



DUNCAN OWEN SAYS HE NOW HAS
A 'HELICOPTER VIEW' OF THE INDUSTRY

The next big challenge

Veteran leader Duncan Owen had clocked up over 30 years in the industry by the time he stepped down as global head of real estate at Schrodgers at the end of 2020. Now he has climbed back into the ring as CEO of Immobel Capital Partners. Here he talks to PropertyEU about the new firm and the very different market he has returned to

BY **ROBIN MARRIOTT**
PHOTOS **JAMES CLARKE**

Duncan Owen spent some nine years running the global real estate platform of UK manager, Schrodgers.

Having cut his teeth for a decade in the 1990s at Jones Lang Wootton (the forerunner to JLL), he next worked as a partner for LaSalle Investment Management which he left aged just 33 to begin his own firm, Gatehouse Investment Management.

In 2003, Gatehouse was acquired by HBOS' Insight Investment, and when HBOS spun off the division in 2006 with Owen as CEO it became Invista Real Estate Investment Management as a public company on the London Stock Exchange.

By 2012, Schrodgers had taken over the operations of Invista and Owen wound up as global head of real estate. By the time he left the company at the end of 2020, the globetrotting executive was managing 16 teams in Asia, Europe and the US.

'So that's 30 years in two minutes!' he smiles as he answers a question about his long career in real estate.

He describes setting up Gatehouse back in 2000 with Philip Gadsden (now managing partner of Orchard Street) as 'the steepest learning curve'.

'I didn't know all of the risks involved. Things have come 360 degrees since then. This time I am better prepared,' he comments.

Owen is giving his first interview since establishing

'I think there's a magnificent opportunity. I think we're only just beginning to see the consequences of the misallocation of capital since the global financial crisis'

Immobel Capital Partners exactly a year ago in January 2021. From offices at St James, Mayfair, near the Ritz Hotel, it seems an opportune time to talk.

The 'infrastructure' of the company is almost complete. He has created an integrated European property investment firm with investment, development, leasing, finance, and capital raising expertise.

People hired include the former Schrodgers heads of joint venture and debt financing Andrew MacDonald as well as the former COO Melinda Knatchbull, alongside Tristan Capital Partners' ex-fundraising chief and co-founder, Monica O'Neill and former head of Swiss Life's pan European and value add fund, Maureen Mahr von Staszewski.

Secondly, Immobel Capital Partners has embarked upon a process with partners and co-investors of seeking new investment opportunities. At the time of writing, it is

underwriting assets in key European cities including London, Paris, and Berlin.

Asked about the market and the timing of this new initiative, Owen says: 'I think there's a magnificent opportunity. I think we're only just beginning to see the consequences of the misallocation of capital since the global financial crisis.'

What he means by this is the long run of zero and extremely low interest rates coupled with quantitative easing that led to asset price inflation. 'Too much,' in Owen's opinion. Now values are falling across the market 'almost

like snow', he says. 'We are having to pay for some of that quantitative easing over the last 14 years and we are possibly seeing asset prices correct to what their true value is through a cycle. Asset price inflation has not been very discerning as it grew prices for both good and bad assets. So, we are looking, and we think the time is now right to buy prime assets at more attractive prices than might have been possible in the last five or 10 years.'

'We're finding that we're able to underwrite assets that are on average 25% lower than the previous year and valuations at the end of 2021. That doesn't mean they're cheap. Indeed, vendors still desire yesterday's prices whilst buyers want tomorrow's values. However, it means you have still got to add value to them and ensure they are truly world class by modern "green and sustainable" standards.' 'You can only realistically achieve this if you have both the investment management skills and track record, and the development and sustainable skill set in-house. If you are an integrated team with both capabilities in-house it means you can now afford to buy really prime assets in Europe's best winning European cities, and have enough budget and knowledge to invest the capital expenditure to improve those assets.'

FRESH START

Owen is looking enthused and invigorated for what lies ahead. When he left Schroders, he took time out to recharge the batteries after years of the regimented managerial grind with which any global head of real estate must contend.

With a smile, he explains that with two children having graduated (one away at university) and a wife who could even grow tired of having him around at home all the time, a new opportunity arose that seemed too good to refuse.

Over in Belgium, listed office and residential developer, Immobel, had taken an important decision: it wanted to create an investment firm. Immobel is led by the 'brilliant' executive chairman and majority shareholder, Mar-nix Galle, and as Belgium's largest listed property company it has a certain pedigree.

Founded over 150 years ago in 1863 by three men, Immobel used to be called Compagnie Immobiliere de Belgique (Housing Company of Belgium). But nowadays the group's interests go beyond residential in Belgium. It specialises in sustainable mixed-use projects in large European cities. With a strong balance sheet, 200 staff, and 1.6 million m² of sustainable projects under development, the self-proclaimed 'daring and innovative' developer Immobel wanted a partner to launch an investment platform. This is the genesis of Immobel Capital Partners.

'Immobel was looking for someone to found an invest-

Personal profile

Duncan Owen is founder and CEO of Immobel Capital Partners in London. He has held many high-profile roles during a 30-year-plus career in property, including as global head of real estate at Schroders. Away from real estate, he is passionate about rugby. In his youth, he represented England at university. He is also a talented chess player having once been schoolboy champion of England. His hobbies include jogging around Wimbledon Common, golf and skiing.

ment firm, so the timing was great. It led to the formation of Immobel Capital Partners to buy assets such as the one behind you.'

On one side of the boardroom is a large colour photo of White Rose Office Park outside of Leeds city centre in the UK.

THE STRATEGY

Leveraging the 'DNA' of its Belgian sponsor, Immobel Capital Partners is focusing on offices and residential investments with strong ESG value-add angles.

