

Podcast Episode

**Season 1, Episode 1: Simon Treacy, CEO of Private Equity Real Estate,
CapitaLand Investment
From the Voices of ULI**

Date: December 09, 2021

00:00:03 --> 00:00:07: Hi, I'm Scott Dunn and welcome to the first season
00:00:07 --> 00:00:10: of Voices of ULIA podcast.
00:00:10 --> 00:00:13: Brought to you by the Urban Land Institute Asia Pacific
00:00:13 --> 00:00:17: in conversation with thought leaders and industry experts.
00:00:17 --> 00:00:21: I'll be asking them to reflect personally on their career
00:00:21 --> 00:00:21: journeys,
00:00:21 --> 00:00:25: particularly on the actions that they've made that have had
00:00:25 --> 00:00:30: significant impact on land use and development today and
what
00:00:30 --> 00:00:31: their vision holds.
00:00:31 --> 00:00:34: For the future of our communities that we live in.
00:00:37 --> 00:00:39: In today's episode, we'll be talking
00:00:39 --> 00:00:41: to Simon Tracy,
00:00:41 --> 00:00:42: who's the CEO
00:00:42 --> 00:00:47: of private equity real estate at Capital Land Investments.
00:00:47 --> 00:00:50: Simon, welcome to Voices of Uli.
00:00:50 --> 00:00:51: I want
00:00:51 --> 00:00:52: to
00:00:52 --> 00:00:56: start with your early years.
00:00:56 --> 00:00:58: Where was it that you grew up and what kind
00:00:58 --> 00:00:59: of community
00:00:59 --> 00:01:01: did you grow up in?
00:01:01 --> 00:01:02: Well, I
00:01:02 --> 00:01:04: suppose I've been a consumer of cities.
00:01:04 --> 00:01:07: I would say over the decades my father was in
00:01:07 --> 00:01:11: a commercial bank and we moved around about 15 cities
00:01:11 --> 00:01:12: around Australia,

00:01:12 --> 00:01:17: including Sydney, Melbourne, Brisbane but completed my high school and

00:01:17 --> 00:01:21: College in in Brisbane and joined Lend Lease and then

00:01:21 --> 00:01:24: went down to Sydney which is a fabulous city for

00:01:24 --> 00:01:29: about five years before I ventured up to Asia in

00:01:29 --> 00:01:29: 1996.

00:01:30 --> 00:01:32: In in that time period,

00:01:32 --> 00:01:35: when was it that you started to get interested in

00:01:35 --> 00:01:37: real estate or development?

00:01:37 --> 00:01:38: Was there

00:01:39 --> 00:01:40: something that really kind

00:01:40 --> 00:01:43: of stood out as a as a moment where you

00:01:43 --> 00:01:45: started to understand more about

00:01:45 --> 00:01:48: real estate? Overall, I don't

00:01:48 --> 00:01:51: think so. I mean, I think real estates about people

00:01:51 --> 00:01:52: about communities.

00:01:52 --> 00:01:55: It's about government, private sector,

00:01:55 --> 00:01:58: and I observed all of that in the different cities

00:01:58 --> 00:02:02: from the mining towns to the more commercial towns.

00:02:02 --> 00:02:08: To the mega cities in Australia you know the Sydney's

00:02:08 --> 00:02:10: you know the Melbourne's.

00:02:10 --> 00:02:13: So I think real estate really just crept up on

00:02:13 --> 00:02:16: me to be honest and I got into real estate

00:02:16 --> 00:02:20: from infrastructure and that's actually how I got into Asia.

00:02:20 --> 00:02:24: It was in the infrastructure role and that evolved into

00:02:24 --> 00:02:29: real estate as the Asian financial crisis started to unravel

00:02:29 --> 00:02:33: and at that time Lend Lease needed me to come

00:02:33 --> 00:02:36: and help work out a lot of those situations.

00:02:36 --> 00:02:42: So those, I guess those early days in Lend Lease.

00:02:42 --> 00:02:44: What kind of deals were you working on or what

00:02:44 --> 00:02:46: kind of projects were you involved with?

00:02:46 --> 00:02:50: Well, initially I came out of financial services Lend Lease,

00:02:50 --> 00:02:55: owned a life insurance company called MLC and that kind

00:02:55 --> 00:02:55: of,

00:02:55 --> 00:02:59: you know, made me move ultimately into Lend Lease into

00:02:59 --> 00:03:03: the Capital Services division and we were looking at private

00:03:03 --> 00:03:08: equity investments and then I got into infrastructure through a

00:03:08 --> 00:03:12: joint venture Lend Lease had with GE Capital.

00:03:12 --> 00:03:16: Structured finance group and that was an Asian initiative to

00:03:16 --> 00:03:20: joint venture in funds management in infrastructure.

00:03:20 --> 00:03:23: So that was really kind of the commencement of my

00:03:24 --> 00:03:25: institutional investing.

