back then. So the way they deal with it is they say, okay, well, we'll lend you some money, we'll give you work, study, and then maybe you get a bit of extra money if you can't from your family.

00;04;31;21 - 00;04;47;02
GUEST
So I didn't really have much of that. So I went to work, study in the computer department because I was a math, you know, like math and and it's it computers a bit and is right around the time that the IBM PC was first invented and you had the XRT and this is before windows to give it perspective.

00;04;47;05 - 00;05;04;24
GUEST
And in when I was working in the computer department, I realized that there was a lot of small businesses that had bought computers, and simply did not know how to have customized software for their work. So, for example, if you want to run a payroll system at the time, you either had to use the mainframe system or you were small business.

00;05;04;24 - 00;05;30;14
GUEST
Imagine 5 or 6 professionals, and you were trying to jerry rig at the time, Lotus or some other software, to run your payroll system. I was working in a computer lab in university. There was a lot of graduate students there. So I went to them and I said, hey, can you write me software that would be an overlay on top of Lotus or then called WordStar, or a variety of other programs that could help the small businesses.

00;05;30;14 - 00;05;56;19
GUEST
And they could. So I figured out, well, when I joined the two up, I could hire these individuals as consultants. We could write customized software for these companies. We could charge them a fee. And that would be good enough, for them to run their businesses. And we we had quite a few companies that did that, including, as one example, dime savings Bank for memory was, the tender on it on kind of queuing theory.

00;05;56;19 - 00;06;14;28
GUEST
So back then it was the early stages of saying, how long would it take for you to wait on line at a bank teller and you have to sign that back then you're just creating all that. We wrote the software to drive that determination. Or you had a testing service. Imagine for exams, and they would do thousands of tests.

00;06;15;05 - 00;06;43;02
GUEST
Well, the way they would record those exams are now when you fill it in a multiple choice, is there a scanning system? We wrote that software. So that was a very good idea at the time. And it was very interesting. And it helped pay for quite a few bits. And that's kind of what. So we took advantage going back to the question, we took advantage of of the market, an opportunity where you had demand in that your users, you needed to use your computers better already spent quite a bit of money on their equipment, but didn't know how to use it.

00;06;43;05 - 00;06;51;28
GUEST
You didn't have anyone competing in the space really at the time providing that service. So we were bridging that gap and that's how we were doing. Well.

00;06;52;01 - 00;07;07;05
HOST
Where where did real estate factoring you touch touching. Your dad was a real estate developer. Boom bust, boom bust. So what did you did you always lean into that as a career, or did you put it off because your dad was involved and then, you know, post university, you thought actually, yeah, it could be an interesting.

00;07;07;08 - 00;07;29;16
GUEST
So my, my grandfather was an electric, was originally an electrician, became electrical contractor. My grandmother was a very smart lady. And between the two of them he set up a very, very big business. And he was the founder of the first electrical contractors union in New York. And he did all the New York public school systems. So my father grew up in a relatively middle class, background.

00;07;29;16 - 00;07;49;11
GUEST
And he pursued the art of development and becoming a developer. But he was he never really had that education or that experience to understand scalable, concept arts. And therefore he was always struggling with capital. So, you know, as a kid, I hated real estate. You know, I grew up around it. I walked

sites since I was 6 or 7 years old.

00;07;49;11 - 00;08;03;17
GUEST
I've been on every type of construction site you could imagine. And I just was like, this is really not what I want to do. And, and I and and perhaps the reason at the time was I saw that it wasn't a very successful career for my own dad, and I had to figure out a way to get out of it.

00;08;03;19 - 00;08;30;29
GUEST
So the way to make money, is to go into scalable businesses. And if you think about scalable businesses, it's the money business or it's technology. And at the time, technology was big, but it wasn't really I wanted to do. So I went into I chased and hunted, working in a finance space. I happened to get hired into financial services, which was essentially investment banking for banks and savings alone to where they were building societies.

00;08;31;02 - 00;08;49;24
GUEST
And that led me to being very involved in secured credit. So I was, which is backed by property, largely. So indirectly, we ended up in property. But I didn't start out that way. I started out in financial services, and the idea was to scale through that end up in property because we were doing credit related businesses.

00;08;49;24 - 00;09;03;09
GUEST
Then we doing distressed credit. They were taking over the property, doing like, let's just buy the real estate. So that evolution took about probably 5 to 10 years of my career of going from selling that banking story to more of a pure property story.

00;09;03;09 - 00;09;04;10
HOST
And that was at Lehman's.

00;09;04;10 - 00;09;23;16
GUEST
Right, most of the Lehman. So Lehman Brothers, phenomenal, phenomenal firm. And and I joined in in, in the US. And I worked in that group. And then about five years into my career when Robert Maxwell passed away or died, Lehman Brothers asked me to, to come to London to work on getting our money back from the Maxwell estate.

00;09;23;18 - 00;09;45;16
GUEST
And I came and I saw a big opportunity in 1992, a largely distressed residential market in England. And I thought there was a potential angle for Lehman Brothers to be investing in property, in Europe. So we, as a group and as a firm decided to do this. My job was effectively to deploy the capital and to, to make money in the space, which we did.

00;09;45;19 - 00;09;49;21
GUEST
And it turned out to be very lucrative. So that evolution happened large Lehman.

00;09;49;21 - 00;09;52;20
HOST
Brothers and that was, you said residential property.

00;09;52;23 - 00;10;12;22
GUEST
Well, it was actually everything in the end. But we started out as doing residential credit, which was the opportunity. Remember, interest rates were around 1,213%, so everything was bust. So we did residential in UK, the commercial in France. We then second homes in sort of leisure in south of France we looked a lot in Germany, but that was essentially over sort of 92, 97 period.

00;10;12;24 - 00;10;20;01
HOST
And in terms of the kind of the tickets you'd normally write at that size were they quite small, granular, and it was just about a massing scale.

00;10;20;05 - 00;10;41;11
GUEST
It was generally small, but it wasn't granular in that you were really underwriting, turning around underlying property. It was much more about how cheap you could buy it and then find next guy to unload it too. So that was that was really the difference between what I used to do and kind of what we've been doing the past 25 years, that the original years were more versus typical, but you were buying portfolios.

00;10;41;13 - 00;10;54;28
GUEST
Were you buying, loans in which you were assuming that one way or another you were going to sell to someone else at a 20 or 30% profit spread, free leverage. So if you did that, you'd make quite good money. But but that was the idea.

00;10;55;00 - 00;11;15;28
HOST
And when you touched on obviously kind of entering, you got into real estate by default really through the banking banking route. When did you think actually this is a career that I want to stick in, this is the part of real estate or this is, I really enjoy this, and kind of having that different perspective rather than your father's perspective.

00;11;16;01 - 00;11;33;29
GUEST
Well, I think, I think, you know, after ten years of Lehman Brothers, I made enough money to to get my parents at their shitty house and get my wife and I a nice apartment and have a reasonably better life than the life I grew up with. So, I already was, was buying into the industry that, you know, that was easy.

00;11;34;00 - 00;11;55;06
GUEST
The hard bit was to figure out how to scale it further. And the way to scale it further was through the fund business. So you're raising a fund which uses capital to invest in property becomes the opportunity, as opposed to finding opportunities and running around trying to find capital. I didn't want it. That was my the path that my father did.

