00:00:03:27 - 00:00:32:25
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.

00:00:32:28 - 00:00:56:14
HOST
Welcome to the People Property Place podcast. Today we’re joined by John Strang, managing director of Black Capital. Black Rock capital is a specialist real estate investment firm focused on futureproof supply chain infrastructure across Europe. The team behind black Brook has a combined real estate investment track record of deploying over €20 billion in more than 20 countries across Europe and North America.

00:00:56:16 - 00:01:09:14
HOST
Black Brook capital is a partnership between its chairman, CEO and Eldridge to provide the capital. You may have heard of them. Is that also behind other successful real estate businesses such as Kent International, Brockwell Capital and Kennedy Wilson? John, welcome to the podcast.

00:01:09:14 - 00:01:11:20
GUEST
Thanks for having me.

00:01:11:20 - 00:01:15:05
HOST
No, not at all. Well, thanks so much for coming in here.

00:01:15:05 - 00:01:27:15
HOST
So a question I like to ask everyone is how do you get into real estate or how you got into it? But I guess before that, can you tell me how you selected the university you joined in and the rationale behind the course you selected as well?

00:01:27:18 - 00:01:47:17
GUEST
Yeah, sure. I mean, when I was younger and what interested me, I was a bit of a geek at school. You know, real estate was not even close to anything I was thinking about or interested at the time. You know, growing up on my bedside table, for example, there was a book about aeronautical engineering as a 16 year old boy.

00:01:47:23 - 00:02:06:04
GUEST
You know, I've been, you know, reading that before going to bed about how, you know, various turbine engines work and, you know, the theory of flight. That's really what made me tick. So, you know, the natural at school, maths and science was just it really fascinated me. Maybe it was teachers I had at the time or the friends I was hanging out with.

00:02:06:04 - 00:02:26:06
GUEST
So the natural progression for me was, you know, looking for an education in engineering. I, you know, what really interested you is how things work, how things tick. So, yeah, I mean, I, you know, going to archive, you know, careers consulting a school and they kind of laid out all the various universities. What I knew is I want to leave Scotland.

00:02:26:12 - 00:02:45:09

GUEST
You know, obviously education in Scotland, this free higher education, which is also, you know, obviously very appealing. But we have, you know, great should available to all you know UK, you know all people living in the UK. So it felt too good an offer not to take off. And I had quite high ambitions and I wanted to go to the best of the best.

00:02:45:09 - 00:03:06:29
GUEST
And that's why I applied to go to Oxford University. You know, never in a million years I actually think I was going to get in another. My parents went to university, you know, not knowing of my fat what my sister did. But apart from that, no one else had a history of that. So when I was like incredibly low expectations, whereas a lot of my friends who I met Oxford had very high expectations, a lot of their family members went and therefore there's a huge amount of stress on them.

00:03:06:29 - 00:03:23:25
GUEST
But for me, everything was just kind of like a bonus. So that's kind of where, you know how I ended up at Oxford. Very rigorous kind of selection process there. And when I got there, I just did the whole the whole interview process I find just incredibly fun. It was, you know, some finally someone I was speaking to was his interest, the things I was interested about.

00:03:23:25 - 00:03:33:22
GUEST
And we just have a normal conversation about and lo and behold, that led to an all for me. So, you know, I my parents I obviously have to take that. And there was, you know, the need to convince me.

00:03:33:28 - 00:03:36:10
HOST
And what course was that, that you landed on?

00:03:36:17 - 00:03:58:03
GUEST
Yeah. So they call it engineering science where so basically at most UK universities you want to engineering, you apply from the outset for a specific type of engineering. So be it civil, chemical, you know, electrical, so on and so forth. Whereas Oxford I think is also the same at Cambridge. Weirdly enough, the two universities seem to kind of mimic one another in a lot of ways.

00:03:58:06 - 00:04:17:23
GUEST
You apply for general engineering college in science, but especially general engineering. So the first two years you do everyone in the course, it's the same modules. It's a it's a broad base approach nine years, three and four. You specialize also something that was all designed to appeal to me as well. But the courses I didn't really know what I wanted to do was, you know, my bedside table, I mentioned the books of aeronautical engineering.

00:04:17:23 - 00:04:37:21
GUEST
I also read books, but chemical engineering and civil engineering and just generally books about how things work. So, you know, I just wasn't going to go out of my mind. See what piqued my interest. And actually, when I came to my second year and I specializing, I did a bit of a mishmash, actually. So I did a mixture of chemical and biomedical engineering.

00:04:37:21 - 00:05:05:15
GUEST
And I think the reason why that was, which is because this who was teaching as well. And Oxford has a

specialty in biomedical engineering, a lot of software rigid you. But, you know, either artificially creating organs to transport into people's bodies, new drug delivery into the brain, all these things that you think are more kind of in the remit of biologists or maybe even a chemist, there were engineering aspects to it that meant, you know, biomedical engineering.

00:05:05:15 - 00:05:33:01
GUEST
So that that was kind of what pulled me in there and ultimately culminated in a failure thesis which collapsed. I can't even remember what the title of it was, but it was something to do with like stem cell growth. And we were trying to basically create environments where you could get a stem cell to grow into, like a certain shape, obviously, like incredibly basic shapes, you know, can you get it into like 2D, you know, circle or whatever, you know, the ultimate goal being making into an incredibly complex shaped like a heart or a lung or whatever.

00:05:33:01 - 00:05:41:03
HOST
Yeah. So but what stage did you start thinking about your career post the post University. When did that come into?

00:05:41:08 - 00:06:06:13
GUEST
I mean, pretty late on. It's funny because now you speak to university students and, you know, me and my job at the university, I speak to, you know, obviously applying to roles that we're advertising for and they've done, you know, things whilst at school, then spring weeks and then summer internships and then, you know, a million different things and they come with like, you know, the CV is like three pages long and it's all relevant experience, like, oh my God, and never think about what I was doing.

00:06:06:14 - 00:06:25:04
GUEST
I mean, first of all, just messing around and enjoying myself in the summers I was going on holiday. I like that tour. It was, you know, cycling, canoeing, kayaking, walking. So I was just kind of doing. And I also had a, you know, I knew that my days are numbered and do these types of things looking at my parents and, you know, you get like 4 or 5 weeks all the years I have to take advantage of that.

00:06:25:07 - 00:06:42:25
GUEST
So basically very late on, you know, coming to to in my third year was like, oh my God, I actually have to do something about it now. A lot of my friends have already banked a bunch of internships. I was still of the opinion at the time that I wanted to be some kind of an engineer, so I had applied for.

00:06:42:25 - 00:07:01:18
GUEST
I had a friend, actually, who worked at BP at the time in London as a petroleum engineer, and it seemed kind of exciting. He was, you know, working on, I think, oilfield in Iraq. You know, six weeks on, six weeks off, seemed like good money and quite interesting. And so I applied for an internship there, got it until the summer in a place called Sunbury.

00:07:01:18 - 00:07:18:26
GUEST
So it's not quite London. It's, I suppose it's Surrey. I guess you take a train out of Cotton Junction half an hour. They have a big campus down there and spent 12 weeks working there interning on the petroleum. Yeah, actually India division as well, with my friend who was like two years ahead of me and I just came away from that just feeling a little bit disheartened.

00:07:18:26 - 00:07:33:22

GUEST
Had to say, you know, anyone listen to this boy think, oh, you probably had some sort of foresight. That sector is in structural decline. And the funny thing is actually, I didn't it wasn't what I was thinking at all, even though it's such an obvious thing now, at the time, I just thought, this is not a particularly dynamic environment.