00:03:25 --> 00:03:29: Kind of, you know, activities and and work,
 00:03:29 --> 00:03:31: but what kind of infrastructure was it?
 00:03:31 --> 00:03:34: The specific type? Or was it kind of?
 00:03:36 --> 00:03:41: You know ports even back then renewable energy putting 54
 00:03:41 --> 00:03:46: MW Caterpillar power gensets over old rubbish dumps and
 piping
 00:03:46 --> 00:03:50: down to the methane gas to be the fuel for
 00:03:50 --> 00:03:54: for the generators. So that was that was back in
 00:03:54 --> 00:03:57: the early 90s so I've always had an interest in
 00:03:57 --> 00:03:59: renewable energy and you know,
 00:04:00 --> 00:04:03: back in the day that that was very pioneering and
 00:04:03 --> 00:04:06: you know it was a bit of a cost disadvantage.
 00:04:06 --> 00:04:10: To cope, but there were certain subsidies and incentives to
 00:04:10 --> 00:04:12: make it appealing for investors,
 00:04:12 --> 00:04:15: and that certainly was one of the formidable deals in
 00:04:15 --> 00:04:19: Australia in terms of renewable energy in that joint venture
 00:04:19 --> 00:04:21: between Lend Lease and GE Capital.
 00:04:22 --> 00:04:25: OK, always most are focused in Australia or is also
 00:04:25 --> 00:04:27: elsewhere in Asia.
 00:04:27 --> 00:04:27: Well,
 00:04:27 --> 00:04:31: that joint venture was Australia and New Zealand and then
 00:04:31 --> 00:04:35: I was actually sent by the directors to Singapore on
 00:04:35 --> 00:04:36: Sakonnet.
 00:04:36 --> 00:04:39: From Lend Lease to GE Capital proper.
 00:04:39 --> 00:04:41: So I work down at the one of the old
 00:04:41 --> 00:04:45: Capitol buildings and intention poga working.
 00:04:45 --> 00:04:49: You know as essentially a GE Capital employee for a
 00:04:49 --> 00:04:51: year or so until as I mentioned earlier,
 00:04:51 --> 00:04:55: the Asian financial crisis started to really unravel a lot
 00:04:55 --> 00:04:59: of the Lend Lease investments around the region and that's
 00:04:59 --> 00:05:01: when I was called back to help resolve and work
 00:05:01 --> 00:05:06: through those situations from which emerged the real state.
 00:05:06 --> 00:05:10: Basement management as one of my kind of core
 competencies
 00:05:10 --> 00:05:13: and that evolved into real estate funds management with
 serious
 00:05:14 --> 00:05:17: opportunistic and value added funds back in the day.
 00:05:17 --> 00:05:19: And I guess at that point,
 00:05:19 --> 00:05:25: then there's a transition with Macquarie and then MP M
 00:05:25 --> 00:05:30: GPA and the transition back into to Asia to Japan.
 00:05:30 --> 00:05:32: And I guess I mean talk a little bit about
 00:05:32 --> 00:05:32: that period,
 00:05:32 --> 00:05:33: not transition.

00:05:34 --> 00:05:36: Yeah? I mean it's interesting story,
 00:05:36 --> 00:05:39: I mean. Lend Lease in the day went very heavily
 00:05:39 --> 00:05:40: internationally,
 00:05:40 --> 00:05:43: particularly into EU S. And you know that was quite
 00:05:44 --> 00:05:47: challenging for land lease and as a wash up there
 00:05:47 --> 00:05:51: was a number of companies that were sold and we
 00:05:51 --> 00:05:55: were the GP for Lend Lease Global Property Advisors and
 00:05:56 --> 00:06:01: that was the first true global opportunistic fund within Lend
 00:06:01 --> 00:06:01: Lease.
 00:06:01 --> 00:06:07: So myself and colleagues did a management buyout in 2000
 00:06:07 --> 00:06:07: and.
 00:06:07 --> 00:06:10: And therefore we became the owners of the GP,
 00:06:10 --> 00:06:14: the company that ultimately became MPA.
 00:06:14 --> 00:06:18: You reference Macquarie Bank, we sold 49%
 00:06:19 --> 00:06:24: of the MBO company called Okhtar Capital Partners to
 00:06:24 --> 00:06:25: Macquarie
 00:06:25 --> 00:06:28: Bank.
 00:06:28 --> 00:06:33: About nine months after we did the NBO and we
 00:06:33 --> 00:06:36: changed our names to Macquarie Global Property Advisors.
 00:06:36 --> 00:06:36: And then we shortened that over time to just M
 00:06:36 --> 00:06:36: GPA.
 00:06:36 --> 00:06:40: And that really became the company that we grew very
 00:06:40 --> 00:06:43: significantly around Asia and Europe,
 00:06:43 --> 00:06:45: raising capital globally.
 00:06:45 --> 00:06:49: And where was the first focus in terms of cities
 00:06:49 --> 00:06:50: or geographies
 00:06:51 --> 00:06:54: we'd raised about a half a billion dollars from 14
 00:06:54 --> 00:06:56: institutional investors,
 00:06:56 --> 00:06:59: Dutch pension funds, Australian pension funds,
 00:06:59 --> 00:07:01: etc. U S pension funds.
 00:07:01 --> 00:07:04: The first investments were in London,
 00:07:04 --> 00:07:10: Hong Kong in Singapore, and then we evolved onto an
 00:07:10 --> 00:07:12: Asian value,
 00:07:12 --> 00:07:16: added fund and a Europe value added fund and that
 00:07:16 --> 00:07:16: became.
 00:07:16 --> 00:07:19: Fund two and then we went on to fund three
 00:07:19 --> 00:07:21: etc through until we sold the business.
 00:07:21 --> 00:07:25: Ultimately in 2013 to BlackRock
 00:07:25 --> 00:07:28: right, it's just going back to that time period.
 00:07:28 --> 00:07:32: Then when you're raising capital and you're starting to
 00:07:32 --> 00:07:34: increase
 00:07:32 --> 00:07:34: the number of projects you're invested in,
 00:07:34 --> 00:07:38: diversify into other markets. I guess one of the questions