00;11;55;09 - 00;12;18;24
GUEST
And I thought that was a difficult path to follow, particularly when the markets go south. So to me is much more interesting if we could figure out a way to scale what we were doing through the fund business. And essentially, if you look at where we are today, in the past 25 years, we have the property investment business, which is, kind of the engine, the dynamic that it makes it all work.

00;12;18;26 - 00;12;42;09
GUEST
But the fuel is essentially the fund of business where we raise capital that that feeds into the engine and

generates the profits. So, you know, I would say early on I was I bought in, you know, I already moved away some from the world of my father for 1 or 2 years out of the box. However the, the, the, the ultimate reality of property investing is it is granular and you have to remember that.

00;12;42;09 - 00;12;47;01
GUEST
And that's where we spent a lot of time doing, particularly as patron over the past 25 years.

00;12;47;06 - 00;12;58;15
HOST
So can you just talk to me about leaving leaving Lehman and what the what the plan was, what the strategy was in terms of going about raising a fund and establishing a business.

00;12;58;18 - 00;13;26;27
GUEST
Sure. So, you know, one of the issues or challenges that when you work within a large investment bank, no matter how good you are or how good you think you are, you need to prove it to the outside world. And, you know, you have the benefit of this enormous engine, this enormous, machine that is basically supporting you, whether it's simple things or things like treasury or finance or tax accounting, the legal or currency or or anything else, you know, you are relying on the firm to help you do that.

00;13;26;27 - 00;13;45;12
GUEST
So the challenge, of course, is how do you convince someone that you can exist and survive outside of the mothership of Lehman Brothers? And I think that was always a question. And at the time it was quite a few friends that that was talking to me because I, you know, Lehman Brothers wanted me, I got promoted, I was asked to move back to New York.

00;13;45;14 - 00;14;11;26
GUEST
I was very seriously considering not going back to New York and staying in Europe. So my choice was joining another firm like Lehman Brothers, theoretically joining a fund and working for the fund or doing it on my own. And, I was really struggling with with that, that, that and question obviously the solution, and an opportunity came along with Lone Star, which is a run by a phenomenally smart investor, John Drake, in.

00;14;11;28 - 00;14;28;10
GUEST
And he basically came to me and said, you know, I was I was being compared to some other people. And so let's say I'm not really sure you should be part of Lone Star or not, but why don't we agree to joint venture and we'll do a one year venture and we'll see how it goes. And if it works out great and doesn't, we'll go our separate ways.

00;14;28;13 - 00;14;48;02
GUEST
So less about a year and a half. And what it did for me personally was it gave me the confidence I could leave the mothership of Lehman Brothers and survive that. That was a big one, very important issue. And the second thing is it gave me a bit of a track record outside of Lehman Brothers, and three is you probably gave me a bit of money because some of the deals we did did very well.

00;14;48;04 - 00;14;58;06
GUEST
So on the back of all that, at the end of the year and a half, we we parted ways and I went to set a patron, and that was in 1999, late 90, early 99.

00;14;58;08 - 00;15;08;03
HOST
And so it was it just you, you know, day one, that patron just you or did you kind of have a team or did you lean on people that you previously worked with and said, look, come and come and join the party?

00;15;08;03 - 00;15;25;04
GUEST
Yeah. So the question was, you always have to always think about the end goal and then you work backwards. So the end goal was raising a fund or capital pool that we would be have the ability to make decisions on. How do you get to the end goal? Well, you have to prove your track record. You have to have a team that's somewhat credible.

00;15;25;07 - 00;15;41;13
GUEST
It has to be a bit better than a piece of paper or something written on a napkin. So how do you do that? Well, you have to probably bring some good people on board. You probably need to invest some money. You probably need to do a few deals, and then you could make a more of a credible argument to, to raise a fund.

00;15;41;16 - 00;16;04;12
GUEST
And that's essentially what we did. So I knew a very good lawyer who worked, at another competitive firm and or, another firm, and she joined, I knew a really good real estate person at the time that I thought was a good underwriting type person. So he joined. I got a good assistant. And really essentially, you know, the four of I started this concept of raising, going to raise a fund.

00;16;04;12 - 00;16;26;16
GUEST
And I put together a set of documents, and we started the early stages of marketing. In the meantime, we went hunting and we started working on transactions. And I had the benefit of a very good, man named, Paul Salvador, which would have a complicated name, but fantastic guy. And he backed me originally on some of the earlier transactions, and I say, hey, why don't we go work on together?

00;16;26;16 - 00;16;43;05
GUEST
I'll put up all my money and whatever I had, and you help me. And, we did a very interesting transaction where we ended up managing Royal Bank of Scotland, had a private equity department, and they gave us about 77 million pounds of equity in a transaction that we did, which turned out to be a home run.

00;16;43;10 - 00;16;51;24
GUEST
We made a lot of money. Royal Bank made a lot of money. We made a lot of money. But importantly, to establish a great deal credibility for us. And we did a few other deals like that.

00;16;51;28 - 00;16;53;03
HOST
What deal was that?

00;16;53;06 - 00;17;14;26
GUEST
It was called I group. I group was the, we call it I was originally called Ackman or their VC NewCo. Ackman was a mortgage conduit mortgage lender in the US and built a big, a, British business. And what it did effectively is it lent money largely to self-employed individuals, and did it in bulk and then securitized it.

00;17;14;29 - 00;17;34;20
GUEST
And it wasn't really quite subprime would be it would be, it was a little bit different, and, and business was tremendous. And we had a great management team and it grew fantastically. We sold that business G and we did in 18 months, and we made a lot of money. So go back to that fundraising and the whole start of it all.

00;17;34;20 - 00;17;52;07
GUEST
And, and so now we had a big deal that we did. We had a few other deals that were in process. We had a good team that was working. And then we got a bit lucky. And the lucky bit was that we, we spent a lot of time talking to multiple investors, and one particular investor, which is MIT, said, hey, we really like what you're doing.

00;17;52;07 - 00;18;15;26
GUEST
And if you fly to Boston, we'll figure it out. So I got on a plane that next night, night flew to Boston, and a gentleman named Peter Lewis, who has passed since he was a phenomenal person, basically back us and they were the really early stage people, but we had people like the church pension Fund, University of Michigan University, North Carolina, Tom, same, group called Sagittarius as my fixer.

00;18;15;26 - 00;18;42;24
GUEST
Yeah. So between a collection of about 6 or 7 investors, which are fantastic names, we were able to secure about €110 million of equity. It was about half of what we originally set out to do. But it was enough to get started and to prove your story. And that's how it went. So it took two years from the beginning of the formation of the business, from which is 99, call it we we started fundraising 2000, give or take late 2000 earlier one.

00;18;43;00 - 00;18;59;09
GUEST
We are right. I think we had our close in 0102. So that gives you a sense of the brutality of, of the business. And you have to believe because, you know, at the time, the real estate person who I brought on board actually left here halfway through and went back to Lone Star. That's obviously a big hit.

