

# PRAGMATIST, OPTIMIST, INNOVATOR

In 25 years Léon Bressler has weathered everything the real estate industry has thrown at him – and always succeeded. As he discusses his philosophy on building teams and investing, it's easy to see why.

I'm staring at a huge photograph, maybe 2m x 2m, of the facade of a 19th century building, clearly once beautiful, probably Latin American or Southern European, but fallen into ruin, with wooden struts holding up balustrades, stonework crumbling, a glimpse of a courtyard through the glassless windows overgrown with waist high grass.

Then Léon Bressler arrives, and after a brief introduction we're off, talking about Pinewood, the "spectacular" deal completed last year. His description of the company and the plan for it is dripping with the insights, philosophies and ways of thinking about life and real estate that led to him being far and away the most commonly cited in a *EuroProperty* survey of more than 100 senior professionals about the most influential property personality of the last 25 years.

"It's a fantastic and unique piece of infrastructure, an iconic brand that has been dominant in the UK movie industry for more than 80 years," he says of the film studio just outside London that his private equity firm, Aermont, took private for £323m in October last year.

It might not seem like a typical real estate deal, leasing space to production companies that make films like the Harry Potter and James Bond franchises, but Bressler says that the attitude he takes to real estate means it fits squarely into the framework of what he has done before.

"I've always had a very broad vision of what is real estate," he says. "Cut through the glamour of something like Pinewood, and what is it? It is a fantastic company with great people who are providing space and services to clients. We are doing the same as we did at Unibail when managing malls or office buildings, or when we created the convention and exhibitions business – you make money by expanding the facilities, providing more services and increasing the satisfaction of clients. There is no magic formula. It is specialised space, and you have to change it every time a new film is being made, but that is the same as in the exhibition business."

## Aermont at a glance

**Key personnel** Léon Bressler, managing partner; Nathan Shike, Paul Golding, Vincent Rouget, partners; Alison Trewartha, managing director

**Equity raised since inception** Circa €4bn

**Funds** Perella Weinberg Real Estate Fund I (2007) – €1.2bn; Perella Weinberg Real Estate Fund II (2011) – €1.3bn; PW Real Estate Fund III (2016) – €1.5bn

**Equity currently under management:**

Approximately €2.8bn

(Source: Private Equity Real Estate Magazine)

This broad vision of real estate ties in to one of the many mantras and philosophies he espouses, which highlight how he has stayed at the top of his profession for such a long time. "It is always nice to do one good deal, but if you want to outperform over decades you need to understand society and how it moves, not just real estate," he says.

Bressler has done many good deals, and outperformed for decades, and his position at number one in our list will come as little surprise to anyone in the industry. A former banker with more of a background in fashion than real estate, he took over a small listed French real estate company that was in danger of extinction in 1992.

## Changing the face of real estate

By the time he left Unibail in 2006 it was the biggest and best property company in Europe, and well on the way to the 2007 merger with Rodamco that created the only European listed company that can be ranked alongside the great names of the US and Asia. How he achieved this is a remarkable story of pragmatism, bravery and innovation, and it changed the face of real estate in Europe.

What makes Bressler even more remarkable is that he achieved success not once but twice. On leaving Unibail he set up his own private equity firm, then part of Perella Weinberg, now independent and called Aermont, and is again setting the standards for this part of the industry. He

raised money in 2007, but unlike most of the rest of the industry, he did not spend it at the top of the market, instead waiting until 2009, when he made a killing. And with deals like Pinewood, or its backing of hybrid hotel and student accommodation company The Student Hotel, Aermont is showing how real estate can evolve to meet the needs of our changing society – and still make plenty of money, despite today's high prices.

Listening to what Bressler has to say about how changes in society affect real estate, it seems clear that to profit, you need to combine an understanding of people and society with a huge dose of optimism and confidence. I ask him whether, with real estate being a more sophisticated asset class compared to the early 1990s, it is now more difficult to make money. He slaps me down, in no uncertain terms and with another insight into his philosophy.

"You have to create wealth, and do it in a way that helps everyone. Was it easier to create wealth in the past? That is just an illusion and an excuse that people use – 20 years ago, people were saying it was easier 10 years before. When I joined Unibail people were saying that it had been so easy in the 1980s and that it would never be like that again.

"It was a scientist in the French revolution who said: 'the golden age is in front of us'. There are always opportunities, but only if you don't try to recreate the past. It takes more resources, but the opportunities are there. Sure, the cycle is advanced and prices are high today, but there are opportunities in every aspect of real estate.