00:07:33:24 - 00:07:51:11
GUEST
It felt a little bit like I mean, think about why this about parents work. BP felt like a bit like a retirement home. And, you know, it just I'm a bit slow moving and, you know, everything was very procedural. And there was no, you know, the people had already figured out how to, you know, Jolie's Wales optimizes Wales.

00:07:51:11 - 00:08:19:14
GUEST
There was software that kind of a lot of the thinking for you. So there wasn't much room for things at the box. So I came back from that summer at the end of my third year just it's like back to the drawing board, basically, and I have no idea what I want to do. I'd already ruled out academia because whilst I really enjoyed the topics, you know, a lot of the lab work I was doing and my, my thesis at the time, again, I just find, you know, the overall concepts are interesting and you make a breakthrough in science.

00:08:19:14 - 00:08:46:02
GUEST
That's incredible. But like, actually if you look at what the day to day looks like, it's, you know, designing an experiment, doing an experiment, analyzing the results of the experiment, writing up the paper. And again, just felt quite tedious and slow moving. And what I learned was what I yearn for. It's just like fast moving environment wants to be at the coalface doing new things and working with like, really ambitious people as well.

00:08:46:04 - 00:09:02:26
GUEST
And so is it a cop out? Actually, I just thought, okay, well, what do most people seem to do when they leave Oxford and this, you know, become a lawyer, a doctor or a banker? So, okay, maybe it'll be a banker or a politician. Yeah, or a politician. Actually, I wasn't I wasn't I'm not cop. Unfortunately, I don't have the gift of the gab.

00:09:02:26 - 00:09:22:15
GUEST
And I don't actually care for politics too much. So it was Yeah. So banking it was. And I applied it, as I mentioned earlier, you know, there's this whole process, you know, spring and this spring week, summer internship, I'd missed all of that. So I had applied for it off cycle internship, which weirdly enough, is highly subscribed by the European schools because they seem to do things.

00:09:22:15 - 00:09:40:28
GUEST
But definitely I got it. It was after I finish Oxford, so I end up taking a bit of gap year. Went traveling, came back, did this, I think it was in spring. It was maybe said three for three months. And I worked in the investment banking division of JP Morgan specifically into either kind of product or sector coverage.

00:09:40:28 - 00:10:02:12
GUEST
So like, you know, you seemed sorry equity for mortgage debt, cash markets, M&A or like a sector conversion because of my technical background, they put me a sector coverage, which made sense. So I covered industrial companies and also metal and mining companies and natural resource oil. Gas did that and really liked to I mean, I worked like an absolute dog.

00:10:02:14 - 00:10:21:29
GUEST
You know, I think my first week of my internship, I was into like four in the morning every night. I remember saying like, this is great. Like, you know, finally, like, I'm working on something super important and like, relevant and, you know, like it's just, yeah, was so, so important that required you to be up all day, every day.

00:10:21:29 - 00:10:24:22
GUEST
No joke. But Jesus, I think at the time, but.

00:10:24:22 - 00:10:26:21
HOST
Obsessive. Yeah, I think so.

00:10:26:24 - 00:10:42:24
GUEST
But I think just being in an environment where everyone is, like, really pushing themselves was quite inspiring to kind of be the best you can be, as corny as, as I am. So that that really got me going. Also, there was some weird kind of thinking about putting on a suit every day and going into the city and feeling important as well.

00:10:42:26 - 00:11:00:07
GUEST
I was there was definitely an element to there, and so I finished the internship there. They offered me a job to start basically immediately after, and I rolled into it and that was that was it. I was in finance and I kind of just made it like, this is where I want to be. And that's kind of that was kind of my gateway into real estate.

00:11:00:07 - 00:11:07:19
GUEST
Obviously, I wasn't in real estate, but that's kind of the start of the story. It kind of goes on a bit longer if you want me to keep going, but how?

00:11:07:19 - 00:11:14:07
HOST
Okay, so how so? You spent a couple of years there and did you get exposure to real estate while you're at JP Morgan? Is that what. No.

00:11:14:07 - 00:11:25:16
GUEST
I mean, I knew the real estate team was I couldn't, you know, I looked across the floor and there they were. But I was sitting at my desk doing my thing, and they were over there doing their thing. And at no point did you know, did they come to our own. Oh. Maybe I want to see what they're doing.

00:11:25:16 - 00:11:53:12
GUEST
I try that the whole real estate thing happened by chance, basically. You know, as I got further into my career, JP, I did start to get a bit disenfranchized a little thing, the culture. You know, I think what lured me at the start became it was a bit of a double edged sword and it just wasn't sustainable. Working those hours, the shift all the new grads off to New York for like three months or I mean, they call it training, but it's really just about the Jolie, you know, they give equal salary, a bit of a little stipend.

00:11:53:14 - 00:12:15:22

GUEST
You do like 9 to 5 training on the basics of financial modeling, markets, all that stuff. And they're you know, we had this talk from a very senior M&A banker in the US stuck with Jimmy Lee, who funnily enough, actually died a couple of years ago. And he's like a complete rainmaker, like very, very famous M&A banker and got up and gave it like this talk about how to be successful in banking.

00:12:15:29 - 00:12:34:01
GUEST
And then basically what it boils down to is Jimmy's ten principles. And the first four things like work hard or never see your family, you don't see your friends. And he like went to the effort of like maybe he did, but as assistant did like laminated a card to hand out these ten things. Then everyone gave him like a standing ovation at the end.

00:12:34:01 - 00:12:46:29
GUEST
And I was like, is going on like, this is really weird. Like, obviously we're here to to work hard and be ambitious. Boy, there there are limits to these things, right? Like we are humans and it's not all that money and all that kind of stuff.

00:12:46:29 - 00:12:48:21
HOST
Sacrifice my family. Yeah.

00:12:48:21 - 00:13:02:09
GUEST
So that was kind of the first thing I was like, are you wait a minute, this is weird. And then, you know, I got back from New York and go back on the desk. It was just kind of more of that. And it just, it just warming down. And I was like a hospital of a person at the end of it.

00:13:02:09 - 00:13:19:18
GUEST
And I was already interviewing with a bunch of places, you know, you know, most people who get into banking know, if I'm a lot of people go in as a stepping stone, especially a stepping stone into private equity. And so if you're good and you raise it well from your first year, you're going to get calls from head under saying, you know, you want to interview here and there.

00:13:19:18 - 00:13:35:12
GUEST
And, most of it was for like corporate private equity. So I started that for my first year, and I was interviewing at places like a more so mid-cap and large cap buyout funds. And even there, when I was interviewing at those places, there was a I'll give you an example. That was this one interview I went to.

00:13:35:16 - 00:13:51:07
GUEST
I won't name the farm, but it was a mid cap job and I went in and did the interview. I thought about it. Well, at the end of the interview the guy said to me, you know how hard you work at JP, you. And I told him, you know, on assignment, I was saying like 80 or 90 hours a week.

00:13:51:11 - 00:14:03:21
GUEST
What I was doing at the time, he was like, okay, good. Well, can you work hard? And I was like, yeah. And then he was like, because you're going to if when you come here, I just thought I was like, oh, this is like a very weird thing to see. You kind of like bent over the table.

00:14:03:21 - 00:14:19:22

GUEST
I was like, yeah, he made like a point. Like he was like, really emphasizing. It was like, okay, maybe this isn't for me. So separate. Like, it's not what I thought it was going to be. And right when I was kind of thinking, what do I do next? I had this one call from this, this headhunter I'd never spoken to before.

00:14:19:22 - 00:14:42:11
GUEST
And he was like, he he introduced this opportunity, which was this real estate fund. These two guys basically who had just throw all these names on me. I didn't know what it meant by the W.P. Carey and blah, blah, blah. I was like, okay, what does the job? So the two guys who just launched this new fund, and it's real estate, but it's, you know, a credit focused type of real estate investing.