00;18;59;09 - 00;19;17;27
GUEST
When you have four people, one guy leaves and he's your property guy. So we had to deal with that, and we had all kinds of bumps along the way. And, you know, I would say at any given day, people in the organization weren't really sure was going to work. But I believe the woodwork, I believe with a lot of hard work and good focus, we would shine.

00;19;17;29 - 00;19;21;01
GUEST
And and that's what happened. But it just took a lot of effort.

00;19;21;03 - 00;19;31;07
HOST
And at that moment in time, what was the what was the strategy, the pitch, the, the kind of the marketing stuff that you, you were selling to these potential LPs.

00;19;31;09 - 00;19;56;18
GUEST
What's a very similar strategy today? There is a, a lot of opportunity that exists on a pan-European basis in which you have a, a type of property or property related, assets, which isn't quite ready for the

institutional investor market. There is. That's on one side. And the other side is you have institutional investor capital, again, particularly in Europe, that is very much focused on property heavy allocation for property and want to buy property.

00;19;56;21 - 00;20;22;05
GUEST
And then you have a high net worth family office group, which is much more focused on real estate as opposed to liquid securities. So how do you bridge the two? How do you acquire an asset, fix it and make it ready for that investor base and sell to investor base and the rationale was, if you can make it 20 to 30% unlevered profit and cost, and you could do it within 3 to 5 years, you did it with a bit of leverage.

00;20;22;05 - 00;20;43;21
GUEST
You could generate very good returns investors would be happy with. So that is exactly what we do today is what we did go back 25 years ago or 23 years ago or so, with the first fund. The only real difference is that we're much bigger now, so the deals are bigger. But but the concept of having a diversified fund invest across asset classes.

00;20;43;23 - 00;20;48;00
GUEST
And so of course you have 4 to 5 active markets. That remains the case.

00;20;48;03 - 00;20;59;06
HOST
Who were your competitors at the time and was, you know, was it unique to be talking to US capital and bring it over to the UK and across Europe as well? Or was that kind of quite a well-trodden path?

00;20;59;09 - 00;21;25;15
GUEST
No, no it wasn't. It definitely was in well, trying I mean, there were there were a few people getting into the fund business in a very big way in the US, including obviously Lone Star and a variety of others. And Goldman was really the biggest with Whitehall. Excuse me. Can you excuse me there? Sorry to a few other, larger groups, but there was very few managers in Europe that was running a diversified pool of capital and getting that money largely from the US.

00;21;25;17 - 00;21;44;14
GUEST
The only other group that was similar to us, was at the probably a few others, but for memory, which is a great group was Orion, and it was Vance selfs and our William and Bruce. Bruce. And and they had a similar idea to me, but they were going much larger because they had a very good relationship at the time.

00;21;44;17 - 00;22;03;11
GUEST
We travel insurance for memory and a variety of other big U.S groups. And therefore they grew quicker, or they were bigger because they had this huge institutional backing. But they were the only other real similar group and I would say RF and I and long time Steven Van and Bruce are really the early stage groups that did this.

00;22;03;11 - 00;22;30;10
GUEST
And within the first fundraising of Fund One Cycle, other people started joining that world. So I would I'm going to guess, I would say the first five years, probably it grew from a couple to 15 or so managers, of course, Europe in general. That was these are dedicated European guys as opposed to global. The global guys were still coming, but but they weren't really dedicated European arms.

00;22;30;13 - 00;22;43;27
HOST
Did you, did you make a conscious decision to set up, local teams on, on across the continent, or was everything kind of run out of London at this stage? And you worked with local operating partners? What was the kind of the model?

00;22;44;00 - 00;23;02;25
GUEST
Well, what you know in real estate is that it's an incredibly local business. And so you could walk a property, you think you know everything because you've seen in whatever, but you discover that the next door neighbor you know has a water damage, or the next door street is a, it's a terrible neighborhood, or this drug dealer's on the corner or something.

00;23;02;25 - 00;23;23;00
GUEST
And, and there's all kinds of localized stuff that you really need to have a local presence. Now, if you want to run a pan-European business and you don't want to be dedicated to one product, you you have to you own the coffee's aware enough, you have to look across the, of course, the piece and say, okay, well, how am I going to scale Europe?

00;23;23;02 - 00;23;44;19
GUEST
Well, the only way you scale Europe is that you find lots of individuals in these local markets that you'll work with you then back them in some kind of what I would call a hybrid joint venture model. And you together would access fine identify the opportunities and pursue them. And that's what we do. So so essentially it we're not really an allocator and we're not an owner operator.

00;23;44;19 - 00;23;58;21
GUEST
We're somewhere in the middle. And that's what we we call it the hybrid model. So if people on the ground, they work very closely with our team. We have a very big team of 60 people in the overall business that they work closely with. The local groups and together we execute the plan.

00;23;58;23 - 00;24;13;07
HOST
That's one of my my questions is how do you create alignment between LP, your team and local local operating partners? Because how do you create that alignment and purpose, mission, vision to create create value.

00;24;13;10 - 00;24;39;08
GUEST
So one of the interesting sort of observations in life is, is is a financial or is a spreadsheet good enough? Is a financial formula good enough? I promise you, x percent of the action. Is that going to be good enough to create alignment. So the the textbook says yes, but in reality it's not always obvious. So the relationship between the LPs is obviously economic because we get paid a lot if we do really well.

00;24;39;11 - 00;25;05;29
GUEST
But there's enormous fiduciary sense of responsibility. You know, we consider the LP family and we have very close relationship with them. Most of our investors have been with us for 15 or 20 years, and that's extremely important in terms of cultivating, creating, honoring, respecting, and not disrespecting, that base. So, so the, the, the investor relationship or the alignment is strong because it's aligned through money and it's relationship.

00;25;06;01 - 00;25;30;09
GUEST
The local operating partners similar. You know, you have a formula they get they do very well. If you do well. But what do they want. They want a couple of very first order investors. They want obviously great performance but they want absolute transparency. They want absolute clarity in what's happening at any moment in time. So if you are, you know, like the biblical saying, do unto others as you do to yourself, if you were an investor in yourself, what would you want?

00;25;30;14 - 00;25;49;19
GUEST
Right? You would want to know what's happening all the time and not to be. Assume you're some mug that you know that you got taken advantage of. So we treat our investors, active partners, although practically they're really a passive limited partners. They know everything as we know it. And that's a very simple golden rule. Now you think about local partners or local operating guys.

00;25;49;21 - 00;26;11;12
GUEST
What do they want? Well, they want capital. They want to know they can make decisions quickly. They want confidence that if you make a decision, you're not going to change your mind. And they want therefore transparency on your underwriting process. So we provide them with that. We're not a global fund. We are a European focused fund. We have enormous experience in Europe.

00;26;11;14 - 00;26;29;24
GUEST
And they get to meet all the decision makers. So any local partner of ours feels that for the, you know, is the extra 5% or 10% some other group might pay him worth it now because they know that that actually when we say we're going to do something, we'll deliver. And that's much more powerful. The next five points.

00;26;29;24 - 00;26;31;13
HOST
Certainty, certainty.