00:07:39 --> 00:07:43: was especially at that time period you had this massive
 00:07:43 --> 00:07:46: amount of transformation going on within,
 00:07:46 --> 00:07:48: especially within the Asia. Cities.
 00:07:48 --> 00:07:53: Come in, you're looking for opportunities there at that time
 00:07:53 --> 00:07:53: period,
 00:07:53 --> 00:07:57: wasn't a lot of information or a lot of transparency
 00:07:57 --> 00:07:58: around information.
 00:07:58 --> 00:08:02: You know, data was hard to to to achieve or
 00:08:02 --> 00:08:03: to get.
 00:08:03 --> 00:08:05: How did you, I guess,
 00:08:05 --> 00:08:08: look at that in terms of risk profiles with very
 00:08:08 --> 00:08:09: little data available.
 00:08:09 --> 00:08:12: And how do you make decisions about moving forward to
 00:08:12 --> 00:08:13: manage some of that risk?
 00:08:14 --> 00:08:16: Yeah, I mean, those times were,
 00:08:16 --> 00:08:19: you know, at the beginning when a lot of the.
 00:08:19 --> 00:08:22: Markets in Asia and Europe were just starting to open
 00:08:22 --> 00:08:24: up to institutional capital.
 00:08:24 --> 00:08:26: And you're right, there wasn't a lot of transparency,
 00:08:26 --> 00:08:28: and that was partly the opportunity,
 00:08:28 --> 00:08:32: and our approach was to be very much on the
 00:08:32 --> 00:08:33: ground.
 00:08:33 --> 00:08:37: And very much employing kind of old Lend Lease disciplines
 00:08:38 --> 00:08:39: of risk management,
 00:08:39 --> 00:08:43: project management, development management, and being
 00:08:43 --> 00:08:45: very hands on in
 00:08:43 --> 00:08:45: terms of asset management,
 00:08:45 --> 00:08:47: whilst always being a fiduciary.
 00:08:47 --> 00:08:51: So we were pioneers in a lot of these markets
 00:08:51 --> 00:08:54: and you know that's why I moved from Hong Kong
 00:08:54 --> 00:08:57: to Bangkok to Hong Kong to one of the first
 00:08:57 --> 00:09:02: people in Lend Lease to move to Tokyo in 2000.
 00:09:02 --> 00:09:05: And then into China when that market started to open
 00:09:05 --> 00:09:05: up again,
 00:09:05 --> 00:09:09: I moved with a very young family to Shanghai to
 00:09:09 --> 00:09:12: really just sit on a rock for a year and
 00:09:12 --> 00:09:16: just listen and learn and understand how deals were done
 00:09:16 --> 00:09:17: and how to get information.
 00:09:17 --> 00:09:20: And then we started investing.
 00:09:20 --> 00:09:23: And we did that approach in all of the countries
 00:09:23 --> 00:09:25: around pager in Europe,
 00:09:25 --> 00:09:28: very hands on very much discipline,

00:09:28 --> 00:09:32: asset, project, management approach and really exploiting the kind of

00:09:32 --> 00:09:36: lack of transparency in the market because we were there,

00:09:36 --> 00:09:39: we were the ones creating our own set of comparables

00:09:39 --> 00:09:44: and looking at different submarkets and looking at demand drivers

00:09:44 --> 00:09:44: etc.

00:09:44 --> 00:09:48: In fact, back at that point we had a strategic

00:09:48 --> 00:09:49: decision to make.

00:09:49 --> 00:09:51: Would we go into? China,

00:09:51 --> 00:09:54: in a big way or India or both.

00:09:54 --> 00:09:57: And after a few trips to both markets,

00:09:57 --> 00:10:00: we decided that China was big enough and that that

00:10:01 --> 00:10:04: kind of one hands down because of the commitment to

00:10:04 --> 00:10:08: building out the infrastructure as opposed to India where on

00:10:08 --> 00:10:12: some of our research trips we would go and visit

00:10:12 --> 00:10:14: a local grade A office building.

00:10:14 --> 00:10:17: We really didn't have any infrastructure around that we had

00:10:17 --> 00:10:19: to go through dirt tracks to get to the grade.

00:10:19 --> 00:10:22: A office building and then the roads were built so

00:10:23 --> 00:10:26: a very different kind of risk assessment.

00:10:26 --> 00:10:29: We saw way back then in the early early 2000s.

00:10:30 --> 00:10:33: It's interesting. I think it's interesting that you you yourself

00:10:33 --> 00:10:37: personally spent time in each one of those places to

00:10:37 --> 00:10:39: really understand the market itself.

00:10:39 --> 00:10:41: I I guess I mean that kind of leads to

00:10:41 --> 00:10:45: them that the judgment on the quality of the project.

00:10:45 --> 00:10:50: Come as well as a lot of these cities.

00:10:50 --> 00:10:51: Things were built really quickly.

00:10:51 --> 00:10:54: I mean, there was a need to house people you

00:10:54 --> 00:10:56: had this migration into urban centers.

00:10:56 --> 00:11:00: There is the the a lot of jobs being created

00:11:00 --> 00:11:04: so there was fundamentals around that migration,

00:11:04 --> 00:11:07: but there wasn't always a aspect of quality and I

00:11:07 --> 00:11:10: think you know you've said a few times that you

00:11:10 --> 00:11:14: you come into a market and you're looking for ugly

00:11:14 --> 00:11:18: buildings to buy. On great streets that you could fix

00:11:18 --> 00:11:22: up and I guess in that what was kind of

00:11:22 --> 00:11:26: the process of deciding on what's the best value to

00:11:26 --> 00:11:29: add and create to those properties,

00:11:29 --> 00:11:32: and then how important to your point in terms of

00:11:32 --> 00:11:35: the difference between China and India was what was being

00:11:35 --> 00:11:39: planned for that that street or that district that community
00:11:39 --> 00:11:43: either by government or other private developers important in that

00:11:43 --> 00:11:45: decision making so kind of,
00:11:45 --> 00:11:47: you know. What was the process that you went through
00:11:47 --> 00:11:48: in terms of that evaluation?
00:11:48 --> 00:11:51: And then how important were those other factors?
00:11:51 --> 00:11:52: Yeah, and I think you know.
00:11:52 --> 00:11:56: Obviously real states are very local business and it's extremely
00:11:56 --> 00:11:58: hard to generalize.
00:11:58 --> 00:12:00: You know, Osaka is very different from Tokyo,
00:12:00 --> 00:12:02: for instance, and you know,
00:12:02 --> 00:12:03: in the Japanese market, it's a.
00:12:03 --> 00:12:07: It's a very well disciplined development market.
00:12:07 --> 00:12:11: It's very difficult and still is for a foreigner to
00:12:11 --> 00:12:12: come in and actually develop.
00:12:12 --> 00:12:15: And therefore we chose in that market too.
00:12:15 --> 00:12:18: As you said, bye. You know not only building on
00:12:18 --> 00:12:20: a on a good street where there's food,
00:12:20 --> 00:12:25: submarket drivers and retrofits some of those older office buildings
00:12:25 --> 00:12:28: so that they were compliant to the current seismic code
00:12:28 --> 00:12:33: and therefore that really changed the profile of the building
00:12:33 --> 00:12:36: in the submarket which really enabled higher occupancy,
00:12:36 --> 00:12:40: higher rents and have a different CAP rate or a
00:12:40 --> 00:12:45: different exit and therefore that was a very good kind
00:12:45 --> 00:12:47: of play for us by fixed cell.
00:12:47 --> 00:12:51: And you know, we cried dozens of these older nine
00:12:51 --> 00:12:55: story office buildings and retrofitted them,
00:12:55 --> 00:12:59: improve the operations, stabilized the rent profile,
00:12:59 --> 00:13:02: and then exited. And that was back in the early
00:13:02 --> 00:13:03: 2000s,
00:13:03 --> 00:13:05: something that no one else was really doing.
00:13:05 --> 00:13:08: But we were committed to it because we had a
00:13:08 --> 00:13:12: very fundamental view on submarkets and how we could with
00:13:12 --> 00:13:13: good asset management,
00:13:13 --> 00:13:18: project management and light refurbishment really reposition these.
00:13:18 --> 00:13:20: These properties to be quite valuable,
00:13:20 --> 00:13:23: and I think even today there's still a market for
00:13:23 --> 00:13:23: that.
00:13:23 --> 00:13:26: In a lot of the cities around the world where