"Look at retail. In the 19th century you had the arcades as an important form of retail, but then pavements came along and killed the arcades. Then you had department stores, but they declined because of the rise of shopping malls and hypermarkets. In the late 1970s if you had asked a department store owner about their business they would have said it was terrible, but shopping malls were a huge opportunity. And now Amazon has come along and changed everything as



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well. You could have been negative about investing in retail for the past century, but there have been huge opportunities too. People like Scott Malkin come along and open up whole new fields.”

This optimism and desire for innovation was clearly needed when Bressler took over at French listed company Unibail on 30 June 1992. He was a banker at Worms et Cie, the French finance house that had set up Unibail as a real estate credit leasing business in 1968, with more of a background in fashion and retail than real estate, having been on the boards at companies such as Lanvin, FNAC and Habitat. By the late 1980s Unibail had begun investing in property as well, which was poor timing given the impending real estate crash of the 1990s, and it was also badly affected by the fact that it had an exposure to development lending.

The company was externally managed, in a similar way a fund would be today, and Bressler was parachuted in to try to turn it around.

“Times were hard, the company had bought some real estate in 1989 and 1990 that was difficult – and I am using an English understatement there,” he says. “And we had a banking subsidiary with

exposure to development finance.”

His explanation of how he turned the company around offers a template that can be dusted off during any real estate crisis, but more often than not isn’t, especially in Continental Europe.

“What I did first was to recognise reality,” he says. “Very frequently we find it difficult to recognise reality. But I made sure we took losses and recognised where the market really was. That was a big advantage, taking the losses right away, because we were in the middle of a huge real estate crisis that would continue to 1996, so taking losses early and having a clear view of how we needed to restructure was key, rather than waiting to be crushed.

“The second element was to see the positives of this very deep crisis and organise ourselves in a way that meant we could take advantage of it. We took our losses, remained viable as a small company, and got ready to take advantage of the distressed environment.”

Unibail simplified its strategy, getting out of the financing business. And during the mid-1990s it undertook some of the deals that would prove among the most profitable in Europe during the 1990s crash, and create the bedrock of the monolithic

company we know today. It took majority control of Les Quatres Temps shopping centre in La Défense, buying a stake from Credit Lyonnais, and did the same at the Forum des Halles shopping centre in the heart of Paris, buying from Japanese insurer Nippon Life. And it bought a portfolio of offices from Suez Group for around €450m which contained many of the properties around which its office portfolio was built.

How it did this so soon after being on the brink of disaster comes down once again to pragmatism, optimism and innovation. “We had very little money and the stock price had crashed so we couldn’t raise money,” explains Bressler. “When we bought Les Quatres Temps we bought it using shares, we persuaded the seller to take paper, so it would make more money that way.

“We bought Forum des Halles from Nippon Life in 1995, and the lesson from that is: no matter how bad shape you are in, someone else is always in worse shape.”

In 1995 Unibail raised the first ever European opportunity fund: Crossroads Property Investors. “A lot of credit goes to Richard Saltzman, now chief executive of Colony Northstar. He was at Merrill Lynch at the time, he said, these funds exist in the

## AERMONT’S KEY DEALS

### Coeur Défense debt

Having built it between 1997 and 2001, it is little surprise that Bressler was able to profit from the distress surrounding the 160,000 sq m Coeur Défense office building during the downturn. The building was bought by Lehman Brothers in June 2007 for €2.1bn using €1.4bn of securitised debt. But the debt was not repaid at maturity in 2009 and the special purpose vehicle that owned the building went into insolvency.

Around this time Aermont is understood to have bought a large chunk of the debt from investment banks including Goldman Sachs and Lehman at deep discounts of

50% or more. When the building was bought by Lone Star for €1.3bn the debt was repaid almost at par, netting Aermont a big profit.

### mfi

The German shopping centre sector is notoriously difficult to enter, but Aermont did so brilliantly and bagged a huge profit as a result. In 2010 it paid a reported €300m to take a controlling stake in German shopping centre developer mfi and its pipeline, and a further €300m to buy the 110,629 sq m Ruhr-Park shopping mall in Bochum. It sold mfi and Ruhr-Park to Unibail, Bressler’s old

firm, in a series of transactions between 2012 and 2015 for more than €900m.

### One Poultry

Buying a City of London office block at a yield of 5.5% in a hot market does not look like the typical deal of an opportunistic investor. But the £110m deal for One Poultry in 2014 shows the way Aermont is willing to buy assets at low yields if it believes in the asset and area. It has reconfigured the building, and believes that the area around Bank station, where the property is situated, will improve significantly once Bloomberg completes its new HQ later this year.

US but not Europe, why don't you raise one? So we introduced the concept to Europe and they placed the fund, in which we took 20%. To buy the land and develop Coeur Défense [in 1997] we put some in Crossroads and some in Unibail, and started to build 2m sq ft (185,804 sq m) of speculative space in the middle of a crisis. That was delivered in 2001 and it was one of the biggest home runs of the decade."

