**The third iteration:** (L-R) Vincent Rouget, Nathan Shike, Paul Golding, Alison Trewartha and Léon Bressler

# Keeping the fire burning

Léon Bressler has gained a glowing reputation for getting concentrated real estate bets right. He is keen to demonstrate his team will do likewise, even after he is gone. By Jonathan Brasse

Photography by James Clarke

Within Europe's private real estate investment community, there are few individuals with a more glowing reputation than Léon Bressler.

"I believe he is a genius," Guillaume Poitrinal, the former chief executive officer of Unibail-Rodamco, Europe's biggest REIT, says; "One of the best intuitive investors I've ever worked with," Eric Adler, chief executive officer of global real estate investment management firm PGIM Real Estate, says of him; "Quality opposition," Aref Lahham, one of the founding partners of private equity real estate firm, Orion Capital Partners, calls him. "He is clearly a good investor who possess a sharp mind," says Dr Seek Ngee Huat, the former head of real estate at Singapore's preeminent sovereign wealth fund, GIC Private. From such distinguished peers, these are compliments any veteran entrepreneur can be proud of.

But therein also lies a challenge. When the success of a company becomes widely considered as synonymous with the reputation of its founder, there is a danger that its investors withdraw their support when he leaves. That much is not lost on the 69-year old Frenchman and it is partly for this reason he has invited *PERE* to visit his new office at 55 St James's Street near London's famous Piccadilly Circus to talk about it.

His private equity real estate firm has just hit its €1.5 billion hard cap on the fundraising for its third opportunity fund, bringing its equity raising since inception to almost €4 billion, collecting a 25-strong book of investors in the process, including sovereign wealth funds and US public and private pension plans. On his watch, the firm has also realized the investments of its first fund, a 2007 fund, which was a tricky vintage. The firm returned more than 20 percent in gross IRRs and a 1.8x equity multiple from the fund. But while Bressler oftentimes receives most of the credit, he is keen to demonstrate the hard work behind this success was a collective effort, not his alone. He also wants to relay the message that such a performance is manageable without him.

Accordingly, Bressler introduces us to his would-be successors. Flanking him are American Nathan Shike, Brit Paul Golding and fellow Frenchman Vincent Rouget. Bressler made each of them partners of his business in January 2015 and they represent its continuation. We are joined too by managing director Alison Trewartha, an Australian lawyer who has worked alongside Bressler since 2008 and is responsible for its legal, tax and compliance functions.

**25**

The number of institutional investors participating across Aermont's three opportunity funds

The quintet make up the management committee of Aermont Capital, which is the third name for his business since he created it in partnership with New York-based asset manager Perella Weinberg Partners in 2007. This latest rebranding follows Bressler's separation from Perella Weinberg, which was formalized last year following the elevations of Shike, Golding, Rouget and Trewartha at what is today a completely autonomous business.

"It is clear now that this is more and more a collective achievement," says Bressler, "and that will be the recipe for long term success."

"When people talk about succession processes, sometimes they do not have the right approach," he remarks. "True succession is not about whether a leading guy is going to be there in one year or 10 years. The key issue is whether, at any time, an organization is strong enough to continue the job without being particularly impacted by such a decision. And so, if one person happens to be hit by a bus the damage would be neutral, except for that person of course. Whether a person retires becomes irrelevant because a process is in place that has been developed over years."

To be clear, Bressler has no current intention to retire. Undoubtedly, promises of his future involvement helped in the fundraising of the latest opportunity fund, PW Real Estate Fund III, which was a firm record. The vehicle has a 10-year life, the first three of which represent its investment period and that will require plenty of attention. But when the time comes, he expects any transition to be a seamless affair.

**Aermont's management:** sense of responsibility is quickly detectable

History is on his side. In leaving Paris-based Unibail in 2006, Bressler set his precedent when he handed over the reins of a business that far exceeded the magnitude of Aermont to Poitrinal, who has since also left the firm to set up his own private equity real estate business, ICAMAP. "When Léon left Unibail, people said Léon is leaving, now is time to retreat from the capital. But quickly they realized the show was going on. I was acting in continuity and they made as much money with me as they made with Léon."

"His shoes were large to fill at Unibail and he did it," adds PGIM's Adler. "He organized a transfer over to Guillaume that worked extremely effectively. He understands how these things are done and does them over time."

Nevertheless, Shike, Golding and Rouget making partner was an important milestone for Aermont. Beyond assuming greater responsibility, each made personal contributions of €1 million to PWREF III, according to a memo circulated by one of its investors, the New Jersey Division of Investment, in September 2015. Their contributions were small relative to the €17 million committed by Bressler, but they represent a "significant increase from the prior funds," the investor noted. Trewartha confirms PWREF III's documentation also includes "a multiple key man clause" in place of what was a "single key man provision" previously in place. "That was an important distinction through the investor relations process with Nathan relaying the message to investors coming in."