00:14:42:14 - 00:14:57:27
GUEST
So. Okay, tell me more. I said it called it, they call it net lease. Basically you're investing in quote unquote mission critical real estate. But ultimately you're underwriting the, you know, the you know, the credit and the income stream and credit first real estate. So I was like, okay, that sounds interesting. And I went and met with the guys.

00:14:57:27 - 00:15:13:24
GUEST
And it wasn't the real estate interest of me. It was just the people like and the guy. So the two guys, a guy called Alistair Calvert and a guy called Mike keel, Alice actually still works. The company might also win or sorry, I was, but like I just got on with them, like, you know, they felt I thought it would be cultural.

00:15:13:27 - 00:15:40:08
GUEST
It just felt like the right place to be. And literally, I think a week later they made me an offer. I was in my managing director's office and in my resignation, like, at no point, I think, do I want to be real estate interest. Me. It just I just something just felt right about the opportunity of the people I guess there was a little bit of crossover and the credit on and because my background was more credit, no real estate, I just thought, okay, if I learn the real estate, it was a new company, very small.

00:15:40:08 - 00:15:53:05
GUEST
The just these two guys, I think it was a CFO, an assistant, an asset manager. So five of the employee number six, you know, it just seemed very entrepreneurial getting at the ground floor and roll up your sleeves and learn on the go. And that was it.

00:15:53:06 - 00:16:04:29
HOST
I've gone from J.P. Morgan like massive global international bank to a tiny startup. Did not even cross your mind from a cultural perspective. No. I think, you know, you.

00:16:04:29 - 00:16:22:05
GUEST
Got to try different things. You don't, you know, you don't know until you try. And why did know is that it wasn't fitting at JP. You know, it is a huge organization. I think it's like 80,000 people. That includes a retail bank as well. The what it became clear is to do well, an organization like that is incredibly political.

00:16:22:08 - 00:16:41:24
GUEST
It's not just about like what you know. And also who you know is also like how you play the game. It really is a game. I just didn't care for that at all. So I just I think what I thought at the time was, how can there be such politics as a small organization? That sounds good. I also hated the hierarchical structure, JP,

because I was an analyst.

00:16:41:26 - 00:16:57:05
GUEST
Then there's an associate and there's a VP. Then there was an executive director, then an MD, and probably some sort of like chairman as well as of like the whole investment bank. And you would do like a pitch deck and it was star the two guys at the bottom that got to the VP, then back down again and up to the end, then back down again.

00:16:57:08 - 00:17:22:11
GUEST
You end up doing this like 20 times. I was like, this is just ridiculous and just not a good use of a science. I thought a flat structure with no politics, like, you know, also you get, you know, as, as a young employee, you get a lot more responsibility. I thought, this sounds like a bit of me. And I was also just willing to take a risk as well at that point in time because, you know, if I cast my mind back to where I was mentally at that time, I really was checked out.

00:17:22:12 - 00:17:41:23
GUEST
I was spent because, you know, if you're doing 80, 90, even 100 hours a week, and we had this thing where you logged your hours, it was called intensity, which was kind of a cruel name, I guess. It's got longer hours and say what you're doing and catch it, download the Excel and see it. I was averaging on average like 85 hours a week.

00:17:41:23 - 00:18:00:08
GUEST
And to be as you'd sit and think and okay, how how do you actually work 85 hours in a week. Very quickly you see that that's, you know, nine till midnight, 1:00 am it Monday to Friday and then a good like eight hour shift or something on both those hours on this. Like there's just no time for yourself.

00:18:00:13 - 00:18:11:14
GUEST
Like no amount of money is worth that. I think in my opinion, obviously, each to their own. Like if you want to go and do that and that's your M.O. like fair play to you. But that just wasn't my M.O. it took, you know, it took me time to realize.

00:18:11:14 - 00:18:24:02
HOST
That journey, a very small but probably very well capitalized startup in the real estate space at that time. Was there an expectation to work some pretty chunky hours as well, with the hours more like 6070 rather than 80 to 100?

00:18:24:10 - 00:18:49:00
GUEST
You know what, we never really spoke about hours when I was doing the interview, but it was because it was just so much more an efficient organization without the layers you cut down on like that. Those 18 hours at JP are not effective hours. A lot of this bureaucracy and just kind of your associate guessing what the VP wants, getting it wrong and having to do the work twice and then three times, of course.

00:18:49:01 - 00:19:06:18
GUEST
And so I was just doubling down. Like with this organization, people have more time for you. You can just kind of sit down, get to the brief and really kind of get it right first time or second time. So, you know, obviously we worked hard like everyone in the industry does. But it was also just like much more rewarding because I was working with the founders of the company.

00:19:06:18 - 00:19:26:21
GUEST
They were also imparting huge amounts of knowledge on me. So it was like a two week thing. Like, obviously I'm giving them my time and assisting them on their deals and they're giving me, well, first of all, enjoyment and happiness, but also huge amounts of knowledge and skills. So it was, you know, I don't know how hard I worked.

00:19:26:21 - 00:19:40:25
GUEST
I'm sure it's quite hard, but, you know, it just, you know, like JP, I, you know, the thing that pops up in my mind when I think about how hard I worked, I think about my, my first days. And the company was called grandma's here at mother at the time. It's called something else now. I don't know, but I don't think I worked.

00:19:40:25 - 00:19:43:19
GUEST
I probably worked quite hard, but doesn't feel like I work that hard and.

00:19:43:19 - 00:19:51:05
HOST
Sure. So what what what deals were you working on of that at that stage? And what did your kind of career look like in kind of the early and mid part of that journey?

00:19:51:10 - 00:20:16:21
GUEST
Yeah. So, so the structure, the fund when I joined it. So basically to contextualize it all, this was 2000 and and 2014, the beginning of 2015. And you know, Europe had been a low rate environment since, you know, the end of the financial crisis. Call that 7 or 8 years, like basically yield starved. And they had, you know, basically net lease as a product.

00:20:16:24 - 00:20:38:18
GUEST
You were typically not buying the shiniest, best kit or even having, you know, taking investment or you're taking on risk to get yield effectively. So then you were going into the boonies in the middle of nowhere, like in deepest, darkest Germany on like weird, scary real estate and with, you know, if the company has rates, it certainly wouldn't be the best B to be a single B or a double B tight credit profile.

00:20:38:18 - 00:20:58:04
GUEST
So you had to really kind of roll your sleeves and like figure out like what the risks were and was the return commensurate for that. But the strategy was to build up all this and then ultimately list it on this off exchange because we thought, well, you know, logistics or maybe at the time, much kind of logistics wasn't so much an asset class.

00:20:58:04 - 00:21:21:11
GUEST
I would say office was retail was, you know, various different types of properties were really, you know, asset classes in life themselves. But like, there wasn't income, wasn't really covered that well as an asset class, which seems really bizarre. So we thought, okay, let's create this vehicle and list it. And you know, you know, you're buying stuff at six, seven, 8%, you know, the lowest trim item and you could finance it at 2%.

00:21:21:13 - 00:21:42:09
GUEST

So you were doing like low double digit cash on cash returns. The market probably only wanted six, 7 or 8% cash or cash transfer like you, you know, you could do almost like double your money if you listed it. So that's what I did. We were basically the reason why the companies programs in Europe was the cornerstone investor was a company called Gramercy Property Trust in the US.

00:21:42:12 - 00:22:00:04
GUEST
This all comes full circle later, the CEO of that company, Jacob Gordon Dugan, who used to be the CEO of Dobie Carey, my old boss, also used to be the European head WPP. Yeah, it just gets a little bit confusing. So he had basically bought out Officer Mike's company, renamed the grams a Europe was the cornerstone.