But as much as the individual deals and the way the company grew, Bressler seems as proud of the ethos he created, and the foundations he laid that allowed the company's success to perpetuate.

"People always talk about the great deals, but I am obsessed with corporate governance, and my thought was that we should always be an exemplar company. We were an externally managed company, and we became the first integrated property operating company in Europe that could invest, develop and manage assets, and had the skills to be dynamic in all those areas. As well as recognising our losses, focusing on corporate governance from the start was key – I wanted to be able to go to the biggest and best investors in the world and have them listen to us and believe in us."

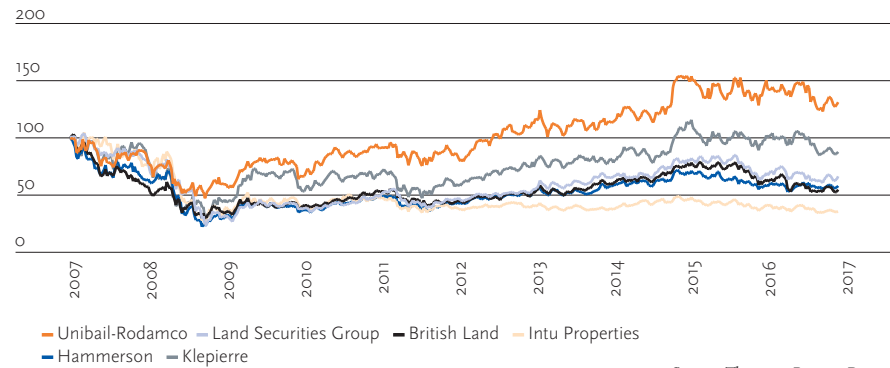
**Entrepreneurial spirit**

What made Unibail different to other large listed companies in the UK, Bressler says, was retaining the ability to be entrepreneurial even when it became large – something that Unibail-Rodamco retains to this day. He says that attracting the right staff was key to this.

"What I created was a unique animal, it was large but also able to outperform the sector. To do that you needed to be an exceptional operating company, and to do that, you needed the best people. My contribution to Unibail, something that maybe other companies did not do as much, was to attract young bright people who otherwise would not have come in to real estate. They had no knowledge of the sector, but had the skills needed to succeed."

**Unibail's share price against peers**

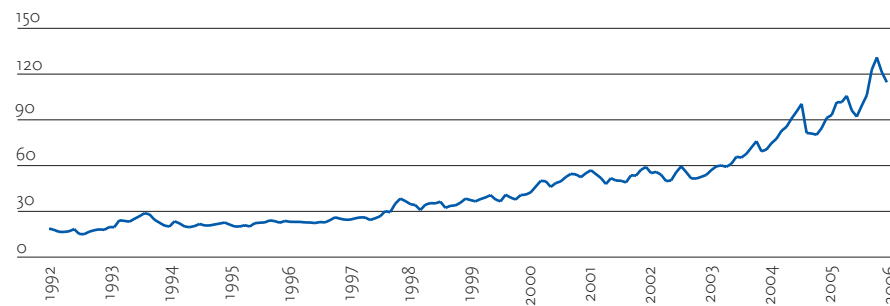
Company continues to outperform the sector



Source: Thomson Reuters Datastream

**Unibail share price 1992-2006**

Share price quadrupled in Bressler's time as chief executive and chairman of the company



Source: Thomson Reuters Datastream

The list of alumni who have worked under Bressler is striking. Guillaume Poirtral, now of ICAMAP, "my successor who I coached for 11 years, and who was a remarkable young man and CEO"; Eric Adler, now chief executive of PGIM Real Estate, "an exceptional person from a human and professional point of view"; Bernard Penaud, co-head of Europe at Tishman Speyer and another "exceptional person"; and Nathalie Charles, head of Southern Europe for AXA who "headed our construction projects brilliantly, a sector where there are not many women".

"If something collapses three years after you have left then it is a failure," he says. "It is always nice to do a good deal, but it was my obsession to create a company that was sustainable for the long term, that had the culture, the organisational processes, to

extract the best from people and to succeed over the long term. To do that you have to teach young people to do the job better than you can, but still remain at the heart of things. That was the real revolution I created, to put in place impeccable ethics, strong governance, a solid structure and hire magnificent people."