00;26;31;16 - 00;26;53;19
GUEST
To certainty is absolutely, absolutely key. Absolutely. And I think when you when you're in this business and you're raising money or you're investing money, you know, on the spreadsheet says you're going to be a very wealthy man, but in reality, you might make zero because the guy never says yes to anything you're working on. So we're very much into making sure that people who work with understand us and we deliver consistent messaging.

00;26;53;21 - 00;27;04;22
GUEST
And the flip side is a highly confident that if we say we're going to do something, we will deliver on it. So that's a to really come back to alignment. That's how we align from the local guy. Back to the investor.

00;27;04;25 - 00;27;17;24
HOST
Amazing. Talk to me about fund one. You know, raise €110 million or so. Can you just talk to me about a couple of the transactions you did, where you did them and the results? That came off the back of it.

00;27;17;27 - 00;27;39;01
GUEST
Sure. So, I was actually technically $110 million at the time. So the first one was a US dollar fund, the rest of it from a euro denominated funds, fund one consisted of buying individual assets in residential buildings

and office building, etc.. The two interesting girls out perhaps highlight one was the hotel arts and the other was Simon Storage.

00;27;39;03 - 00;27;58;07
GUEST
So the hotel Arts was a was a as people right now is it's a Ritz-Carlton in, in in Barcelona. It was part of his complex called Porte Olympic. It was owned by Sogo, the Japanese retailer. They were struggling financially. They were trying to sell their non-Japanese assets. What was for sale at the time was a hotel.

00;27;58;10 - 00;28;18;18
GUEST
Obviously, the ground underneath it, which include a conference center and parking facility, the casino, which is adjacent, a office building next door on a piece of land. We teamed up with Deutsche Bank and, very large Spanish high net worth group. We essentially backed a very small individual on the transaction, and we work very closely with those people.

00;28;18;20 - 00;28;41;11
GUEST
And we broke up effectively that portfolio and sold off the individual bits. Cleaned up a bit of the management related issues and then sold them off the property as well. So that was more of a distressed opportunity play where where the seller was in trouble and had a fit to fix a capital structure. And then we were able to execute on a breakup play on an asset by asset basis.

00;28;41;14 - 00;29;02;18
GUEST
I'm simplifying it, but that's effectively what it is. What was the big risk? The big risk was we were buying a tower because the hotel arch is a is a large tower. And it sits next to another tower, which was Mapfre. And effectively it's on the flight line, going into Barcelona airport. And we bought it right after nine over 11 and had, I think at the time, at 30 or 40% American guests.

00;29;02;20 - 00;29;25;15
GUEST
So the, the, the underwrite question was, do you really believe the Americans are going to come back or not? Because back then everyone thought who that was, it was over. So we didn't believe that. And we we we took the risk and that's what we are. The second example is called Simon Storage. Simon Storage came to us because at the time, Guy Hans is trying to buy a port.

00;29;25;17 - 00;29;53;12
GUEST
And we really looked at there's a strange thing, but the port is complicated. There's a lot of operational issues, everything else. But what's on the port in many of these industrial ports in England are tank farms. These are very large cylindrical, tanks which store gas or oil. Actually not gas. Oil or other products. And if you really dig deep, they're big warehouses that have 13 and 15 year weighted average, length contracts.

00;29;53;14 - 00;30;15;21
GUEST
So we say we could buy that cheap enough. We could make a lot of money. So we effectively and at the time, the company which, the biggest port was 50% owned by another group, and so we went to a group who then also was struggling with cash and bought that stake. And then we acquired Simon Storage, which was a division of Simon Group plc.

00;30;15;23 - 00;30;40;18
GUEST
And they were under attack for underperforming public shares in stock. So the aspect was back

management extract the business, grow it and sell it. And that's essentially what we did. We we extracted the business, we stabilize performance, we grow it. And then we sold the entire business to a Canadian, MLP, which is a mess. Partnership, which was basically focused on oil and gas.

00;30;40;21 - 00;31;15;08
HOST
Quick run 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;31;15;09 - 00;31;39;26
HOST
So if you haven't already, please follow or like on the platform you watch or listen to. Thanks so much. And so the kind of the vintages you raise 3 to 5 year private equity type, type return profiles and you managed, as you touched on earlier, you've had a phenomenal kind of react from existing LPs. It kind of all been plain sailing.

00;31;39;26 - 00;31;53;09
HOST
There must have been some significant challenges or learnings. What if you can kind of, you know, maybe consider going back to the global financial crisis. What are some of the learnings or challenges you've had to overcome as you've raised new funds and new vintages?

00;31;53;11 - 00;32;15;00
GUEST
Right. So on an average basis, we have made a 15% gross return over 25 years investing in in senior. That's a headline number that sounds amazing. In reality, it's more it's brutal. So what it actually has has because through the journey we did fund one, it was extremely successful. We made enormous returns. We then went to raise fund two instead of two years.

00;32;15;00 - 00;32;31;26
GUEST
It took us let's say six months. And instead of raising half of what we wanted, we got 300 million against it, 250 million ask. We invested half as the first half. We made a lot of money. We did incredibly well. We were also making a lot of money in Central Europe. And we started to run out of money quickly.

00;32;31;28 - 00;32;50;13
GUEST
So I went to raise fund three and this time we raise about 900 million, which is three times the amount of money we wanted in about six weeks. And I took the money. So that was the first mistake. So we tripled the size of the business essentially in a year. And that was a big mistake because I don't think it wasn't quite clear to me in hindsight that we were really ready for it.

00;32;50;15 - 00;32;52;26
HOST
But in terms of infrastructure, personnel.

00;32;52;29 - 00;33;24;15
GUEST
I would infrastructure perhaps, but more underwriting perspective. So we were going from buying distressed real estate, distressed loans, individual property, small portfolios, some spin out of companies, all of a sudden having €1 billion of cash. So we always the best way deploy at the time. So at the time Central and Eastern Europe were doing very well. We were making a lot of money there, and there's a real opportunity to buy old warehouses, knock them down and build multifamily or mixed used assets and

make a fortune.

00;33;24;15 - 00;33;55;09
GUEST
So on the paper, the models said you'll make a 35 to 40% return on basically creating housing for people never had housing before of that level. And we did that. We went into Poland, went to Romania, went to Eastern Europe. We did that for part of the second part of fund two and the early stage of fund three in oh seven, the world started to get wobbly when when Bear Stearns mortgage bonds got rerated by the agencies, we started to realize that liquidity was getting sucked out of the system.

00;33;55;12 - 00;34;17;17
GUEST
So we slow down, but we sold pacing. Anyway, when the world ended in kind of late oh eight, we were we we woke up one day and we said, okay, the back end fund two was underperforming, was a very low leverage, but the everything got extended. The first part of front three was underperforming. Again, it was looked okay, but instead of a three year plan it was extending out quite dramatically.

00;34;17;19 - 00;34;35;21
GUEST
So we said okay, hold on. And then we used a second half of fund threes money to invest smartly in buying stuff that was distressed. So when we finished that process, we were one of the few big funds that one of the few funds, it didn't blow up. We didn't lose a lot of money yet we're at that stage.