To the outside world, these measures seem significant, but for Golding they merely represent the officializing of a culture that has been in place for years. He says: "I've been here since 2010 and Léon has always delegated full responsibility to the individual teams. That is Léon's style."

## Below the surface

Not long into our conversation this sense of greater responsibility for the five-strong management committee is detectable: Shike is responsible for the Aermont brand, for example. To him, it "is a word that is distinct from any past or individual. We wanted something fresh and forward looking." Golding, meanwhile, is behind Aermont's bright and contemporary-looking office space. "We wanted something modern, but we also wanted something crisp and clean," he remarks. The main working area is open-plan, so there is minimal segregation and, it is pointed out, that Aermont's "war room" in fact is not here, with its traditional, long, rectangular boardroom-style table. It is a smaller, humbler room with a roundtable at its center. For Bressler, that is significant: "The war room has a round table to show the collective. No one has a special status."

But it is below Aermont's veneer that Bressler is keen to take us. As he and his comrades discuss the firm's approach to making investments it is clear that its onus on taking responsibility extends beyond fancy branding or fresh paint. Most striking, is how Aermont's 20-strong operation does not distinguish

**First class:** Bressler says Aermont has one type of citizen

between investment professionals and asset managers. Here, individuals do both. "That is our cultural dimension," states Bressler. "We believe that in order to invest well you must buy the right property at the right price and at the right time. But you must also create value through working on it." Bressler believes this approach also defends against internal elitism. "At other organizations there can be two classes of citizens. The aristocracy on the investment side and the proletariat are the asset managers. Our culture has only first class citizens."

Shike injects: "To really understand how to create value once you own something is critical to buying well. It really helps to decide what to pursue and what not to." This duel investment/asset management approach partially explains the firm's reputation for making high conviction, concentrated investments. It means each fund contains few, but large and thematic plays. In essence, it combines macroeconomic and geopolitical trends with granular real estate market knowledge to determine city-led strategies and then, once comfortable, finds opportunities to put large amounts of money to work. These have included traditional property types such as German retail or French offices, but also have included off-piste sectors including Dutch student accommodation or Benelux cinemas.

Aermont also likes to buy businesses with strong property angles. At press time, it was close to privatizing Pinewood Group, owner of the iconic Pinewood movie studios (see *If these walls could talk*, p. 72) in a deal worth £320 million ($421 million; €379 million). Aermont's bid follows a strategic review by the company in February and was recently made public through the announcement of a recommended cash offer. Aermont declines to discuss the Pinewood transaction as it is ongoing, but Shike says: "We like operating companies with a major real estate component where we can enhance both the operation and assets in a complimentary fashion via strategic growth initiatives."

**"The war room has a round table to show the collective. No one has a special status"**

While the team is precluded from talking through the thesis behind buying Pinewood beyond the official announcement, they are more open about historical transactions such as the 2014 investment in The Student Hotel (TSH), an Amsterdam headquartered student-related accommodation company, or 1 Poultry, the Sir James Stirling-designed mixed-use property in London's City, both made on behalf of PWREF II.

Ex-Morgan Stanley staffer Rouget describes TSH as a "hybrid model between student accommodation and hotels, designed for the younger generation." Aermont hopes to capitalize on both Europe's growing student base but also its dearth of three-month to six-month accommodation for renters. "We came into their capital to support their pan-European expansion. Now it is an international company. The great thing is the flexibility of the model. In London you are charged for all 52 weeks of the year. In Amsterdam it's 40 weeks, and yet the hotel market there in the summer is very strong. So we turn these rooms into hotel rooms in the summer."

**Crisp and clean:** Aermont's makeover includes new office space

Golding, who previously helped Norway's sovereign wealth fund establish its real estate presence, was behind the £110 million purchase of 1 Poultry. Through this acquisition, Aermont hopes to take advantage of the revitalization of the Bank area. "You will see that area transform," he remarks. "It is dead, bland and bleak at the moment. But wait until *Bloomberg* is there. They have 17 restaurants opening." There are other imminent restaurant and hotel openings nearby too making 1 Poultry's location at the epicenter of this activity, an attractive proposition. "When you learn cities you can detect opportunities, even in already established areas," comments Bressler.

