

St Bride's Background

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I am frequently asked why, at the age of 60 and after (by many measures), a successful career, I haven't just hung up my property boots and retired to the golf course.

It is a fair question and normally I just laugh it off. But there is more to the answer than the fact that I am not that good at golf!

So, as a 'world exclusive' for the readers of the RICS Commercial Property Journal, I have simulated an exacting interview with myself to reveal all...



Q. Let's get to the root of it. Are you scared of retirement?

Yes. I see it as an admission of getting old and I am not ready to admit that yet. But that's not why I set up my new venture.

Q. Are you sure? Having headed the largest property investment management business in the world, what more could you hope to accomplish?

I loved every day at Baring, Houston & Saunders / ING, but Mr Lehman and his brothers spoiled my party in 2008. All my plans for making ING REIM a truly great global player evaporated overnight when ING had to be bailed out by the Dutch Government. And, of course, now they have agreed to sell the property business to CBREi.

So, I rather see it as unfinished business.

Q. Is the ING / CBRE deal a good one?

For CBREi... definitely. ING REIM has been a great business, with great staff and great clients. I just hope that CBREi manage the integration carefully and sensitively. If they do, they will have an unbelievable platform to take their business forward.

Q: What do you mean by 'unfinished business'?

In my view, ING REIM had nine 'premiership' businesses – UK, Continental Europe, US, Canada, Asia and Australia, plus Select (multi-managers), Global Securities and a Debt Management team in New York. But the amount of business generated from cross-border referrals was pitifully small. I set each of the regions a short term target of securing at least 20-25% of their AuM from internally referred overseas investors.

Of course then the world stopped and ING's love affair with real estate came to an abrupt end.

Q: Is cross-enterprise referrals at the heart of the St Bride's Business Alliance?

Yes, at least in part. All the members are boutiques, fleet-footed and really, really good at what they do. Being part of an Alliance provides each of them with an additional dimension. And collectively, we gather real strength from top quality upstream / downstream capabilities.

Q: Who is in the Alliance?

There are currently five members, all of whom aspire to be market leaders in their fields:-

- St Bride's Strategic Advisers - my personal advisory business;
- St Bride's Managers – a regulated fund management business with offices in London and (recently) Stamford, Connecticut;
- Morgan Capital Partners – Specialist Central London asset managers;
- Oxygen Asset Management – generalist asset managers;
- Shor Associates – architects and occupational space advisers.

Q: How is the Alliance constituted?

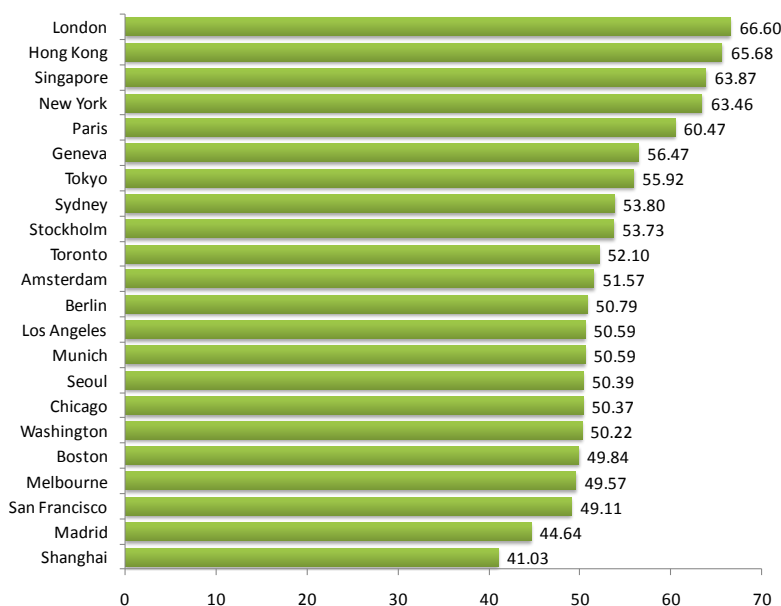
Each of the businesses are independent. However, I sit on each of their managing boards and they all occupy separate floors at 5 St Bride Street, just off Ludgate Circus in the City. There is an Alliance Protocol Agreement which sets out the Rules of Membership. Each firm is also obliged to help raise a certain amount of money each year for Boost Charitable Trust.

Q: What are your global ambitions?

St Bride's Managers have recently established an office in the US and we aim to have a presence in Asia-Pacific before the end of next year.

We have recently completed, in conjunction with Ramidus Consulting, a major piece of research to identify the top 22 World Cities for property investment from a risk management viewpoint. It will be those 22 cities where St Bride's Managers will be concentrating their efforts.

The St Bride's Managers World Cities 2011



Source: St Bride's Managers / Ramidus Consulting

Q: Does that mean you won't be owning / managing UK assets?

On the contrary. London came top of the world league table and rightly so. It is an amazing place. And it is continuing to grow... the key criteria for investment. No self-respecting portfolio could possibly not have holdings in London.