00:22:00:04 - 00:22:31:23
GUEST
That fine brought in a bunch of hedge funds because it was kind of a special assets type play. It was kind of a building flip. And so I think we had 3 or 4 hedge funds, but €350 million. I was like, how quickly can we build this portfolio? Pan-European. You know, the really the only criteria where a single time loan that it was gonna be primarily industrial logistics, not because industrial logistics was a hot asset class back then, even though this is only eight years ago now, it was because it was the highest yielding, you know, office was 4 or 5% good.

00:22:31:23 - 00:22:55:09
GUEST
Retail was 4 or 5%, logistics was 78%. So I was like, let's give it up. Yeah, let's do that. And it was critical real estate. So like the the tenants needed a, you know, if you call your underwrite they wouldn't leave. Obviously some would. But on a percentage basis 90% at the time they don't leave. So it was usually you could still finance at 2% and it was sticky income and it was long income.

00:22:55:09 - 00:23:08:29
GUEST
So I was like this is great. A lot of what it was was a sale leaseback. Obviously that would be Kerry. People don't really know us, but Bill Kerry actually invented the sale leaseback bill. Here's a guy who found that, okay, it's like the 60s of the 70s. I want to say, which is like weird to think about.

00:23:09:00 - 00:23:26:04
GUEST
So a lot of what we're doing was like, sell these back. So we would source this deal through broker networks or whatever, because they don't want exclusivity. The first thing you'd be doing is getting on a plane to meet management because you're not like underwriting Siemens or like, I know at Schneider Electric there's big, massive global companies with public accounts.

00:23:26:04 - 00:23:44:02
GUEST
Right? Just troves chosen to mention it was small initial start companies and mid-market, family owned, typically decent 100 and €200 million revenue companies. But you know, they've got audited accounts but there's no notes in them. So like, you get on a plane and you spend two days with them. Just tell me about your business and really get into the detail.

00:23:44:02 - 00:23:59:18
GUEST
And a lot of the time, even though I was like the most junior person on the team, I'd go by myself, which I find like amazing. Like my boss just gave me so much of free rein just to kind of go and do it and make mistakes. And of course, I made so many mistakes. But that's how you learn.

00:23:59:18 - 00:24:03:19

GUEST
I don't think you learn through success. I think you learn through failure.

00:24:03:21 - 00:24:06:28
HOST
So you were on a plane regularly going out to market all these deals?

00:24:06:28 - 00:24:22:07
GUEST
Yeah, like a once a week or once every two weeks. I should the funnily enough, the first plane actually first business trip I ever had. I missed the plane so always never missed a flying. And my boss was waiting for me in that and he throughout the day he's like, where are you? I got up super early. It's my second week on the job.

00:24:22:07 - 00:24:39:15
GUEST
I was like, you know, when you wake up then like you have like a nightmare that you missed your plane at that I called like three. I was like, well, I'm up there. Maybe I'll just go to the airports. So I got showered, got changed, and, when there went Heathrow Express, got to Heathrow. And as I got on, I realize I forgot my passports, but doesn't stop.

00:24:39:15 - 00:24:54:09
GUEST
So you go all the way to Heathrow? I had to go all the way back again, back to my flight. And I missed it by, like two minutes. I was gutted I had to call my boss and say literally. I literally just started to work from there. Like a week ago. I was like, yeah. By the way, you going back to yourself?

00:24:54:11 - 00:25:10:12
GUEST
I think the next one I did, I think we flew out to the Netherlands, were doing this. We were doing a serious work with this Dutch logistics company. And was it like Utrecht or something? That, and that I was on my own. I didn't speak very good English, just incredibly challenging, very, very challenging. But yeah, lots of travel, lots of exposure.

00:25:10:17 - 00:25:12:00
GUEST
Yeah, it was just good.

00:25:12:06 - 00:25:21:20
HOST
And so Gramercy Europe change to Clarion. Gramercy. Yeah. 2017. Yeah. So so what happened with the change there?

00:25:21:26 - 00:25:46:03
GUEST
So what had happened was we built this portfolio. It was about cell. No. It's about €1 billion. Took us about three years at that point where we started this company about 5 or 6. We were about a company of 15 towards the end of it, the. Yeah, the fund was fully invested. We put it we we were looking to list it, but at the time we did a dual track process where we kind of were scoping out a private sales as well.

00:25:46:03 - 00:26:05:26
GUEST
It turns out the private market was buying it a lot better. So we went down that route. We sold to AXA and it was, you know, that was at the time, we're just it was really picking up. That was 2017. And so we had bought 80% logistics industrial, 20%, kind of more obscure asset classes. We had like some car

dealerships, DIY retail.

00:26:05:28 - 00:26:13:01
GUEST
And so basically they paid us a crap ton for the logistics and probably not so much for the rest. You know, everyone made good money and.

00:26:13:03 - 00:26:14:29
HOST
Through bonuses or promote.

00:26:15:01 - 00:26:20:22
GUEST
Through promote. Yeah. And that was also one of the things about joining a small company as a junior is that, you know, you.

00:26:20:24 - 00:26:21:24
HOST
Would cut you in on that. Yeah.

00:26:21:24 - 00:26:44:07
GUEST
Exactly. The they want to incentivize you. You know, there's less of a hierarchy. Hierarchy ties up the pay structure as well. So you can kind of get them to promote pull earlier on. So ever did incredibly well from that. At the same time, our parent company, Grams Public Trust was getting bought out by Blackstone. So Grammar School Trust was a big public company there about 8 or $9 billion a time.

00:26:44:07 - 00:26:59:03
GUEST
And Blackstone was taking them private. You know, I had basically in my mind was, well, I'm about to become a black Swan employee. I've just made a bit of money. Don't want to be a black swan employee. Maybe I'll go traveling. So I actually kind of jumped ship at that point.

00:26:59:09 - 00:27:00:23
HOST
Why don't you want to join Blackstone?

00:27:00:26 - 00:27:20:27
GUEST
I think it was I. I'd been really vindicated by the small enterprise strategy, you know, different people working very well in different organizations. But I had no we spoke about earlier, like, how did you feel about joining a small company at that point? I was like, small companies are for me like, this is where I do. Well. I finally felt like I was I was where I was meant to be.

00:27:20:27 - 00:27:45:04
GUEST
But what I knew is that nothing is there an incredible organization, what they do, I mean, they are the most prominent investor in pretty much all private asset classes worldwide. You know, biggest P show in the world. Like all but respect for them. I just knew that that was an organization I would do well. And so I kind of pull the core of that point, and also just had a bit of an itch to go traveling.

00:27:45:04 - 00:28:00:15
GUEST
And so I went did that for a year. And lo and behold, by the time I came back from my travels, the guy is a grandmaster was called grams had had assembled from black. So so they brought it back. So I come

back, I came back, I was like, can I come back again? And they're like, yeah, sure.

00:28:00:17 - 00:28:20:17
GUEST
So I rejoined. At that point we were Gramercy Europe. We never actually changed names, but actually a month later, I didn't know this when I got back, but, they were discussions with this big Invesco, Clarion Partners in the US who are, I think, one of the certainly top five institutional real estate investors in the US, which is amazing because I'd never heard of them.

00:28:20:20 - 00:28:36:24
GUEST
Like never heard of them. So they were looking to buy basically to buy a European investment manager. They didn't want to build a business or to buy a business, you know, track record looked pretty good at Gramercy because of what we did with the access sale and the fund. What I think went pretty well as well. And they just raised a third fund off the back of a second bond.

00:28:36:24 - 00:28:56:03
GUEST
So they bought that business. And yeah, two months into my rejoining, we became Clarion Partners of Europe, something I think we were Clarion Grahams in that they just became Clarion Partners here, and that's what they are now. And so yeah, I worked there for another year and a half quite happily. But that's when the Blackrock opportunity came out.