The first strategy is a green office impact fund of which White Rose is an example (see box).

In March 2022 – three months after launching – Immobel Capital Partners struck an off-market deal to acquire a 50% interest in the 28-acre (11 ha), 500,000 ft² (46,500 m²) office campus from Orion Capital Managers at a price valuing the property at about £110 mln (€125 mln). It is held in a joint venture with property company, Munroe K. Tenants include HSBC, sports media giant DAZN, Capita, the NHS and Telefonica. It is a stone's throw from the White Rose shopping centre.

Around 5,500 people work at White Rose. With a nursery, an outdoor gym, conference space and restaurants, there are plenty of on-site services to aid people who spend their day working there. But that isn't enough. The investors are currently part-funding a train station just for White Rose. The station, which is currently under construction, will take the journey time to and from Leeds city centre to just three minutes.

Owen's investment philosophy is that offices and residential are the two main asset classes providing the 'anchor' for where most people spend the majority of their time. All other uses are in a way 'ancillary' to serving people where they want to live and work.

'All the other sectors have huge value yet thrive off the anchors of either offices or residential,' he says.

SOCIAL AND ENVIRONMENTAL IMPACT

As well as the UK, the firm manages a Belgium and Luxembourg office fund that is fully invested. The



'I really do feel passionately it is the right time for ESG. The desire to reduce carbon footprint, and to live and work in a better environment, is compelling'



Maiden asset for green office strategy

White Rose Park in the UK city of Leeds represents the kind of sustainable asset Immobel Capital Partners is seeking for its green office strategy. Immobel purchased a 50% stake in the office campus from Orion Capital Managers in March 2022, at a price valuing it at about £110 mln (€125 mln). Immobel will hold the 500,000 ft² (46,500 m²) campus in a joint venture with Munroe K. In addition to 20 acres (8 ha) of open space, the park includes a conference centre, outdoor sports pitch, restaurants and a nursery. It is located close to the White Rose Shopping centre and will shortly benefit from a train station.

'If you think about your pension fund, actually what you want is a manager that is going to give you the best returns possible without taking undue risk with your capital'

focus now is to make fresh investments in prime assets in prime locations whose value can be significantly improved by upgrading the asset's ESG profile via capex initiatives, retrofitting and repositioning the quality of accommodation.

'I explain to investors the "why, how and what". The why is we think we can improve the work environment and make assets more sustainable. We also think we can make 10%-plus returns – that's the "why". The "how" is by partnering with investors who also believe in the opportunity and that sustainable, future-proof assets are the way forward. The "what" is identifying the winning European cities and investing in prime located buildings, which are capable of improvement and reduction of carbon footprint.'

Without the ESG angle, one gets the impression Owen would not have been as tempted to step back into the ring as the CEO of an investment firm.

He explains: 'I really do feel passionately it is the right



time for ESG. The desire to reduce carbon footprint, and to live and work in a better environment, is compelling. There is a massive opportunity to put something back into the industry and physically help.'

He cites research that states that only 10-15% of offices in major European cities meet local regulatory sustainability requirements they are meant to comply with by 2030.

'But all of the demand is there for just 10-15% of the total supply of office accommodation. You can see the need to take assets and turn them into green investments. It sounds very simple to talk about it, but it is very hard to do in practice.'

CAPITAL PARTNERS

The firm is working with its balance sheet alongside other investors or clubs of investors whose investment horizon is the medium to long term.

The longevity of investment seems important. Says Owen: 'If you think about your pension fund, actually what you want is a manager that is going to give you the best returns possible without taking undue risk with your capital.'

One gets the idea that Immobel Capital Partners is not going to be an asset accumulator for the sake of largesse. Owen confirms this: 'We shouldn't just asset accumulate and put investors' capital or our capital at risk. Our key performance indicators are the measure of our success. The focus is on maximising the return for the investors and lowering the carbon footprint – future-proofing the assets.'

Recalling the time he launched Gatehouse more than 20 years ago, Owen says he feels better prepared this time round. He now has a 'helicopter view' gained while serving as a non-executive or advisor to several astute com-

'There's a greater choice of lenders now, but there is also less consistency. Pricing is very different and sometimes it feels like we are trying to find a needle in a haystack'

panies, such as Church Commissioners, which has a €10 bn investment fund, Sellar Property, developer of The Shard at London Bridge, Workspace Group, and AI-powered real estate data provider, RE5Q.

Given the challenges of the existing market, he will certainly need all his experience and that of his team.

Just one tricky area is real estate finance. The company is currently seeking to buy an asset in London as all equity rather than finance it now.

Explains Owen: 'There's a greater variety of choice of lenders now, but in this market, there is also less consistency. We have one of the best finance heads in the market in Andrew MacDonald but we are finding there isn't one obvious place to borrow from. Pricing is very different and sometimes it feels like we are trying to find a needle in a haystack.'

MARKET FORECAST

Predicting markets is an equally tricky business. At the time of the interview, swap rates had moved down already, suggesting investors were a bit more confident about being repaid. But interest rates, inflation, corporate health, and employment levels are still difficult to determine.

'Inflation is a very difficult subject,' Owen remarks. 'I remember inflation in the early stages of my life in the 1970s. And I remember how difficult it is to get it out of the system. I've not really understood or believed the arguments of many economists in this cycle, that inflation will be temporary on this occasion.'

'What you can end up with is core inflation. Because when you get a salary increase, it's there. It's embedded. You could even end up with periods of stagflation, and that's hard for everybody in every industry.'

Immobel Capital Partners seems prepared for a tough operating environment. As stated, the firm has assets under offer, so it must be finding opportunities that make sense. With a slight glint in his eye, Owen and his new firm seem ready for the big challenge ahead. ■