00;34;35;23 - 00;34;59;19
GUEST
So we went to go raise fund for this is now post oh eight. There was a big opportunity to take advantage of it, and we raised €1 billion of equity. So going through the sequencing of the event, you know, fund two and three ended up losing basically expenses but got investors a capital back, less expenses. Which is better than my our peer set and fund four turned out to make a 24% return, which it very, very well.

00;34;59;21 - 00;35;20;05
GUEST
Fund five was fantastic vintage of original was doing really well. Then we got hit by Covid so everything we were working on got delayed. So in the end I think we'll do okay because we bought 92% of the money back quickly. But it's challenging. And then front six, we were deploying and doing very well. Again, interest rates, another shock to the system.

00;35;20;05 - 00;35;38;12
GUEST
Rates go up dramatically and it hurt. But in all these cases, our leverage was only maximum calls, 50, 55% on average across the books. So we never suffered like others did, which is like, wow, I gotta give the keys back. And that's one of the reasons why, you know, we survived and we grew.

00;35;38;17 - 00;35;50;05
HOST
And is that because of your time at Lehman, you'd seen you'd seen a lot of transactions. You see a lot, a lot at that time, you you wanted to have a cap in terms of your LTV because other people were borrowing at 1995, 100.

00;35;50;05 - 00;36;07;19
GUEST
Yeah. I think, I think it was growing up in distress. And like you said, that Lehman Brothers, I was also knowing what my father did. In fact, my father's very first distressed deal was a ski resort development in upstate New York. The sign from that development hangs next to me on my desk to remind me of what?

00;36;07;23 - 00;36;27;04
GUEST
How it goes wrong and what goes wrong. So? So I would say yes. I would say that gave me a lot of prospect driven on leverage and being very, very careful. And if you go back to the original thesis, the thesis where we were raising large pools of capital to invest in equity, and therefore there was an opportunity to play equity as opposed to levered equity, which in itself increased the risk.

00;36;27;06 - 00;36;31;03
GUEST
So so we were a bit nervous about leverage anyway.

00;36;31;06 - 00;36;49;08
HOST
Have you ever struggled in terms of focus because you're so geographically diverse and type of transaction, you know you can sort of access. The market is so broad. You have to see a lot of a lot of deals. It's not necessarily is focused on a single sector or geography or particular strategy. How do you reconcile that?

00;36;49;11 - 00;37;18;03
GUEST
Very good partners. So we have 6 or 7 partners internally within each. And we're very good. They are responsible for their regions, and they worry about their regions, you know, all the time. We don't really lose focus per se, in that a the partner is doing with his team. But B, we have systems in place and reportings in place of basically extracts out the key issues of each opportunity, whether we're looking at it over the owner and then make sure that we're monitoring it and managing it on a regular basis.

00;37;18;06 - 00;37;39;16
GUEST
So that report, what we call the key Next Steps report, is what keeps me focused on making sure I understand what's happening. For example, and then and then we then do you complemented by being on the road and looking at property. So yes, I was, in one of our locations, and I walked, 5 or 6 opportunities that we already own in one location into 2 or 3 in the other.

00;37;39;19 - 00;37;46;08
GUEST
And that gave me a lot more guidance and perspective on on what we're worrying about. And help me refocus.

00;37;46;10 - 00;38;10;23
HOST
You've recently raised €860 million, for fund seven. Can you just talk to me about the opportunity set? You touched on the business in terms of the strategy hasn't really changed in the last 20 years or so. But the types or the size of tickets you write will increase, rise 30 to 80 million. Is that the sweet spot with an ability or a sidecar to be able to access bigger deals?

00;38;10;26 - 00;38;27;19
GUEST
So, if I focus on the capital question first, it's pretty. It's been called the easier one. I would say 80% of our activity tend to be small transactions. So some 80 million, even some 30 million. But we we built we believe there's a thematic story and we do repeat business and do quite a lot of equity in the space.

00;38;27;21 - 00;38;49;28
GUEST
So imagine student housing. We like student housing in England we might spend 5 or 10 million per site, of equity, but cumulatively it might be a hundred million years of equity. So we're happy to deploy north of

90,000,100 hundred and 10 million or even more in a thematic idea. But each individual transaction is smaller. I would say that's 80 to 90% of our business.

00;38;49;28 - 00;39;11;24
GUEST
10 to 20% of our business might be larger deals where it's so it's it's large larger that we'd like it. But and we could do it, but it's too large for our fund to make it. Additional co-investment from other parties and helping us do that. So today we are we are exclusive on three transactions where individually we could probably do, but collectively we can't eat and are very similar.

00;39;11;27 - 00;39;34;26
GUEST
So that that that's that's one of the challenges. Now where is the opportunity set today. You know, I would argue that there's a two ways of looking at the world is the thematic stuff where you have supply, demand imbalance and there's always an opportunity there. Imagine residential, imagine student housing, imagine Semillon industrial, and then you have the distressed stuff or more challenging opportunities where you have an interest rate problem or loan problem.

00;39;35;03 - 00;39;58;10
GUEST
You have an ESG issue where the building is non-compliant. And it might be in a good way in a market which has too much or a lot of demand, none of supply. So we're trying to find a nexus between the three supply demand, something to do with the underlying interest rate or the creditor shock. And perhaps an ESG requirement where the borrower or the owner doesn't have the money to, to bail out this problem.

00;39;58;12 - 00;40;13;11
HOST
And is it a is it a case of just being patient right now? Because the sense I get from the people that I talk to in the market is there's quite a lot of extend pretend weight, you know, elections on the doorstep. You know, there's there's a thought that interest rates are coming down. Is it a case of you just being patient?

00;40;13;11 - 00;40;21;11
HOST
Patient, patient waiting for these distressed opportunities to rear their heads?

00;40;21;13 - 00;40;37;07
GUEST
You know, the old story, when you're looking at the curve, are you trying to buy at the bottom of a curve and invite it up? You probably miss it, right? So you end up buying near the bottom of the trough. You go through the trough you're still buying, and then at some point you be able to take advantage and move out of that and, and get out.

00;40;37;09 - 00;40;58;01
GUEST
So I think on the distressed side, where we're actively looking, is there a lot of distress today, like, okay, no, the amount of leverage doesn't exist. The leverage it does exist has is pretty low. And therefore, the banks might say you busted each straight covenant or you DCR, but you've gone from a 55% loan to value 75.

00;40;58;03 - 00;41;17;26
GUEST
As long as you keep paying my loan, I'll let you live. And that's what you're seeing a lot of. So going back to your expression of extended return, it used to be survived to 25. Now they say don't deep 6 to 26. I think that was a pension in the damage something. So that's so it's a it's a very good way of understanding.

00;41;17;26 - 00;41;37;07
GUEST
So you don't have this pressure that you used to have where, you know, an Irish bad bank got created or a Spanish bad bank are created. But but there is problem. So we are picking off or trying to pick off those individual opportunities to ask you question no, we are not waiting. We think the opportunity exists today. It might be that we don't close for another six months, but we do think you have to do the work and you have to figure it out.

00;41;37;13 - 00;41;42;24
HOST
Now that you've closed form seven, does that mean you're no longer looking for capital?