00:28:56:05 - 00:29:04:23
GUEST
I was very happy within that, that new enterprise. But it was more just the draw of the new opportunity as opposed to being pushed from where I was.

00:29:04:23 - 00:29:07:02
HOST
So what happened with Blackrock and how did that come about?

00:29:07:09 - 00:29:31:27
GUEST
Yeah, so the connection there referring back to the previous part of the conversation, is the old CEO Graham's approach was kind of Gordon Dugan. He left, kind of the whole Gramercy system when the Blackstone buyout happened, and he was kind of hanging out, doing his own thing for a while. And then he had linked up with a guy called Ivy Lumumba, who's the CEO of black, my boss, to start a new this new thing.

00:29:31:27 - 00:30:00:26
GUEST
Blackrock RB had been the European head of Toby Carey, as had my old boss as well. And so Gordon Ivy knew each other very, very well from their time there. And so the thinking was to set up effectively a net lease style as his style. It's not quite what we do. Investor in Europe, you know, run by Europeans, headquartered in Europe, as opposed to being effectively a satellite office, which most of us in at least investors in Europe actually are.

00:30:00:27 - 00:30:17:13
GUEST
You don't we carry maybe ten, $15 billion of AUM, of which, maybe it's even more than that, like a small percentage of that is in Europe. You look at guys like LCN back in the US, headquartered in the U.S., I really have a European presence. And so annual things like guys like Angela Gordon, etc..

00:30:17:15 - 00:30:22:10

HOST
You may have touched on earlier, but for people who don't know what net lease is, can you just explain explain that. Yeah.

00:30:22:10 - 00:30:49:04
GUEST
So net lease is effectively a a type of investing or always through real estate characterized by effectively triple net leases. So we say truffle net is net of taxes, net of insurance and net of opex and, cap it so effectively and typically they're single lat, assets and they're long let so from an asset perspective there's very little to do.

00:30:49:10 - 00:31:05:10
GUEST
But what it provides you is long term incredibly predictable cash flow. That's the real power of it is I can tell you what my cash flow is going to be in year one, year two, year 3 or 4, and so on and so forth. And obviously they're incredibly binary assets. We buy selling a single tenant, you know, ten other stages of your life.

00:31:05:15 - 00:31:22:19
GUEST
So it's a 0 or 1. But the it works on a diversification principle in that, you know, net lease doesn't work particularly well if I want to buy one, 2 or 3 assets, it works really well for one of my thousand assets. Because like I said earlier, some of your underwriting won't be correct. Like we deal in probabilities.

00:31:22:19 - 00:31:40:10
GUEST
I can't predict the future, so I don't know what's going to are the circumstances that the businesses change over time. So if you know 10%, 5% leave. I've got, you know, 900 other properties that are fine. And you know, you know, hopefully you're buying too much software. You can reposition them. Yeah. You know, it's not always just handed the keys back to the bank.

00:31:40:12 - 00:31:44:12
GUEST
So that's kind of the idea that this is pure kind of cash flow and predictability.

00:31:44:12 - 00:31:51:14
HOST
Is it inflation linked on a year to year or like a five year upward only. Yeah. Review or how does that work.

00:31:51:15 - 00:32:12:14
GUEST
Yeah. So the ideal is obviously inflation protection as well. I say probably half of our leases are fully index linked. Half are probably Captain collars UK is a very particular market where you have five yearly indexes. But in most other markets or annual in Germany you have like threshold based where when you reach 110% of the index, you index up by 70% of that.

00:32:12:14 - 00:32:21:03
GUEST
So like but most of the times as annual. So as you get like, oh, you say you know the inflation protection is a huge part of it as well. Of course depends on the lease.

00:32:21:05 - 00:32:27:16
HOST
So you wanted to join Blackrock can get involved with another triple net investment vehicle.

00:32:27:18 - 00:32:52:20
GUEST
Yeah. It was basically what I saw was an opportunity to do exactly what I had done at Gramercy, but go in more senior. And I had such a good experience at Gramercy, and I personally benefited from it and done very well. Both from, you know, career progression, you know, financially as well. I thought, this seems like a great opportunity.

00:32:52:23 - 00:33:07:18
GUEST
And, you know, the one of the thing just saying, okay, the opportunity sounds good, but actually a lot of it is also people as well. And and going back to why I chose to join Gramercy, I really connected with the people. I really respected the people, and I thought they were smart and I wanted to learn from them.

00:33:07:18 - 00:33:27:13
GUEST
It's the same thing, a black by black perk of saying New Guard in my previous life and really enjoyed working with them, and he's one of the most experienced net lease investors in the world. You know what he's done? You know, building that deep carry from where it was to where it got to building up ground, as he probably chose, from zero to a $9 billion to that was, you know, great to be, you know, working with him again.

00:33:27:13 - 00:33:49:28
GUEST
But then also RB who I didn't know but got to know just you know, very impressive individuals and you know, good rapport and just seemed like a great culture. So that's what what drew me across as well was kind of the opportunity itself. I think there was this other element of the cap to partner, because one thing, having a great idea and having great people, but, you know, working in the investment industry, capital is everything.

00:33:49:28 - 00:34:10:29
GUEST
You know, an old boss once told me, you know, if you had to break time investing into its core and which are fundraising, underwriting and asset management, selling, you know, 80, 70, 80% of its capital raising, that's the most important thing. And would RV and garden had done this. You know, they had this idea. They went out and tried to raise a fund, wanted to raise alone to guest.

00:34:10:29 - 00:34:30:27
GUEST
But they ended up landing with this single investor. Eldridge, if you put up all the money and they're just an incredibly interesting organization, you mentioned that they are backers of Kansas National who are their main other real estate play and globally. But, you know, as an organization, it's basically it's a private investment vehicle for a very wealthy guy.

00:34:30:27 - 00:34:52:08
GUEST
I feel totally as a public information, of course, and what they invest in is just everything and anything. But, you know, everything from Fortnite video games to music rights to the sport, Chelsea Football Club, in the US, the Valley Dodgers and the Lakers and just kind of like super all over the place and and interesting.

00:34:52:08 - 00:35:10:15
GUEST
And they were able to sit in our investment committee. So getting exposure to those types of people was there's lots of really smart people in the industry. It's great to have that perspective. You know, these guys are like, well, why should I invest in real estate? Well, I can buy Indian government bonds or like, you know, Bruce Springsteen music rights.

00:35:10:15 - 00:35:24:01
GUEST
But these these are all yield plays at the end of the day. And so having that kind of, I guess, a universal view I saw was like, well, first of all, I thought they were a very great counterpart to have, but also would be it would give me that perspective that I probably needed and didn't have at that point.

00:35:24:01 - 00:35:29:03
HOST
You're not set on the board of the Chelsea transfer window or even the stuff you know is dodging you transfers.

00:35:29:05 - 00:35:37:03
GUEST
Yeah, I actually have nothing to do with that follow. You know, I did it. I did get to lose a couple of games, which was fun, but actually not football fans. So it's kind of wasted on me.

00:35:37:05 - 00:35:45:18
HOST
So, tell me about black Brook today that what what have you got under management? Talk to me about your team and your plans as well. Yeah.

00:35:45:18 - 00:36:07:04
GUEST
So maybe the team first. So when I joined, there were four of us. We built up a team of guys I have actually candidate. So, there's five is in the investment team. We have kind of CFO, CEO type person. We've got three in Luxembourg. We've got a property manager, like a fund manager and like a fund accountant.

00:36:07:06 - 00:36:12:04
GUEST
See you of course, chairman. And office manager. So gosh, there's like 1011.