00:13:26 --> 00:13:28: you know more than probably 75%

00:13:28 --> 00:13:31: of the properties are more than 3040 years of age,

00:13:31 --> 00:13:35: and you know when you think about the sustainability challenge.

00:13:35 --> 00:13:39: The 2050 challenge, then that's the real key issue.

00:13:39 --> 00:13:41: In Europe in particular, you know,

00:13:41 --> 00:13:48: these buildings need focused sustainable asset management plans today to

00:13:48 --> 00:13:48: enable.

00:13:48 --> 00:13:52: Countries in the whole region to achieve their sustainability targets,

00:13:52 --> 00:13:55: so again, you know everything is very cyclical,

00:13:55 --> 00:13:59: and I think the investment rationale today is a little

00:13:59 --> 00:14:02: bit like it was twenty years ago in terms of

00:14:03 --> 00:14:06: a very clear focus on the asset plan and disciplined

00:14:06 --> 00:14:09: execution to achieve, amongst other things,

00:14:09 --> 00:14:14: those reductions in sustainability targets in terms of buying buildings

00:14:15 --> 00:14:17: and the communities you know.

00:14:17 --> 00:14:21: Our first investment in. China was in Xintiandi buying a

00:14:21 --> 00:14:23: office building and,

00:14:23 --> 00:14:26: you know, we really studied that sub market and we

00:14:26 --> 00:14:30: saw that is just the absolute quite frankly world class

00:14:30 --> 00:14:34: example of how public and private can work together to

00:14:34 --> 00:14:38: create a very walkable, vibrant area where people can live,

00:14:38 --> 00:14:40: work and play. And you know,

00:14:40 --> 00:14:43: from 15 years ago to today,

00:14:43 --> 00:14:47: it still continues to evolve into change and to bring

00:14:47 --> 00:14:50: in you trends in terms of shopping.

00:14:50 --> 00:14:58: Behavior and digitalization and safety and more community involvement.

00:14:58 --> 00:15:00: The arts culture. So again,

00:15:00 --> 00:15:03: that's a really important feature of our investment.

00:15:03 --> 00:15:07: Thesis always is what's going to happen to the character

00:15:07 --> 00:15:08: of the local area,

00:15:08 --> 00:15:11: which is really something a lot more.

00:15:11 --> 00:15:14: You know, 3rd 4th dimension from the traditional.

00:15:14 --> 00:15:16: Looking at demand and supply drivers

00:15:17 --> 00:15:20: know it's really a shame xintiandi is,

00:15:20 --> 00:15:21: I think one of those.

00:15:21 --> 00:15:24: Kind of first real good examples of adaptive reuse in

00:15:24 --> 00:15:25: China.

00:15:25 --> 00:15:26: At that time we were working on,

00:15:26 --> 00:15:31: you know, mass of master plans in in multiple cities
 00:15:31 --> 00:15:35: and every time it was a challenge to have the
 00:15:35 --> 00:15:40: development community think about preservation.
 00:15:40 --> 00:15:42: Adaptive reuse. When the main notion was well,
 00:15:42 --> 00:15:45: let's we need everything new.
 00:15:45 --> 00:15:49: We need it bright and shiny and it needs to
 00:15:49 --> 00:15:50: be big.
 00:15:50 --> 00:15:51: And so there's so much kind of just coming in
 00:15:51 --> 00:15:52: and.
 00:15:52 --> 00:15:56: Raising everything, and I think that really demonstrated that
 there
 00:15:56 --> 00:15:59: was a need and a market for these types of
 00:15:59 --> 00:16:00: buildings.
 00:16:00 --> 00:16:02: Yeah, and I think globally now,
 00:16:02 --> 00:16:06: particularly with the pandemic and the challenge of having
 people
 00:16:06 --> 00:16:08: return to the office for instance,
 00:16:08 --> 00:16:14: it's even more important that developers and public private
 partnerships
 00:16:14 --> 00:16:18: curate an experience for people to really refresh and to
 00:16:18 --> 00:16:19: really,
 00:16:19 --> 00:16:22: you know, re engage with people and the environment.
 00:16:22 --> 00:16:25: You know, in a way where they can reduce the
 00:16:25 --> 00:16:25: stress,
 00:16:25 --> 00:16:27: quite frankly, right? I mean,
 00:16:27 --> 00:16:29: it's it's a very stressed will and life.
 00:16:29 --> 00:16:32: We all lead and I think the whole ecosystem of
 00:16:33 --> 00:16:36: real state has really picked this game up materially in
 00:16:36 --> 00:16:40: terms of the quality of the air and the buildings,
 00:16:40 --> 00:16:42: the quality of the circulation,
 00:16:42 --> 00:16:44: the access for handicapped people,
 00:16:44 --> 00:16:47: etc. And I think that's really going to be a
 00:16:47 --> 00:16:51: big differentiator overtime from a good building in a in
 00:16:51 --> 00:16:52: a traditional.
 00:16:52 --> 00:16:56: Submarket to a building that has a role within an
 00:16:56 --> 00:17:00: ecosystem in a little community which might be residential
 part
 00:17:00 --> 00:17:04: offers part retail Park Community centers,
 00:17:04 --> 00:17:08: part government, part innovation with transportation coming
 through.
 00:17:08 --> 00:17:11: So I really think thematically,
 00:17:11 --> 00:17:16: the best investments are those where people think through
 those
 00:17:16 --> 00:17:16: issues.