## Quality opposition

This is an attitude that has allured some of the highest profile institutional investors into backing the firm's three funds. Just as Aermont makes concentrated property investments, its investor base is concentrated too. Since inception, the firm has raised its money from just 25 investors across its three funds. Dr Seek, who now chairs logistics real estate investment management heavyweight Global Logistic Properties, was an investor in Fund I. He recalls how he was attracted by the prospect of investing with Bressler. "He had a big reputation and was riding on that but the first fund went very well. He raised it before the GFC but resisted putting out money until afterwards. That demonstrated what kind of investor we were dealing with. He is very good at reading market situations but patience is one of his virtues." So impressed was GIC by Bressler, in fact, its bosses invited him to sit on its advisory board, a position he still holds.

Bressler's track record has also drawn praise from his rivals. Orion Capital Partners is another London-based private equity real estate firm which has successfully raised consecutive €1 billion-plus European opportunity funds and which, in Lahham, also has a veteran Frenchmen accredited for much of its investing success. He says: "Their strategy is not too dissimilar to ours," he remarks. "He's been a big investor in Germany, whereas I've found opportunistic investments in

## Aermont Capital

**Founded:** 2007
**Headquartered:** London
**Offices:** London, Luxembourg, Madrid
**Staff:** 20 investment professionals
**Key personnel:** Léon Bressler, managing partner; Nathan Shike, Paul Golding, Vincent Rouget, partners; Alison Trewartha, managing director.
**Equity raised since inception:** Approximately €4 billion

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

**Equity currently under management:**
Approximately €2.8bn

## Three of different kinds

**MFI:** one of Aermont's earlier home runs

**FUND I DEAL**

**What:** MFI, a shopping mall developer, owner operator.

**Where:** Germany

**When:** 2010

**Investment:** €350 million

**Strategy:** Acquire a controlling stake in a platform and undertake major acquisitions, developments and repositioning to create one of Germany's top integrated shopping portfolios of prime assets.

**Student accommodation:** Aermont is expanding an established operation

**FUND II DEAL**

**What:** The Student Hotel, a student-related accommodation business.

**Where:** Amsterdam

**When:** 2014

**Investment:** €250 million

**Strategy:** Expand an established Dutch brand by providing significant financial, strategic and operational resources to grow the company into a pan-European business.

**International aspirations:** like TSH, Aermont's investment is about expansion

**FUND III DEAL**

**What:** Pinewood Group

**Where:** London

**When:** 2016

**Investment:** £320 million

**Strategy:** Aermont declined to explain its strategy as the investment was ongoing but Pinewood was known to be exploring strategic options for an expansion for which it hired bank Rothschild to solicit interest.

Spain." But while their proximity is generally not close – neither in investment or capital markets - Lahham is an admirer of Bressler. "It is always good to have quality opposition in the market."

Like Poitrinal, PGIM's Adler worked for Bressler at Unibail and, like Poitrinal, he too is a fan. "He has a feel for what will work and what won't," Adler says. For him, Bressler is the ideal top-down and bottom-up thinker. Despite his reputation for assessing the macroeconomic context of a transaction, Adler is impressed by the man's technical know-how and dependence on analysis. "People underestimate how much Léon knows about accounting, tax and finance, the balance sheet and liability side. He has vast technical corporate knowledge as well as a strong entrepreneurial sense. It takes a mind like his to pull off his strategy as a stock-picker."

An aspect Adler is most keen to highlight is that Bressler has never lost money on a property investment. "Some people go overweight in some areas, underweight in others. If Léon doesn't like it, he won't put any weight on it. He simply doesn't want to do a bad deal."

And yet, despite his reputation for making high-conviction investments, according to Poitrinal, Bressler can be convinced to alter course on a deal. "He is not an ayatollah of his own judgement. He can change his mind. I can think of many times when I've told him something doesn't work and he is willing to say 'ok, I was wrong, let's move on to something else.'"

When *PERE* suggests that every firm has at least one 'ugly duckling' on its deal book, Aermont's executives shrug. When pressed, they point to a Spanish loan book transaction that nevertheless generated a 9 percent IRR. "We entered the market buying a distressed loan portfolio too early in the cycle and never hit any of the subsequent high points. It was 2011 and we should have waited another 12 to 18 months," recounts Shike. "But that deal was still meaningfully profitable, even if it was our dud."

Bressler says: "We have not lost money on any single deal, as of today." Unsurprisingly, he wants this record to continue at Aermont, even once he has moved on. That is still a little way off, however, and today there is plenty of work to be done. Including leverage, PWREF III has as much as €4 billion to deploy. And, at the tail-end of our conversation Shike alludes to discussions surrounding a core-plus real estate vehicle materializing sometime in the future. "We invest in prime assets and have been able to generate opportunistic returns from those. So it seems we should be able to move down the risk curve in a manner consistent with what we're doing already," he says.

"Bit by bit," concludes Bressler. That is not the talk of someone who plans to hang up his boots tomorrow. □