00:36:12:10 - 00:36:17:13
HOST
So this is the benefit, also the triple net leases, you can have a super leading. Yes.

00:36:17:15 - 00:36:36:24
GUEST
Q right, exactly. That is not a huge asset manager to do, although we've actually started doing some asset heavy things and it's a really scalable business. So between us five and the investment team we could probably get out the door, you know, easily 300 mil a year, hopefully 500 million a year. And then a good year closer to maybe even a billion.

00:36:36:24 - 00:36:57:02
GUEST
Depends we depends how well deals come across your desk. Right. Know I can't be doing 50 deals a year probably so requires a couple of chunky ones. But you can get there and once you buy them this. Yeah, it doesn't require a huge amount of part time as an investment team. And yeah, so in terms of what we have gone on and bought, so we're sitting around about €1 billion of AUM today.

00:36:57:02 - 00:37:28:28
GUEST
Half of that is standing asset stabilized. Half of that is double portfolio. You know, talking about the whole net lease thesis, you know, we come at it from a more real estate, you know, if net lease is a combination

of credit and real estate as about the two, we're probably more taking more of a centrist approach. So, you know, my background at Gramercy is probably more on the real estate side was when I joined it was credit it ultimately, and it was marketing's I was an analyst fund it what it turned into is a fully fledged logistics fund.

00:37:29:05 - 00:37:44:25
GUEST
I think that was mostly capital driven, because when we came to a lot of the third fund, people just wanted to invest in logistics, and we had that experience through what we had bought. I'll say it's kind of by car by chance, kind of not by chance, but like following yield. And so that's really where I built the most of my experience.

00:37:44:27 - 00:38:02:11
GUEST
And, you know, we wanted to create mission critical or by mission critical realistic. So we wanted your income continuity and stability. And so we there's this huge tailwind in the logistics sector. And so we thought well why don't we just build the yield rather than buy the yield. Because things have got quite steamy towards the end of 2021 and into 2022.

00:38:02:11 - 00:38:21:07
GUEST
You know, I just we just thought the market was getting too toppy and the perception policing risk was very, very low. If we could build in, you know, really good core markets, we could attract the type of tenants that we would want to, you know, buy the real estate of had they been leasing it from the start. So that's what we've gone on and on.

00:38:21:07 - 00:38:38:06
GUEST
And that's where that 500 mil bucket of development pipeline is, is, is, you know, fully spec across core European countries. And that's what we're doing a lot of right now. Although that's not to say we won't do this kind just on Netflix stuff as well as kind of, you know, we kind of just look for, you know, one or the other, really.

00:38:38:07 - 00:38:45:07
HOST
And so you joined as an investment director and then you promoted to managing director. How has your role changed? Yeah, I.

00:38:45:07 - 00:38:59:29
GUEST
Mean, when I joined as director, I was the only person in the investment team. It was very lean. So I was just kind of it's just a title, isn't it? You're doing the same thing, right? You're, you know, speaking to the brokers, doing the underwriting, writing the memos, doing the site visits, all the due diligence and then closing and then moving on.

00:39:00:00 - 00:39:20:03
GUEST
Yeah, I think it's less of title change, more of just team growth. My role now is you know, I'm across a so across all the teams, all jurisdictions, all assets that we buy, all strategies that we implement. So I'm more of kind of a manager now than I was actually doing the deals. I call it a teacher or manager.

00:39:20:05 - 00:39:21:15
HOST
Player coach. Yeah.

00:39:21:15 - 00:39:36:28
GUEST
Exactly. Which is I think for my skill set certainly. So I don't take naturally to you. But you know, I, I'm certainly, you know, enjoying the. Yeah I guess. Yeah. Enjoying the you could be up to speed with it and kind of improving my skill set there.

00:39:37:01 - 00:39:44:26
HOST
What's, what's the challenge with the market right now as we sit here in 24th of January 2023? How do you see that?

00:39:45:03 - 00:40:13:27
GUEST
Yeah, I mean, the question is what's an appropriate yield. Ultimately it's all macro, right. So you look at the interest rate environment we're in right now, which is UK base rate at 4.5%. Sonia swaps at 3536. I don't changes every day in Europe. It's not too far off that maybe a couple hundred basis points off your LIBOR swaps at two and a half, contextualizing that you're over short term negative for like around 1015 years.

00:40:13:29 - 00:40:31:28
GUEST
Sonja was it was probably ranging between 0 and 1 and maybe 1.5%. And if you look at where yields were in other asset classes like bonds or, you know, I guess you'd get an applied yield from by a company like yields were low. We were in a low interest rate environment. Now suddenly we're in a high interest rate environment.

00:40:32:00 - 00:40:53:13
GUEST
So the feeling is that one must be compensated for that. Because, you know, why should I buy UK logistics at 5% when I can buy UK triple B minus or double B plus maybe, nine, 10%? Like, does that feel like where would you put your money. Like as that's ultimately what you know is challenging right now is justify find.

00:40:53:16 - 00:41:11:26
GUEST
You know basically us from a fundamental perspective pricing these assets looking at all asset classes come up with our number. But then the sellers like 9200 basis. My side of this is there's a bid ass spread that's super wide. And we're here and they're up there and it's kind of I don't know. This is difficult gap to bridge.

00:41:11:26 - 00:41:26:19
GUEST
I lots of things can change. I think most people think right now the interest rate environment is transitory. I don't mean transitory in terms of what people are telling us about inflation, which turns out not to be true, but transitory in the sense that I don't think people believe that we're going to remain at 4.5% base rate in the UK.

00:41:26:19 - 00:41:46:18
GUEST
It's kind of a means to an end, which is quelling this inflation. And so the trick is, you know, rather than valuing things off of today, being the steady state is having to have a thesis about what the future looks like. What do we think the long term interest rate environment is like and investing on that basis.

00:41:46:20 - 00:42:06:16
GUEST

And, you know, best bets at a number. And it still seems like there is, you know, a gap between what sellers want. Buyers want a part of that is also just psychological, because if you put yourself in the shoes of an asset owner and, you know, 12 months ago, you own this piece of gold, right? That is super rare and everyone's bashing your door down and saying, I want to buy it.

00:42:06:16 - 00:42:22:14
GUEST
I want to buy it on a buy. You bought the corner, you know, a hundred, and now it's worth 200 to 250. And you're like, okay, I'll think about selling it. But really it's quite illiquid, right? So takes you time to prep the data room, the time we've come to. And of course you have to go to your best equity and get the approval to sell it.

00:42:22:14 - 00:42:46:19
GUEST
At the time you've done that, people are telling you, oh yeah, I was going to pay 250 and I paid you 100 or 90 or 80. And I think that psychologically that's very hard for people to get their heads around, like how quickly things have moved. And so there's a bit of a barrier from that perspective. And also the feeling right now is it's kind of pretty, you know, darkest before dawn type scenario right now.

00:42:46:19 - 00:42:59:10
GUEST
Maybe we're kind of moving out of it now, so why sell now unless you have to? The feeling is that tomorrow will be better times. And I necessarily believe that. So most people are just sitting on things.

00:42:59:10 - 00:43:03:25
HOST
And when is tomorrow is that I guess that's submitted to $1 million $1 billion question.

00:43:03:25 - 00:43:22:29
GUEST
Well, yeah. I mean I'm no economist, so I'm not even going to attempt to answer that question. I mean, you you can look at the forward curves or, you know, the salt rates. And it seems like things start to normalize over the course of 2 or 3 years. If you look at the US, which is always the leading, because you know, basically the US exports the interest rate and why?