00:17:16 --> 00:17:21: And again, even more important today is just thinking through
00:17:21 --> 00:17:23: mental Wellness and how.
00:17:23 --> 00:17:27: That the real estate community can really help everyone get
00:17:27 --> 00:17:30: through this very difficult time.
00:17:30 --> 00:17:34: Even things like pets, I mean very important for people
00:17:34 --> 00:17:37: that play a huge role in the last 18 months
00:17:37 --> 00:17:38: and people's lives.
00:17:38 --> 00:17:42: So that's gonna be again aspect of mixed use developments
00:17:42 --> 00:17:44: that people need to think about.
00:17:44 --> 00:17:47: Again a lot more. I mean when you're walking around
00:17:47 --> 00:17:48: parks,
00:17:48 --> 00:17:49: it's it's really interesting, right?
00:17:49 --> 00:17:52: We've all done a lot of walking with pets and
00:17:52 --> 00:17:53: with kids.
00:17:53 --> 00:17:55: Over the last couple of years,
00:17:55 --> 00:17:57: it's amazing when you're walking.
00:17:57 --> 00:18:00: Dogs help people smile and they want to talk to
00:18:00 --> 00:18:00: you.
00:18:00 --> 00:18:01: Or if you got a little baby,
00:18:01 --> 00:18:04: everyone wants to smile. So again,
00:18:04 --> 00:18:08: it sees moments of joy that a really interesting for
00:18:08 --> 00:18:13: developers to curate when they're thinking through master
plans.
00:18:13 --> 00:18:16: And when people are thinking about you know how to
00:18:16 --> 00:18:17: revitalize.
00:18:17 --> 00:18:22: Maybe a sale community area that has had stayed possibly,
00:18:22 --> 00:18:23: but could come back.
00:18:25 --> 00:18:26: Yeah, it's very true. I mean,
00:18:26 --> 00:18:28: dogs always want to connect even if the owners are
00:18:28 --> 00:18:29: a little bit shy.
00:18:29 --> 00:18:32: And that brings people together and in a dense urban
00:18:32 --> 00:18:33: environments,
00:18:33 --> 00:18:36: often hard to find those places for a dog to
00:18:36 --> 00:18:39: run freely and be able to do its business.
00:18:39 --> 00:18:43: So it's the hide. So those are challenges in terms
00:18:43 --> 00:18:44: of space utilization.
00:18:45 --> 00:18:47: I want to come back to
00:18:47 --> 00:18:50: one thing that you mentioned in terms of cycles and
00:18:50 --> 00:18:54: cycles of development and some of your experience with
this.
00:18:54 --> 00:18:58: I in 2007 seven were at the top of the
00:18:58 --> 00:18:59: market.

00:18:59 --> 00:19:04: I think you know raised the third opportunistic vehicle fund
00:19:04 --> 00:19:05: over,
00:19:05 --> 00:19:08: you know, close to \$4 billion in that fund.
00:19:08 --> 00:19:12: February 18th, you signed had the signing ceremony here in
00:19:12 --> 00:19:16: Singapore with Grace Fu who is the Minister of State.
00:19:16 --> 00:19:20: A national development at the time Dr.
00:19:20 --> 00:19:23: Chung could hang from your A was at the signing
00:19:24 --> 00:19:27: ceremony in terms of Asia Square Tower.
00:19:27 --> 00:19:30: It was one of the largest foreign direct investments at
00:19:30 --> 00:19:31: the time and to Marina Bay.
00:19:31 --> 00:19:36: It really helped to kick off a lot of the
00:19:36 --> 00:19:40: the future of the Marina Bay Area.
00:19:40 --> 00:19:43: Then you know, six months later,
00:19:43 --> 00:19:47: Lehman Brothers and the world kind of turns key.
00:19:47 --> 00:19:50: Maybe go through kind of your thinking at that time,
00:19:50 --> 00:19:53: what the process was that you needed to go through
00:19:53 --> 00:19:55: in terms of convincing your stakeholders,
00:19:55 --> 00:19:57: your investors to stay with you,
00:19:57 --> 00:20:00: what you needed to do in terms of repositioning to
00:20:00 --> 00:20:01: be agile.
00:20:02 --> 00:20:05: Yeah, sure, I mean you know real estate cyclical and
00:20:05 --> 00:20:07: every ten years or so you you're gonna go through
00:20:07 --> 00:20:10: a super cycle and you know it's very hard to
00:20:10 --> 00:20:14: predict that as it was back in 2000.
00:20:14 --> 00:20:18: You know 89 but you know the whole Marina Bay
00:20:18 --> 00:20:24: investment started back in 2006 when the URA Singapore
00:20:24 --> 00:20:30: Planning
00:20:24 --> 00:20:30: Authority actually went to meet them and presented their
00:20:31 --> 00:20:34: vision
00:20:31 --> 00:20:34: of Marina Bay. And it was clearly world class,
00:20:34 --> 00:20:40: clearly very thought provoking. Huge commitment to having a
00:20:40 --> 00:20:43: lot
00:20:40 --> 00:20:43: of the infrastructure you know,
00:20:43 --> 00:20:46: like district cooling, heating systems,
00:20:46 --> 00:20:51: underground underground expressways. Massive parks,
00:20:51 --> 00:20:56: it was clearly going to be a differentiator for Fortune
00:20:56 --> 00:21:00: 500 tenants and and local tenants in in Singapore.
00:21:00 --> 00:21:03: It was going to be an attraction.
00:21:03 --> 00:21:06: It was going to create everything that I talked about
00:21:06 --> 00:21:08: a few moments ago in terms of a place to
00:21:08 --> 00:21:08: live,
00:21:08 --> 00:21:12: work and play. When the crisis came,
00:21:12 --> 00:21:16: you know it was a period where we needed to

00:21:16 --> 00:21:19: very quickly have a couple of cold showers.

00:21:19 --> 00:21:21: Really look at the underwriting.

00:21:21 --> 00:21:23: Talk to all the investors and those.