Bressler has translated that philosophy to Aermont, a company he started 10 years ago last year. He says the move from one sector to another kept him young, and he is an advocate of not staying in one place for decades. "I left Unibail after 14 years, two biblical cycles, still at the top, and that is a challenge. But doing different things has kept me young. I am happy to be in a position to have been able to recreate that culture and a great team at Aermont, and established a long-term business. We have



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the same discipline, the same focus on corporate governance, the same investment culture. We’ve created that over the last 10 years and I’m convinced that when I leave, it can carry on for the next 10 years and more – that is the only real measure of success.”

One of the striking things about Aermont has been its discipline, never more so than in the period after it raised its first €1.2bn fund. The fund was raised in 2007, but was not invested until 2009, meaning it avoided buying at the top of the market and plundered the choicest opportunities at the bottom, making huge profits on investments such as buying German shopping centre developer mfi, and buying the debt secured against his previous project, Coeur Défense, at a deep discount and being repaid at par (see box p21).

### Irrational exuberance

“I looked at prices and thought there was a lot of irrational exuberance,” he says. “People were saying that it would be different because of globalisation, and because real estate had become a financial asset class, but frankly, that’s nonsense. If that’s true, if the equity and bond markets crash, then real estate will crash too, which is what happened. And globalisation makes things better in the good times but worse in the bad times.

“It was hard, not investing took discipline and courage. Partly that is because you have a mandate from your investors to deploy capital. But also it is hard when a young person in your team finds an investment, does a great analysis of it and you have to say, ‘no, we aren’t going to do it’. It can be very discouraging. But has contributed to creating a culture of discipline.”

Aermont raised €1.3bn for its second fund in 2011, and €1.5bn in 2016. The fact that it started investing fund III straight away through deals such as Pinewood indicates that Bressler does not think we are in a similar top-of-the-market spot as in 2007 – as long as you can think creatively about society and about real estate.

“We are trying to create wealth, and to do that you can’t think of real estate like a commodities business. Pinewood is a great example – it is not a piece of fungible real estate, it’s a piece of infrastructure run by experts with incredible *savoir faire* that has great resources and a great capacity to serve clients. Those are qualities that are not linked to cap rates, it’s not a commodity.

“Look at The Student Hotel [a company in which Aermont is a majority owner and invests in alongside APG, and which has assets of more than €400m, and which combines student accommodation and hotels]. That is a new concept that we are introducing and helping to grow around Europe.

He adds: “It is unique, and very much in line with what millennials want, with great common areas and great design. It’s not linked to cap rates or rental levels. I try to avoid commodity assets as this is where the market is vulnerable.”

He points to other examples, such as the purchase of a site in Berlin called Tacheles, once a department store and more recently a site used by squatters and artists. It is redeveloping the site into a 1m sq ft office, hotel, residential and cultural scheme, designed by architect Herzog & de Meuron. “It’s an ambitious project that has a lot of history and is very important to the inhabitants of Berlin. We hope it will be a piece of the city we can be proud of.”

He draws my attention to the picture I had been staring at before he came in. It is in Havana, Cuba, he explains, and he uses it to remind him and the team, “of the importance of urban architecture, and to create things that are socially responsible but also environmentally and historically responsible. These sort of things were largely ignored 35 years ago.”

Twenty five years ago, real estate was a very different place. But Léon Bressler can be certain he has left a legacy of deals, companies, but most importantly ideas and philosophies, that will last a lot longer than that.

## LÉON BRESSLER’S 25 YEARS OF SUCCESS

Léon Bressler began his career at Chase Manhattan Bank in Paris, before joining Midland Bank Group in 1978 to establish its Paris office. He was chairman of the executive board of Midland Bank from 1984 to 1989.

He moved into fashion by joining French fashion house Lanvin Group, which was established in 1889, as chairman and chief executive of its label Jeanne Lanvin and Lanvin Parfums. He credits his time in fashion and retail – he has also served on the boards of Habitat and FNAC – as one of the reasons why he is so keen to grasp new concepts and to constantly innovate. Fashion does not stand still.

During his time at Lanvin it was sold to Orcofi Group, and in 1991 he joined French finance house Worms et Cie. Worms was the company that had established the real estate credit leasing business that became Unibail in 1968 and so when the company was struggling in 1992 they parachuted him in to oversee the company. The rest is the history.

He was succeeded by Guillaume Poitrinal as chief executive in April 2005, and left his role as chairman in June 2006.

He immediately teamed up with US investment bank Perella Weinberg Partners to establish a new real estate opportunity fund management business, Perella Weinberg Real Estate, and it raised its first fund in 2007.

In August 2015 Bressler’s team and Perella parted ways, and the business was briefly renamed PW Real Assets, before being rebranded Aermont at the beginning of 2016.

Bressler’s other roles include a place on the international advisory board of Singaporean sovereign wealth fund GIC, which was one of the first investors in the funds Bressler established.