00:43:23:00 - 00:43:43:18
GUEST
Because the dollar is the hegemony or whatever of the US is the prime, you know, you buy oil and dollars, you buy those qualities in dollars like the basic export inflation. Through that, and they're talking about potentially an easing off of the interest rate hikes at the end of this year, or at least no more hikes the end of this year potentially starting to come off over the course of next year.

00:43:43:24 - 00:43:48:22
GUEST
It really just depends on when inflation stops and if a recession happens effectively.

00:43:48:24 - 00:44:09:26
HOST
Can you talk to me about how you've got around assembling a high performing team, because you've got a very diverse team in terms of gender backgrounds, no doubt urological your experience as well, but you've got a kind of a preference for maybe certain universities or types of degrees. Can you give me a bit of an insight into your rationale behind that?

00:44:10:03 - 00:44:35:05
GUEST

Yeah, I mean, I maybe just comes from personal experience in that, I mean, there's smart people that do all types of degrees come from all different backgrounds. You know, a hiring decision I think is very high risk because they, you know, if you think about like the hiring process, you meet that person three, 4 or 5 times, you maybe give them like some sort of a case study, maybe a modeling test, but like, you get very, very little exposure to that person.

00:44:35:08 - 00:44:57:00
GUEST
And so you then have to start relying on other pieces of evidence that, you know, give you clues about, like, how probable is it that that person will be a good fit. So that's why, for example, you screening for using universities. That's why you screen using grades and and career backgrounds things of that. Because it's not to say that if you don't have those things, you're not a good fit.

00:44:57:02 - 00:45:17:02
GUEST
It's just me admitting that, you know, it's like I say, there's an I can do my do your full due diligence. The person will be hiring for a year and saying, how to do we can't do that. So you have to admit there's chance. And and so I'm trying to remove as much challenge from as possible. Select from a call that has a higher probability of people who work for my organization.

00:45:17:02 - 00:45:39:10
GUEST
And what what I found in previous organizations I've worked out is that I think candidates from a Stem background have been taught a certain, you know, problem solving framework because the degree is just solving problems. Right? So coming at it from like a very logical, thoughtful, step based process, and that's always just worked quite well. I know the way that my mind works.

00:45:39:12 - 00:45:57:08
GUEST
I know the way I was educated to look at a problem. And so I trust that it's about work. So there's lots of different ways to skin a cat, but I think that works. And so that's just what we've decided to do. And so the backgrounds of our people, our team, wanted to shoot at chemistry. What?

00:45:57:08 - 00:46:10:21
GUEST
In biochemistry, obviously I did engineering one, actually. I went to an American university to do comic business based studies. So there are exceptions to the rule. But generally speaking, that's what we look for.

00:46:10:23 - 00:46:18:02
HOST
No. It's great. So from, from a, it's like you said, what what are you most excited about right now as you look out to 2023?

00:46:18:04 - 00:46:41:26
GUEST
I think, you know, with with risk also comes opportunity as well. The two come hand in hand. You know, you got to take risks to take to make return. There's, you know, otherwise there would be no return because of our own pile into the trade. Unless you look at, you know, been to, you know, fund vintages that have done incredibly well, typically it's because they were buying assets at distressed prices at low points, the cycle.

00:46:41:26 - 00:47:05:27
GUEST
So for me, the excitement is, for the first time in my career, living through a market that I started my career

in, well, back in 2012, but really kind investing in 20 1415. I've only ever since the supervisors go up, and whilst I have benefited from that because I bought, you know, I, you know, half way on the way up and then sold it three quarters on the way up or whatever.

00:47:05:29 - 00:47:21:29
GUEST
Now I'm getting the opportunity to catch it on the way down. And, you know, a big part of that was kind of timing it and making sure that you are getting the right deal and investing at the appropriate time. But yeah, I think it's a huge opportunity for people in the sector today. And people shouldn't be scared.

00:47:22:02 - 00:47:26:00
GUEST
It was it was time be greedy when people are fearful.

00:47:26:03 - 00:47:27:18
HOST
Yeah. So for when others agreed.

00:47:27:18 - 00:47:28:22
GUEST
Yeah, exactly.

00:47:28:24 - 00:47:39:21
HOST
So someone who's in their early 30s, who's achieved a hell of a lot. Do you ever feel that age has been a barrier to your success? That,

00:47:39:24 - 00:47:55:07
GUEST
I don't think is a barrier because I think, you know, I've kind of gone and done everything I wanted to do this point, Mark. Obviously, there's more I want to do, but I'm very happy with where I've got to today. I think real estate as a sector and probably finance more broadly. As I say, it's that rewards gray hairs on the head.

00:47:55:09 - 00:48:13:28
GUEST
So I'm very aware that when I go into meetings, it's something I was super aware of when I was younger as well. My first days ago, I was is you going in to meet people who are 40, 50, 60 years old? If you do this the whole life and I think you have to kind of be that much better to overcome.

00:48:14:05 - 00:48:27:12
GUEST
Like if actually the way you look, which is looking young. And so. Yeah, look, I think it has been maybe I can't complain, but it's tough be tougher being younger. But also equally I've been given these amazing opportunities.

00:48:27:12 - 00:48:29:05
HOST
So you just have to outwork it.

00:48:29:05 - 00:48:46:01
GUEST
And yeah, I think so. Or maybe it's less about at work for you, but more like a point on empathy, because oftentimes you're going there just to have a meeting to get something out of someone like committed someone to give you a deal, or you're interviewing management to get information on their company. And

and you can you have your whole question lessened.

00:48:46:03 - 00:48:59:14
GUEST
But so, you know, getting them to like you and want to give you the information, I want to work with you. So it's probably more the empathy side of things that has been really important to kind of overcome that age gap is or.

00:48:59:16 - 00:49:06:29
HOST
What what advice would you give someone who wants to get into the real estate space now? It's a good question. I mean, like.

00:49:07:02 - 00:49:28:18
GUEST
My my path end has been so kind of, like I said by chance, a bit kind of random, but I think if you wanted to get into it, I think firstly you have to understand that really is and the one thing I didn't do was understand what it really is. But I was just lucky. And you know, you can either come out, it is like you can focus on people and follow and target organizations with the right people, which works.

00:49:28:18 - 00:49:46:27
GUEST
So the strategy for me, or you can target specifically what the organization is doing and less attention to the people. And if you want to know, the organization is doing me, these companies are so opaque and they use these terms that are confusing and they're probably purposely confusing as well. Can I buyer you? I think you've got to meet people.

00:49:46:27 - 00:50:02:11
GUEST
Like, first of all, Leeton is such an amazing, amazing tool and I don't use it enough. The way I do gets people reaching out to me saying, hey, I'm a student or I mean, you know, or whatever, and I want to learn more about the industry. They're not necessarily I want to get to real estate. It's like, I'm thinking about what I'm doing.

00:50:02:11 - 00:50:16:27
GUEST
I don't know what you do. And kiosk, I think you're right. And I'm like, I never, ever say no because I think if I was in their position and think about how confused I was looking at the websites, all these companies, I would always skip half an hour. You know, I was already so grateful someone gave me half an hour of their time.

00:50:16:28 - 00:50:38:05
GUEST
So I think first of all, most I think you just have to meet people and understand what they do to understand what's out there and what suits you. Your skill set and what piques your interest. Not being afraid to really just kind of network. And I'll I'll say, people say now people say no, but who cares? Like just chat through 100 darts to the wall and see what sticks and you'll be better for it.

00:50:38:08 - 00:50:58:14
GUEST
But also when you meet those people, I think you kind of, you know, opportunities will come out of that. Like showing that initiative, I think, really stands out. You know what I see a lot of people do reach out, you know, not that many in the context of like people who are looking for jobs. So I think, yeah, I think it will all kind of work out once you just start networking and work in that peace out, the rest will follow.