00:21:23 --> 00:21:25: Those were very kind of,

00:21:25 --> 00:21:30: you know, courageous discussions on you know the different scenarios

00:21:30 --> 00:21:33: from scorched earth through to a quick rebound.

00:21:33 --> 00:21:38: We've re plotted the underwriting stock trail knitting in terms

00:21:38 --> 00:21:42: of being the development and asset manager,

00:21:42 --> 00:21:45: and curated a wonderful design that was very innovative,

00:21:45 --> 00:21:50: particularly in terms of. Joining the two buildings with a

00:21:50 --> 00:21:55: very large public space that again really emphasize the ability

00:21:55 --> 00:21:59: to curate a lot of experiences down there for the

00:22:00 --> 00:22:04: tenants, and, you know, we we've concluded those those developments

00:22:04 --> 00:22:06: they leased up very well.

00:22:06 --> 00:22:10: Rents came back and we finally exited them.

00:22:10 --> 00:22:12: We didn't obviously make as much money as we had

00:22:12 --> 00:22:13: thought,

00:22:13 --> 00:22:16: but you know that's to be expected when you go

00:22:16 --> 00:22:19: through a kind of foreseeable.

00:22:19 --> 00:22:22: Global crisis like that, but it was a crisis in

00:22:22 --> 00:22:24: a dislocation in the capital markets.

00:22:24 --> 00:22:27: It wasn't actually a dislocation in fundamental demand,

00:22:27 --> 00:22:30: those buildings leased up very strongly to,

00:22:30 --> 00:22:32: you know, the likes of Ali,

00:22:32 --> 00:22:37: aunts, Citibank, etc. And you know those big occupiers.

00:22:37 --> 00:22:42: They looked at things like sustainability and Beijing Square was,

00:22:42 --> 00:22:45: you know, one of the first platinum LEED buildings in

00:22:45 --> 00:22:46: in Singapore for instance.

00:22:46 --> 00:22:48: And all of those factors.

00:22:48 --> 00:22:52: Really made a difference and still puts those buildings in

00:22:52 --> 00:22:56: the market today as being a very premium international property.

00:22:57 --> 00:23:00: That's true and it it did help extend the urban

00:23:00 --> 00:23:03: fabric of of the downtown core,

00:23:03 --> 00:23:06: and I think the open space that was created at

00:23:06 --> 00:23:09: the ground plane is used incredibly well in terms of

00:23:09 --> 00:23:13: the diversity of views and the ability to capture people.

00:23:13 --> 00:23:17: The mix between retail, commercial and some of the curated

00:23:17 --> 00:23:19: events that happened in that space.

00:23:19 --> 00:23:22: It's quite lively. So it I think in terms of

00:23:22 --> 00:23:26: the the contribution to the extension of Marina Bay is
00:23:26 --> 00:23:29: fantastic and you can now see now you know the
00:23:29 --> 00:23:32: connecting of of Asia squared to some of the newer
00:23:32 --> 00:23:35: properties that are coming up around it.
00:23:36 --> 00:23:39: I think what was interesting going through the global financial
00:23:39 --> 00:23:42: crisis is that we haven't really seen anything like it
00:23:42 --> 00:23:42: since,
00:23:42 --> 00:23:46: so you know, there's been now over 10 years of
00:23:46 --> 00:23:51: no major dislocation in the capital markets or in the
00:23:51 --> 00:23:52: demand fundamentals,
00:23:52 --> 00:23:56: and therefore if you look at the whole sector,
00:23:56 --> 00:24:00: the whole industry, we've really had a kind of a
00:24:00 --> 00:24:02: goldilock period the last ten years,
00:24:02 --> 00:24:07: and what always interests me is how we're developing our.
00:24:07 --> 00:24:10: Younger people in in the sector in terms of mentoring
00:24:10 --> 00:24:11: and you know,
00:24:11 --> 00:24:13: saying that we'll stay this sickle.
00:24:13 --> 00:24:16: Things don't always go up and we need to take
00:24:16 --> 00:24:17: that into account.
00:24:17 --> 00:24:20: You know, kind of asset management and and planning.
00:24:20 --> 00:24:23: And if you look at what's happening in China today,
00:24:23 --> 00:24:26: for instance, you know that's exactly what I'm talking about,
00:24:26 --> 00:24:30: but the market hasn't seen that type of downturn there
00:24:30 --> 00:24:31: for for a decade or so.
00:24:31 --> 00:24:34: And therefore this is going to really create a whole
00:24:34 --> 00:24:37: new kind of reevaluation of how people.
00:24:37 --> 00:24:41: Underwrite assets and how they communicate with investors
and how
00:24:41 --> 00:24:43: they work through what could be?
00:24:43 --> 00:24:48: You know some quite troubling situations that could have
regional
00:24:48 --> 00:24:51: and possibly global ramifications.
00:24:51 --> 00:24:51: So
00:24:51 --> 00:24:52: I do want to talk
00:24:52 --> 00:24:56: about a kind of what's next and the evolution of
00:24:56 --> 00:24:57: cities.
00:24:57 --> 00:25:01: So Asia Cities 4.0 I think you've been involved in
00:25:01 --> 00:25:03: a few of these evolutions,
00:25:03 --> 00:25:05: and this, and I think,
00:25:05 --> 00:25:08: especially when you look at the skyline of any Asian.
00:25:08 --> 00:25:12: But it's changed tremendously over the last 1520 years.
00:25:12 --> 00:25:15: Now with this next round of rejuvenation,