Q: What about the rest of the UK?

That's not so straightforward. It is all about where growth is going to be generated. And that is about eco-political change and demographics. The UN estimates that the Middle East / Africa, Asia and the Americas will continue to see rapid population growth over the next 20 years (plus), but Europe, including the UK (outside London), will barely tread water. Why would anyone invest in commercial assets anywhere where there isn't going to be urban population growth? So investing in the regional markets in the UK, where growth will be patchy at best, will have to be very judicious.

Of course, there will be some areas of growth, but not necessarily in the types of assets or places that captured our attention in the past.

Projected Population Growth

Population	2007 m	2030 (est) m	Change %	Urban Change %
Middle East / Africa	1,185	1,830	54	90
Latin America	572	712	24	34
Asia	3,800	4,600	21	63
North America	339	405	19	28
Europe	732	706	-4	8

Source: UN

Q: So what type of UK assets should investors be seeking now?

We have to remember that in the late 1960's the UK 'invented' property investment as we all know it today.

The 25 year lease was the product of sales and leasebacks by retailers and commercial enterprises anxious to put their capital to best use and expand their operations. It was a time when the country was re-building itself, both physically and economically, after the second world war. It was a time when the population was growing rapidly and when we needed new town centres and industrial parks.

However, we have just about completed that phase of our national development now. Of course, we will have to keep our urban environment up to scratch – but it will be more about replacement and renewal than net expansion.

And the make-up of our population has changed too. For instance, there are already more over 60's than under 16's and this is forecast to become even more pronounced over the next 20 years. This will place serious stress on pensions, healthcare and the nature of our national infrastructure.

In short, we will need less commercial property and more (specialist) residential... that is, except in London which is set to continue to grow on virtually every front, in line with its reputation as the Number 1 World City.

Q: Is that why your first funds will be focussed on London?

Yes. And we hope to launch a US offering later this year too.

Q: How will they differ from your competitors' products?

In several ways, not least in the composition of our fees. Where for instance the strategy is for income generation, our base and performance fees will be based on income too. And if our clients lose money, even if it's not our fault, we will share in the pain.

Q: I saw a copy of a publication in your office recently – 'The Navigator'. What's that all about?

It is a series of articles written by members of the Alliance and our professional advisers. But the St Bride's 'Navigator' Club goes further than just writing articles. It is a forum for sharing knowledge amongst the team and our investors. It meets quarterly and to ensure we remain focussed on the real world, our tenants will be asked to share with us what is happening in their markets too.

It is all about obtaining a 360 degree perspective of the economy and the markets.

Q: So, is St Bride's Managers trying to replicate B,H&S?

No. Times are very different now than they were 30 years ago. That said, it would be great to re-capture the same team spirit as we had then.

Q: How do you intend doing that?

We have all signed up to the St Bride's Managers' 'Charter'. It is unequivocal in its requirements / ambitions for us to be recognised as:-

The safest pair of hands around;
A great place to work;
Our investors' favourite manager;
Our service providers' favourite client;
Outstanding communicators; and
Good citizens... wherever we may be.

If we can pull that off, we will have a great business.

Q: Yes, but let's be realistic. How long can you really expect to play an active role at St Bride's and what about succession?

I think Warren Buffet is 80 and he's doing pretty well for himself! Seriously though, succession has been in-built into the model. Particularly, we have tried to blend 'grey hair' and youth across each of the businesses within the Alliance.

Q: What do you see as St Bride's Managers' main obstacles?

I see three main challenges:

The market isn't great at present. But there again it wasn't in 1980 either. I would certainly sooner be starting off in difficult times like this and laying down firm foundations than getting swept along in the euphoria of a bull-run. After all, if everyone else's eyes are looking down, they won't be able to see the opportunities when they arise, will they?

St Bride's Managers are challenging investors to revisit much of their established thinking towards property investment. The global door is ajar. They just have to push it open and go through. Even so, that will probably be easier than getting their heads around the need to completely re-model their domestic portfolios.

And... thirdly the evergreen challenge that 'no-one ever got fired for buying an IBM computer'. Yes; the constitution of St Bride's is different. But for my part, I have always subscribed to 'vivre la difference'. And, thankfully, there are lots of others who are co-subscribers.

Q: What will success look like?

That's an easy one. I could say that it would look like a series of industry Trophies for Innovation, sitting on our boardroom side-table, or a collection of photographs of great assets we own / manage in each and every one of our 22 World Cities.

But, in fact, for me it would be the publication of a photographic study entitled 'Boost's first one hundred sports projects'. Such as the one the charity currently has at Olympafrica Centre in Swaziland.

And if you are wondering what Boost is all about, please go to www.boostct.org. The charity's future depends upon the success of St Bride's, to which it is inextricably linked.



**Olympafrica Sports Centre
Swaziland – a Boost project**

Robert Houston
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