00;41;42;26 - 00;42;10;21
GUEST
Well, I think there's two concepts. One is you're always trying to build relationships over the long term. And since we're in this business for a long term perspective, you know, we most likely will be the new fund will come out in a couple of years. And therefore, you know, potential investors might be interested in that. But in advance of that, what we have a lot of is that from time to time, we'll have a big transaction and we will go to our existing investors and say, are you interested in investing in this?

00;42;10;21 - 00;42;25;03
GUEST
Because we have a rule that we don't want to put more than 5 to 10% of our fund in any given investment. And if you follow that logic and you do a deal that's more than 80 million or 90 million of equity, you need a co investor. So we'll go to our investors and we'll say, are you interested?

00;42;25;03 - 00;42;45;22
GUEST
And if they say no we will then go to the outside space. So to your question you know it's important for to have relationships because you just never know. Right now we are working on a couple of transactions where we have complete third party investors who will invest with us alongside the fund. So we are always looking for money in some form or another.

00;42;45;25 - 00;42;51;11
GUEST
Right now the form tends to be co-investment capital in a couple of years will be the funding it so it really depends.

00;42;51;16 - 00;43;05;14
HOST
And that capital is that coming from corporate pension plans, endowments, foundations, charities, high net worths. And have you seen that capital base or LP base change in recent times or not.

00;43;05;17 - 00;43;27;16
GUEST
So we don't get really from charities per se. We get from charitable foundations which are effectively charities. But the answer you question is the the composition of the investor base hasn't really changed that much for us in many years. The geographical source of the capital has dramatically changed. So we used to get most of our money out of the US.

00;43;27;18 - 00;43;49;01
GUEST
We now got almost all of our new money out of non-US markets. And and the question then is why? And is that something that others should think about? And the answer that is that US money, which is the

largest pot of capital, frankly, in the world for valuation, opportunistic, largely piled into real estate in a very big way when interest rates were low.

00;43;49;03 - 00;44;12;24
GUEST
Or they smell a bigger opportunity at home, which is a domestic bias. So getting US capital that may or may not be available is, you imagine, is available to focus on European real estate is much harder today than it was five years ago. And therefore the, the non-Americans, the European, the Asians, the Canadians are much more attracted to European real estate.

00;44;12;24 - 00;44;14;28
GUEST
And that's who we've been tapping into.

00;44;15;00 - 00;44;27;21
HOST
The election is on our doorstep. What's your take on that? And, what opportunities or challenges will you, as a real estate investor, have to navigate or overcome with that? On the horizon?

00;44;27;23 - 00;44;50;00
GUEST
So investing is fundamental is fundamental about supply and demand. It's also about flow of capital. Right. Which is is there capital that's interested in buying the finished product or. How is capital thinking. How do those flows maneuver? It's very much like waves. You know, they they come, they move some of them mixed water. Sometimes you have water going in one direction.

00;44;50;03 - 00;45;16;28
GUEST
It's never quite obvious on how that plays out. What you do know, though, is that the more certainty you have in a system, the the, the easier it is to understand how that flow will work and that flow will conform, will follow through that with that certainty. So going to your political question, you know, the the regardless of which political party you want to you supported or don't, the bigger question or the bigger challenge is complete lack of certainty.

00;45;17;00 - 00;45;34;26
GUEST
There is lack of certainty today on what the labor government, if they were to win, and they came in the seat with a very wide majority, what would they do with a what policies would they have? You have both stated policies which you're hoping that that will continue or not continue on in assuming that the Labor Party remains intact.

00;45;34;28 - 00;46;01;22
GUEST
But you also have the policy they haven't talked about. You know what, it will really happens. Capital gains tax. What will really happen with carried interest? Will that become ordinary income. What will private equity or investors do when all that happens? Will people leave? Will they not leave? How will they invest or capital. So so the lack of certainty is a much bigger issue then than knowing what's supposed to happen and planning for it.

00;46;01;25 - 00;46;28;07
GUEST
And what happens when you have uncertain times as people default typically to the worst of those times, and assume that will happen in the investing space. And what I grew up doing, you know, I do is, yeah, in the worst of times or when you have great uncertainty, you really trying to find that opportunity where, where you're able to access something at such a cheap price that even if, let's say, the worst version of

that uncertainty happens, you'll be you'll be okay.

00;46;28;07 - 00;46;56;11
GUEST
So political instability today is probably the greatest risk to the system that is partially priced in but not fully priced. Geopolitical uncertainty being war is really not priced into the market. There is no assumption that Russia will expand and attack Estonia right now. Although one could argue possible or that China will attack Taiwan. So, I would say in general we as investors would like certainty one way or another.

00;46;56;16 - 00;47;05;19
GUEST
Lack of certainty creates a gaping hole. And that's where, you know, few will play. We play in that space sometimes, but we're very careful.

00;47;05;22 - 00;47;12;26
HOST
You've been phenomenally successful over the years. Has your definition of success changed during that period?

00;47;12;29 - 00;47;38;04
GUEST
I think as you even say the word, we've been phenomenally successful. I'm highly uncomfortable with with that phrase. Because I don't I don't well, I don't really define success necessarily about making money for myself or, or really the team I see. Have we have we done the job we set out to do for our investors? You know, if you look at what we told them we were going to do and what has happened, did it work?

00;47;38;06 - 00;48;00;12
GUEST
Yes. I said someone has. It has not been. We have not. I think we've exceeded a lot of investor expectations, but it has not been a home run that I would have wanted it to achieve. Why? Partially because you have incredible, uncertain macro dynamics, including Covid, which which creates challenges. How we outperformed what we what we set out to do.

00;48;00;12 - 00;48;20;18
GUEST
And our investors are happy. Yes. But I would not call myself incredibly successful in that. I've, you know, completely blown out the door and no matter what happened, have been completely resilient. Everything's perfect. So that was one challenge of how I define success. The second is what have we done? If you really think about it, what is the point of all this?

00;48;20;18 - 00;48;46;20
GUEST
Why are we here? What is the what is the purpose? So our job is to make money for our investors. So they could pay typically their pension fund obligations. So imagine a school teacher who has invested, I don't know it, $100,000 or euros over the years. And 5% of that money's going into our fund. You know, our job is to deliver the return relative to the risk that the their hurt the manager, that capital assume.

00;48;46;22 - 00;49;08;07
GUEST
So we we we are working to that strategy. So I would say a clear aspect of understanding why is making sure that we're delivering on that point. And then as people or as a group, are we positively impacting society? You know, that's a very important question to me. And, I give you a little bit of an example, either in a personal perspective.

00;49;08;07 - 00;49;22;24

GUEST
You know, I explain how my father was a good man, boys, and what was developed. And when we had boom and bust all the time and I remember that that, I was very close to my father, an amazing guy, and he was almost like my brother, and. But I remember I was always angry at him for years.

00;49;22;27 - 00;49;39;29
GUEST
Most of my life was angry at my father. Deep down had is resent that I. I didn't think he was financially very responsible. Most of the time. I felt that I was put into situations that I shouldn't have been in my mother as well. And it really bothered me, and I just felt that that wasn't a good thing.

00;49;40;02 - 00;50;07;20
GUEST
And then when he passed, I remember burying him in this wooden box, and I remember reviewing his. Well, and you don't really have any money, and I'd assess the situation. And then something like 600 people came to me in different emails or calls and messages and told me about how my father made a difference in their lives and made a positive influence in their lives because he spoke to him or helped them or supported him emotionally or something.