00:25:15 --> 00:25:20: there's opportunities to be very proactive and how the cities
00:25:20 --> 00:25:21: can be rejuvenated,
00:25:21 --> 00:25:23: how they can attract you,
00:25:23 --> 00:25:27: know more people talent, and I guess this this shift
00:25:27 --> 00:25:28: to it.
00:25:28 --> 00:25:31: So in terms of how this transformation happens,
00:25:31 --> 00:25:34: you've touched on a few few parts to it.
00:25:34 --> 00:25:37: But what do you see in terms of this next
00:25:37 --> 00:25:40: evolution of especially the Asian?
00:25:40 --> 00:25:40: Cities.
00:25:41 --> 00:25:45: Well, I think 'cause it clearly is going to dominate
00:25:46 --> 00:25:51: developers and planners views on the industry moving
00:25:51 --> 00:25:54: forward.
00:25:51 --> 00:25:54: No doubt I mean people's psyche.
00:25:54 --> 00:25:57: People's behavior has now fundamentally changed in.
00:25:57 --> 00:26:01: Even, you know little respects that are quite significant like
00:26:01 --> 00:26:02: social distancing.
00:26:02 --> 00:26:05: And therefore if you're planning to develop an office,
00:26:05 --> 00:26:08: then you need to look at you know all the
00:26:08 --> 00:26:12: old paradigms of space per person and really rethink that.
00:26:12 --> 00:26:13: You know, in New York,
00:26:13 --> 00:26:17: during the pandemic, it was very difficult for people to
00:26:17 --> 00:26:20: get up to their work station and and get down
00:26:20 --> 00:26:23: to the ground floor because of social distancing getting in
00:26:23 --> 00:26:27: and out of lifts. So there are just so many
00:26:27 --> 00:26:31: considerations now that developers need to to think through,
00:26:31 --> 00:26:34: but I think it's a great opportunity.
00:26:34 --> 00:26:37: I. I think it's a chance to really reconnect and
00:26:37 --> 00:26:39: focus on what's important,
00:26:39 --> 00:26:42: which is, you know, the human and.
00:26:42 --> 00:26:45: Having them being energized, productive,
00:26:45 --> 00:26:50: happy, you know kind of collective working for companies
00:26:50 --> 00:26:55: and
00:26:50 --> 00:26:55: working for communities and working for governments.
00:26:55 --> 00:26:57: And that's going to take a lot of thought.
00:26:57 --> 00:27:01: That's gonna take a lot of experiments and trial and
00:27:01 --> 00:27:01: errors.
00:27:01 --> 00:27:07: But those those issues, including social distancing,
00:27:07 --> 00:27:11: they're here to stay. I don't think this is going
00:27:11 --> 00:27:12: to go away in in 2.
00:27:12 --> 00:27:15: 25 years time I think it's in people's paradigm now.
00:27:16 --> 00:27:19: So are they? Are there certain cities that you think
00:27:19 --> 00:27:23: are being more proactive with this because you know some

00:27:23 --> 00:27:26: of that comes down to land use change mix guidelines.

00:27:26 --> 00:27:29: So are there some studies that you could point to

00:27:29 --> 00:27:31: in terms of being kind of ahead of the curve

00:27:31 --> 00:27:31: in this?

00:27:33 --> 00:27:35: If there's any standout thought leaders at the moment,

00:27:35 --> 00:27:38: I mean I think it's it's too early in the

00:27:38 --> 00:27:38: game.

00:27:38 --> 00:27:41: There's there's lots of balls and issues in the air.

00:27:41 --> 00:27:46: Are dare suspect that the the cities that will come

00:27:46 --> 00:27:50: out of this possibly the best will be those that

00:27:50 --> 00:27:55: can be affordable for business and those cities which have

00:27:55 --> 00:28:00: very disciplined and very good processes of planning and putting

00:28:00 --> 00:28:05: out master plans and refining them so clearly Singapore is

00:28:05 --> 00:28:06: a great example.

00:28:06 --> 00:28:12: Undoubtedly Tokyo again as demonstrated.

00:28:12 --> 00:28:16: Great land use and planning full for ever since the

00:28:16 --> 00:28:16: war,

00:28:16 --> 00:28:21: so I I think there's going to be,

00:28:21 --> 00:28:24: you know, clear winners, but we're not gonna know who

00:28:24 --> 00:28:27: those winners are until we can look back in 1015

00:28:27 --> 00:28:30: years time would be would be my view,

00:28:30 --> 00:28:32: but I think it's an open field.

00:28:32 --> 00:28:37: I think all cities have a great opportunity to rethink

00:28:37 --> 00:28:42: how they can procure and curate precincts that are a

00:28:42 --> 00:28:42: lot.

00:28:42 --> 00:28:45: More attractive than possibly what they would have been if

00:28:45 --> 00:28:47: we didn't have this pandemic,

00:28:47 --> 00:28:50: right? And I guess I mean that that's an ideal

00:28:50 --> 00:28:54: role for institute like Urban land and Land Institute.

00:28:54 --> 00:28:58: In terms of how we bring together a very interdisciplinary

00:28:58 --> 00:29:00: group of people,

00:29:00 --> 00:29:01: and I guess I mean to that point in terms

00:29:01 --> 00:29:02: of,

00:29:02 --> 00:29:04: you know, voices of you lie.

00:29:04 --> 00:29:08: So Simon, we, you know we we're both global trustees

00:29:08 --> 00:29:11: within you lie and we work together.

00:29:11 --> 00:29:15: You know, in the. 2010 eleven in Southeast Asia in

00:29:15 --> 00:29:19: terms of being able to create a foundation for urban

00:29:19 --> 00:29:23: land to establish councils in several countries.

00:29:23 --> 00:29:28: Both quite passionate about the role of view align that

00:29:28 --> 00:29:30: shaping of the future.