00:50:58:14 - 00:51:06:15
HOST
Yeah, sure. Do you think real estate is an asset class? Is complex enough to intellectually stimulating for a long time.

00:51:06:20 - 00:51:32:05
GUEST
Yeah. I mean, there's there's always different aspects to it. And the great thing about the net lease aspect is it's not always about the real estate. So oftentimes you're you know, I'll give you an example. We're looking at do right now Sally spark multi jurisdiction 300 or so million euros. Some tier one automotive supplier. And so there all and the really real estate is challenging right.

00:51:32:05 - 00:52:04:08
GUEST
Like if these assets were vacant you'd be up in a creek with no paddle. So there is all but really covering it receives and doing a full kind of credit underwrite. And every business is different. So like every day, every week, I get to kind of get the bones of different businesses and understand how to take. So I think from that perspective, it can be, you know, whilst there's no diversity in terms of real estate day in, day out, there's diversity in the companies and the sectors and you can really get at the detail of it and speak to people who manage these companies, build these companies.

00:52:04:08 - 00:52:21:02
GUEST
And so and that was incredibly inspiring. And I don't think that ever gets old. And also like the real element is, you know, I like buildings, you know, like is it's very relevant to our lives. You know, we all everyone always says it like, you know, we we live in real estate. Real. This is all very physical.

00:52:21:07 - 00:52:27:08
GUEST
I'm also an engineer. Eyesight structural and lots of things like the technical element. So yeah, I think look I'm not bored yet.

00:52:27:10 - 00:52:39:22
HOST
Where where does ESG fit into real estate or Blackrock capital? So I think you touched on earlier in our conversation. Yes. And maybe a little bit more asset management come into to the in the fray as well. Can you just expand on that.

00:52:39:24 - 00:53:02:06
GUEST
Yeah, I mean the issues like becoming more and more relevant by the day. I mean obviously there's the E, the S and the G. I think, you know, we focus on all those things a Blackrock but primarily through the real estate is the element, the environmental element. And you know, the physical footprint of real estate globally. You know, one of the biggest, you know, emitters of carbon, and other greenhouse gases.

00:53:02:09 - 00:53:22:26
GUEST
And so everything that we can do as a large scale landlord to, you know, improve the efficiency of our buildings or for our buildings building the best things we can we have doing our bit for the future. It also just so happens to be that you can make return off of that, which is fantastic. So, you know, and nothing from putting solar panels on the roof of your building.

00:53:22:26 - 00:53:40:26
GUEST
We've got a wind turbine on our assets, rainwater harvesting, looking at the way the builders are building

is doing them in a carbon neutral way, like carbon neutral construction. All these things actually, funnily enough, result in better returns through rental premium, through yield premium, or I guess, yield discounts. But just say I just get confused with that one.

00:53:40:26 - 00:53:48:08
GUEST
But yeah, it can, it can kind of it's like, you know, you do good and you make money. So like, as perfect.

00:53:48:11 - 00:54:00:13
HOST
As we grow. Towards the end of this conversation, I ask everyone, the question, if I were to give you 500 million pounds of equity, who are the people? What property? In which place would you look to deploy that capital?

00:54:00:16 - 00:54:17:04
GUEST
I think maybe doing property first. You know, we look at all asset classes or asset class agnostic, but I, you know, and I think about it a lot because we have to think about a lot. I keep coming back to the just it still being my highest conviction sector of all sectors and real estate. And the gas prices are starting to come off a long way.

00:54:17:06 - 00:54:42:14
GUEST
I think there's still a lot of return to be had. That if if everything comes out, just supply and demand, effectively putting a yield and valuation to one side, you know, the from the demand perspective, the structural tailwinds remaining are as strong as ever. You have e-commerce, which, you know, massively spiked over Covid because of necessity. You know, as stepped down as a little bit as, as retail reopen again.

00:54:42:14 - 00:54:59:19
GUEST
But I think that, you know, the trend is, you know, solely going in one direction, which is, which is, you know, you've got a new generation of kids coming through, and you look at the way that they interact with the world, you know, the way they buy product, you know, it's just completely different to the way the my parents interact with the world.

00:54:59:21 - 00:55:25:23
GUEST
And so I think even if you don't get older people taking out on the internet, which I think I should, it will just too the passing of time and the changing of habits, the internet's going to take over as the primary mode of consumption. So you have that element, but then you also have, you know, globalization kind of going a bit into reverse, you know, before we had this global free trade scheme where like, you know, the Chinas and the Russias of the world where everyone was friendly, we do business with everyone.

00:55:25:28 - 00:55:49:26
GUEST
Obviously, that's not going to reverse. And so, you know, you have this near shoring on shoring, which requires a lot more manufacturing closer to home. So you have to come all these trends which are really underpinning demand right now, even in the face of a recession, where consumption drops, people need to take space for these reasons, and maybe not in the near-term, but over the medium to long term, I think demand will remain robust as supply is just you just can't build these things.

00:55:49:26 - 00:56:12:23
GUEST
You know, it's not a popular asset class with governments. I mean, spouses, they're ugly. It's like not in

my backyard, you know, emissions noisy. And they're typically locations in places where there's, you know, alternative uses are competing, like housing is a massive short supply in these locations as well. And it's not for profit for for governments to support housing, which, you know, the voting population actually cares about as opposed to logistics.

00:56:12:23 - 00:56:30:26
GUEST
So I think you have like this structural supply demand imbalance that just is not going away anytime in the near future. There's no vacancy. And so, you know, I think it's just going one way. Right. We've had a blip. But I think over the medium to long term and real long term investors as is, we're not a five year fund or seven year fund.

00:56:30:26 - 00:56:39:02
GUEST
We are an evergreen fund. That's the crucial bit. I think over the long term, I think it's still a good bet. And so that's where I'd put my money right now.

00:56:39:05 - 00:56:43:25
HOST
Exact place. And then the team will the people that you would bring on the journey or help you deploy it.

00:56:44:01 - 00:57:03:29
GUEST
Yeah. I mean, that place I mean, you know, with these logistics buildings, there are obviously logistics hot spots for various different reasons. You have the Netherlands, which is effectively the gateway into Europe because they have, you know, a couple, the largest ports in Europe, basically like a giant motorway, the country of Germany, which is the industrial heartland. But also, you know, logistics is now shifting towards consumption centers as well.

00:57:03:29 - 00:57:20:04
GUEST
It used to be, you know, more about where product was manufactured and delivered to you now is about where they're also they consume. So so you have like last mile formats things of that. So any kind of major population centers in Europe are typically, you know, are probably going to be fine from that perspective.

00:57:20:06 - 00:57:28:01
HOST
And people obviously the black Brook team. Yeah. Is there anyone that you look out across the market you've worked with that you get on board to help you with that?

00:57:28:04 - 00:57:42:05
GUEST
Yeah I mean I have huge respect for the, you know, the guys I used to work with, the Gramercy Clarion, you know, like I say, it's where I cut my teeth and it's where I learned the majority of my trade. And you know why I went to it in the first place is because I think there. And that's smart people.

00:57:42:05 - 00:57:47:23
GUEST
And I think they're safe. Pair of hands. And I'm talking like, if you're not going to pick up my competition, but, yeah.

00:57:48:00 - 00:58:00:08
HOST
I, you know, get them on board to help me. Yeah. Of course. Well, John, thank you so much for coming in

today. And, imparting, a little bit about your career journey and some wisdom on the market, as you see it. So thank you so much.

00:58:00:16 - 00:58:00:29
GUEST
My pleasure.

00:58:01:03 - 00:58:09:14
HOST
Cool. Have a good one.

00:58:09:16 - 00:58:29:19
HOST
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00:58:29:25 - 00:58:55:10
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00:58:55:12 - 00:59:05:08
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