00;50;07;22 - 00;50;30;12
GUEST
And then I woke up and I was like, wow, man, I am the biggest idiot. I completely missed this point. I completely got this wrong. So what is helping my community in in in a very important way? I really wasn't helping the wider world. I wasn't really driving my team and my partners to help make a difference in what we could do, and we had the capacity to do it.

00;50;30;15 - 00;51;04;03
GUEST
And I fit, and I realized that we had this ability. We should, you know, we have a God given gift, which is this ability to make a difference in the world. And we need to be doing that. And it, it and, and obviously as a priority, fulfilling our, our professional responsibility. So I would define success. Go back to the question on when we've been able to consistently demonstrate that over many, many years and therefore through effectively the multiplier effect have made a difference in millions of people's lives, not thousands, millions.

00;51;04;06 - 00;51;28;27
GUEST
Have we done that yet? I think the answers were way away, way on that journey, and it's been a fantastic journey. Can we do a lot more? Of course we can. So, I think when it's all done and dusted and I'm down buried under the ground, someone could say, okay, this guy and his firm patron has made a difference in our lives, in multiple lives, and has achieved its objective for investors.

00;51;28;27 - 00;51;34;10
GUEST
And it is professional responsibility. That would be the definition of success.

00;51;34;12 - 00;51;54;08
HOST
You do a lot of work with disabled veterans. State school teacher, developed a kind of backer, a housing fund for women suffering domestic abuse. Can you just elaborate on a couple of these things that I know? You've also just come back from a channel crossing with the veterans, as well.

00;51;54;15 - 00;52;16;19
GUEST
Sure. So, you know, along the theme of trying to make a difference, we I kind of look back and with the

team, okay. What things are important to us, what things do we think we can make a difference? Well, the veterans were we a long time ago met a few people who are quite amazing. And they're part of a group called the Hasler Company, which is essentially that in the Royal Marines and actually part of the Navy.

00;52;16;22 - 00;52;35;16
GUEST
And I just said, these are amazing people, and no one really realizes what their sacrifices were or what they've done. And unfortunately, in a very classical style way, they're kind of left behind. So we adopted them. And and it was this incredible journey and this journey has been going on for 14 plus years, 15 actually even longer.

00;52;35;18 - 00;52;55;21
GUEST
And we are today the largest private supporter in British Royal Marine charity, hands down. We do enormous amount of stuff with them during the week. During the year, we provide a lot of support by training. Our officers are used as, therapy session for Rock to recovery, which is a phenomenal charity. Does, PTSD coaching, right.

00;52;55;21 - 00;53;14;14
GUEST
Of other stuff. We work with Climb to Recovery. So we do a lot and that has had enormous positive impact on on these on people. And it's made a very great difference on, on, on ourselves. And, you know, I'll come back to the D-Day thing. So that's kind of the veteran bit. And plus we've done a lot of other stuff in the veteran world that we think is important.

00;53;14;16 - 00;53;33;16
GUEST
And then on the education front, we, we were very involved years ago in charity called the PTI, which was the Prince's Teaching Institute. It's a fantastic organization. I now chair it for many years. And what it does is it provides professional development for state school teachers, mainly through subject based learning. What was the background behind that?

00;53;33;16 - 00;53;52;07
GUEST
Well, many teachers are burnt out there. They've been challenged. I've been dealing with all kinds of issues. We're here to help them, to kind of reignite them and to get them, in a positive place. We have about 4000 to 5000 teachers a year. We impact on a three quarters of a million kids a year. I've been doing it for 14, 15 years again.

00;53;52;07 - 00;54;08;08
GUEST
I've been chair for 3 or 4 years. It's a fantastic organization. Makes a difference on the teaching front. And that has more of a multiplier effect. And in the third aspect was, okay, that's great. Well, how are you going to change the world at the local level? You know, I know you guys, you're doing it on a nationwide level.

00;54;08;10 - 00;54;23;21
GUEST
And there we say, okay, well, why don't we, Big Society Capital came to us and they said they got this big problem that they realized, how could we help? We spent a lot of time on it. We can have a group teaming up with a group called resonance, and we created this fund called the Women in Safe Homes Fund.

00;54;23;21 - 00;54;44;13
GUEST
And what it does is it provides permanent housing for women in their families, who suffered domestic

abuse as well, those who are ex-offenders. And the model is designed not to be a charity but to be an investable product. So we invest like core real estate. We raise about £30 million, to do it. I put up, we do a pro bono.

00;54;44;13 - 00;55;02;06
GUEST
Effectively. I put up about 1 million pounds as investment, and we as a group put a million and a half in its expenses. And the goal of which is to make a difference in people's lives. We're trying to impact about 130 families. Roughly. It's I think it's about 21 million so far deployed. So it's going really well.

00;55;02;08 - 00;55;29;01
GUEST
But but it's an amazing thing. So, you know, if I put it all together, you know, we are the veterans of education, and then we have, the the Women Safe Homes Fund. Now, the D-Day point, for what it's worth, is that the veterans, some of the veterans that I've been involved with for many years, particularly Lee waters and a guy named Joe Maynard, came to me and said, hey, you know, we got this idea that we want to paddle the the same crossing that the D-Day, ships, boats did.

00;55;29;04 - 00;55;48;12
GUEST
And we're gonna go from Portsmouth to port with some. And are you interested? And I said, yeah, of course I'm interested. I said, but I had a major injury, remember a couple of years earlier how to make sure my back and working did, and I said, okay, I'm in and what it ultimately led to. And they effectively organized and they did it with 47 commando unit.

00;55;48;14 - 00;56;17;29
GUEST
It they're and they they participated on, on the D-Day anniversary and the reenactment of the 47, taking, landing on the beach. But prior to that. So on the Monday we paddled from Portsmouth to put a vessel in two man clipper kayaks, which are these foldable kayaks, basically from World War two. And it was about 27 hours to 20 hour journey, which I think we paddled about 18 hours a bit because we had a bit of a storm with some rotational breaks.

00;56;18;01 - 00;56;39;01
GUEST
And we ended up on the other side and in my boat was Lee waters, and Lee waters was a member of the company, served multiple tours in Iraq and Afghanistan. He's a phenomenal human being. He was in a bad place when he when he came out of service. And he's completely rebuilt himself and his family and his professional life, and, and he's a fantastic guy.

00;56;39;01 - 00;56;59;14
GUEST
And so I had the opportunity to be with the him and Joe Maynard and, you know, 17 other, people who were really amazing. And collectively, it was an incredible experience. And at the same time, we raised about 40,000 pounds. I matched the fundraising to raise about 40 grand for the charity. We raise a lot of awareness.

00;56;59;16 - 00;57;21;02
GUEST
We really. Yeah. That was really the goal to raise awareness about the charity and the cause, and to bring, a little light to people's lives. And I think that was the, the fantastic thing, professionally, you know, I think other people, my industry, who see what I do, why do I publicize it so much? Is it because I'm I'm an egomaniac now, I don't really give a shit about that.