00:29:30 --> 00:29:32: I guess I want to ask you a little bit
00:29:32 --> 00:29:33: about the the mission.
00:29:33 --> 00:29:37: The mission of Urban Land Institute is to shape the
00:29:37 --> 00:29:43: future that built environment for transformative impact in
communities worldwide.
00:29:43 --> 00:29:46: What does this mean to you and and how does
00:29:46 --> 00:29:50: this tie into those hopes and aspirations for this next
00:29:50 --> 00:29:52: Evolutionist City transformation?
00:29:52 --> 00:29:53: Yeah, it's a great topic.
00:29:53 --> 00:29:57: I mean, you know when you realize started in Chicago,
00:29:57 --> 00:30:00: I think in the 50s you know the vision.
00:30:00 --> 00:30:02: The mission was about efficient use of land.
00:30:02 --> 00:30:05: I believe that's the same mission today,
00:30:05 --> 00:30:09: although it's been further articulated over the last two years.
00:30:09 --> 00:30:15: But the salient differences now really kind of bring together
00:30:15 --> 00:30:17: a broader set of challenges,
00:30:17 --> 00:30:21: like how does infrastructure in real estate come together in
00:30:21 --> 00:30:22: a more effective manner,
00:30:22 --> 00:30:26: particularly as? You know cities urbanized?
00:30:26 --> 00:30:30: How do we use effectively the area below the surface
00:30:30 --> 00:30:31: of the land?
00:30:31 --> 00:30:36: You know? Again, Singapore and other countries in Europe
do
00:30:36 --> 00:30:41: amazing things under land by thinking through land use and
00:30:41 --> 00:30:45: what could be put below the ground rising sea levels,
00:30:45 --> 00:30:50: climate change. All these factors now are other critical
dimensions.
00:30:50 --> 00:30:55: To you know what was previously quite a traditional.
00:30:55 --> 00:31:00: Land use kind of discussion and I think utilized very
00:31:00 --> 00:31:07: well positioned to facilitate and process those discussions in
a
00:31:07 --> 00:31:08: way that,
00:31:08 --> 00:31:12: quite frankly there isn't the commercial freedom to do in
00:31:12 --> 00:31:16: organizations because of their commercial imperative of,
00:31:16 --> 00:31:18: you know, buying a piece of land,
00:31:18 --> 00:31:21: developing it, selling it, or getting a good yield.
00:31:21 --> 00:31:25: I think the the winners the best.
00:31:25 --> 00:31:28: Long term investments. Again after think through all those
other
00:31:28 --> 00:31:30: issues I mentioned.
00:31:30 --> 00:31:34: Now in addition to how to make money and therefore
00:31:34 --> 00:31:39: I think utilized role and utilized global network and the
00:31:39 --> 00:31:42: way that it brings to the surface,

00:31:42 --> 00:31:47: different advisory committees and different case studies and examples will

00:31:47 --> 00:31:53: really expand the development equation and that's something that investors

00:31:53 --> 00:31:55: are demanding and investment.

00:31:55 --> 00:31:58: Committees are demanding for for very good reasons,

00:31:58 --> 00:32:02: so I think the equation has certainly changed from or

00:32:02 --> 00:32:06: what's the most efficient use of that land to what

00:32:06 --> 00:32:08: is a sustainable,

00:32:08 --> 00:32:13: productive use for the land considering the broader ecosystem,

00:32:13 --> 00:32:17: particularly with growing populations and in limited layer,

00:32:17 --> 00:32:19: I think that's kind of the big new issues

00:32:20 --> 00:32:21: right now. I guess. I mean,

00:32:21 --> 00:32:23: it also gets to the core of the value you

00:32:23 --> 00:32:24: create.

00:32:24 --> 00:32:26: It's not just the financial.

00:32:26 --> 00:32:30: Value but the social environment will value is a component

00:32:31 --> 00:32:32: of that assessment,

00:32:32 --> 00:32:35: and I think that's where some of the capital market,

00:32:35 --> 00:32:39: especially recently, is demanding a lot more,

00:32:39 --> 00:32:41: and so it's not just about the bottom line.

00:32:41 --> 00:32:42: Return on the financials,

00:32:43 --> 00:32:46: yeah, and you know, in the capital markets you have

00:32:46 --> 00:32:49: sustainability or green bond financing.

00:32:49 --> 00:32:54: You have a growing number of investors who signed up

00:32:54 --> 00:32:57: to various sustainability pledges.

00:32:57 --> 00:33:03: In organizations where they can't any longer invest in investments

00:33:03 --> 00:33:08: in real estate that don't meet the requirements of ESG

00:33:08 --> 00:33:09: etc.

00:33:09 --> 00:33:13: And therefore, that's that's a very different dynamic happening in

00:33:13 --> 00:33:14: the industry right now.

00:33:14 --> 00:33:18: And with that comes quite frankly a lot of extra

00:33:18 --> 00:33:22: time and effort to think through that and compliance,

00:33:22 --> 00:33:26: and that might overtime kind of rationalize the industry a

00:33:26 --> 00:33:27: little bit.

00:33:27 --> 00:33:31: As well, because the smaller GP's might not be able

00:33:31 --> 00:33:35: to keep up with the implicit overhead of having to

00:33:35 --> 00:33:40: now think through so many other dimensions of their business

00:33:40 --> 00:33:43: in developing and managing. Investment properties.

00:33:44 --> 00:33:45: But thank
 00:33:45 --> 00:33:49: you very much, Sir. And it's been a great discussion
 00:33:49 --> 00:33:52: and I truly look forward to how you pull a
 00:33:52 --> 00:33:54: lot of those different parts,
 00:33:54 --> 00:33:58: both on the you know the investment side as well
 00:33:58 --> 00:34:01: as these human and social issues into
 00:34:01 --> 00:34:03: the areas of capital
 00:34:03 --> 00:34:05: and that you'll be focused on moving forward.
 00:34:05 --> 00:34:07: And I look forward to the impact that you'll be
 00:34:07 --> 00:34:09: having over the years to come.
 00:34:09 --> 00:34:10: Thank you for joining us today.
 00:34:10 --> 00:34:14: Thanks Scott. Who enjoyed the discussion and really look
 forward
 00:34:14 --> 00:34:15: to re engaging.
 00:34:15 --> 00:34:19: With everyone back in Asia Pacific from next month and
 00:34:19 --> 00:34:21: reconnecting with your lives.
 00:34:21 --> 00:34:23: So thank you very much.
 00:34:24 --> 00:34:28: Thank you Simon for joining us on this first episode
 00:34:28 --> 00:34:29: of Voices of Uli.
 00:34:29 --> 00:34:32: And thank you everyone for listening.
 00:34:32 --> 00:34:35: Probably listening to this podcast at the ULI Asia Pacific
 00:34:35 --> 00:34:40: Reimagine and I hope you're enjoying this unique interactive
 event
 00:34:40 --> 00:34:44: and find inspiration in a re imagining conventional ideas
 about
 00:34:44 --> 00:34:48: our city's business and life in the ever changing world
 00:34:48 --> 00:34:50: of real estate.
 00:34:50 --> 00:34:53: In the next episode will be interviewing Dr.
 00:34:53 --> 00:34:56: Chung Kuning, chairman of the Center of Global Studies at
 00:34:56 --> 00:34:58: the Ministry of National Development in Singapore.

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