00;57;21;02 - 00;57;39;17

GUEST
What I really care about is how do we raise awareness to the charities, how to raise more money for them? How do I help others be catalysts to others participating? So that's one of the reasons I, at 58 years old, capable 18 hours a boat after breaking my spine and a half two years ago, then what are you doing?

00;57;39;17 - 00;58;07;09
GUEST
Watch sitting at home watching the telly. Right. So that's that's kind of the logic. You know, you can do more, you can succeed. You just have to set your objectives, set your goals, work very, very hard and you will achieve. And I think that is a mentality I try to bring to my daily life. And hopefully by participating with the Royal Marines or in various things that they do, or working obviously on the PTI, which is a phenomenal group, or with the women who say from fun, people could say, hey, wow, that that's amazing.

00;58;07;09 - 00;58;15;27
GUEST
I could do that, or I could achieve and perhaps do better. And I think that's what we're trying to what I'm trying to do in terms of definition of success.

00;58;16;00 - 00;58;27;20
HOST
As we draw to a close keep, the question I ask everyone in the podcast is if I gave you 500 million pounds worth of equity, who are the people? What property? In which place would you look to deploy that capital?

00;58;27;22 - 00;58;52;27
GUEST
I think the the what you learn over time is that it's very, very difficult to clearly forecast the future. And things go wrong all the time. It's always hard. But you could generally understand trends. There is a clear lack of supply in residential housing across almost any major Western European market. So I see residential opportunities as the biggest source of opportunity today there.

00;58;52;27 - 00;59;15;18
GUEST
There's no question that that is the case. In my mind at least. The question, though, is what is the format of that? Is that rental? Is that built to sell? You know what? What actually is that? And how do you consider that? And how do you participate in which exact market to go in? So what we're trying to do is find the significant supply demand imbalances and see if we could participate in that.

00;59;15;21 - 00;59;36;17
GUEST
There is a huge supply demand imbalance in England in residential. We have a massive problem with housing, and that's one reason why it's so expensive. In terms of, in terms of new homes. So can you participate and how do you participate? So the simple answer, the residential would be number one in terms of location wise. We only invest in Western Europe.

00;59;36;17 - 00;59;55;24
GUEST
So I would say we're in Western Europe. Do we see the residential distress or supply demand imbalances. So you could imagine in Spain, in Spain and Portugal and England you have supply demand imbalances to some degree. How that Italy, in Germany tend to have a bit more distress because a lot of it was using leverage, but it's also supply demand imbalances.

00;59;56;00 - 01;00;16;01

GUEST
So I would say Western Europe remains interesting residential, very, very serious. In terms of the 500 million pound pot, we would we would probably diversify that across the different types of residential. So, for example, do I really believe in co-living? Okay. It's not obvious. Everyone's jumping in is very exciting. These are some good arguments for it.

01;00;16;03 - 01;00;36;10
GUEST
That's okay. Do I believe in single family rental? Again? It's good arguments and also challenges. Do I believe in simply built to sell more properties? Again there's good advantages and disadvantages. So we're looking across the asset class. And I would take the 500 million pounds. I would diversify into different types of residential and in different markets.

01;00;36;12 - 01;00;47;27
GUEST
And focus, you know, clearly on the Western European story. That's what our and it, sounds good, but am I doing it? Yes. I would say 50 to 60% of fund seven will be following that path.

01;00;47;29 - 01;00;58;18
HOST
You've got ten advisors or so at patron in terms of deploying this capital. Is there any one in terms of your journey that you'd bring on from a people perspective to help you deploy that capital?

01;00;58;20 - 01;01;17;28
GUEST
Well, it's a bit of a misnomer. The advisors are typically individuals who are external to the team and help us with different issues. So, for example, Sir David Cape well, which is they for general in the realm reason retired helps us with, understanding sort of trends and geopolitical issues as well as it gives a sort of Socratic view of the business.

01;01;18;00 - 01;01;38;01
GUEST
So they're really not crucial necessarily. Just as a, as a group to the deployment, the cap they help the crucial people are the internal team. So the, you know, coach, 7 or 8 partners plus the rest of the team in in patron are absolutely crucial to deploying the money. So I don't believe we need necessarily to bring on more people.

01;01;38;07 - 01;02;03;25
GUEST
What we need to do is make sure that our existing partners feel comfortable, are activated, have energy and are excited about the future. And whether that's Christoph Ignat, who runs a German business, or Pedro Marcello in our Spanish business, or our Renault, who does our student housing and, and a bit of health care, or or Daniel Weiss on the commercial business in the UK, or Steven Green, who does special situations or more columns or chairs.

01;02;03;25 - 01;02;26;12
GUEST
Our business or Matteo runs around on the Italian side, you know, we have phenomenal people in our, in our team. And, you know, another 20 names I haven't yet named who are amazing and their job is to hunt, trap, kill and eat. So we're we're in that business, right. So we're, we're we're not a group that hands off, opportunities to others.

01;02;26;18 - 01;02;58;12
GUEST
We do it ourselves. And that's why these that's why the team is so crucial. So I think we I'm looking at I'm

looking forward to deploying the capital, hopefully successfully. And we have a very strong team that does it. And not only are they hunting and originating, but then we have complementary people that help it. Like for example, we have an in-house development team run by Kevin Cook, by Kevin Cook, Guy named Emilio, and Richard Richard Sykes, who the three of those guys really help as understand the bricks and mortar dynamics that might be impacting the business or the ESG aspects that we need to really consider.

01;02;58;14 - 01;03;19;10
GUEST
So collectively, as an organization, our competitive advantage summary is that the average ten years, 16 years across to partners has been 16 years people and working together on average, the average turnover is under 6% for 25 years in the investment team. I mean, that is just simply unheard of in this business. That's an important part of how we think.

01;03;19;10 - 01;03;41;02
GUEST
And, you know, I only own if everyone does their job perfectly. I own about 25% of the business. A team owned 75% on average. That is always work out to get a bit more. They get less, but it's roughly that's how it works. So it's really designed that we as an organization are there to to look at the opportunities set and deliver or and exceed the objectives that we set out for our investors case.

01;03;41;05 - 01;03;55;20
HOST
I, sitting on the sidelines watching you and your team take advantage of the opportunity set, for this next cycle. Thank you so much for being so generous with your time, thoughts, and, opinions. Like I said, excited to see what you and the team got to achieve.

01;03;55;23 - 01;03;58;11
GUEST
Sure. Thank you very much. And thank you for the opportunity.

01;03;58;13 - 01;04;20;29
HOST
Thanks for listening to this week's episode People property Place podcast. If you found it insightful, feel free to share it with a friend or colleague. Give us a rating, light or comment. It helps tremendously. It'd be great to hear from you on LinkedIn. I'm super open minded to recommendations of guest who we should have on the show or areas of the market.

01;04;21;02 - 01;04;48;06
HOST
We should explore further. So do drop me a message. The People Property Plays podcast is powered by Rock born. The team recruit leadership and future leadership hires for real estate owners, funds, investors and developers. So if you're looking to hire top talent for your business, head over to the website Dot Rock Buncombe, where you'll be able to find a wealth of information.

01;04;48;09 - 01;04;56;03
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.