

Gavin Neilan

Founding Partner and Chief Investment Officer at Deutsche Finance International (DFI), with over 20yrs industry experience, Gavin shares his journey from lawyer to real estate investor.

“ You originally trained as a lawyer, what made you move into Real Estate?

I am super grateful for the opportunity to have studied law at UCL and train and practice as a lawyer at Allen & Overy. I believe your first job is really important in setting the tone and creating the building blocks for your career. I found legal training particularly beneficial for learning to synthesise information, write accurately, negotiate and manage risk. It also helped me to begin to piece together how the financial and business world operates. I quickly realised that I was more interested in my clients' job than providing legal advice and over time that evolved into a drive to

build a business and invest. I specialised in real estate financing as a lawyer and had the opportunity to go on a client secondment to RBS' real estate principal finance team when I was contemplating leaving law. This allowed me to test whether the grass really was greener as an investment banker. The team at RBS gave me a chance and it became an invaluable stepping stone where I was able to re-tool and be mentored by some brilliant people. Over time I've developed a passion for real estate given its tangibility, the variety of work and how much the industry relies on cultivating personal relationships.



What do you enjoy most about your work?

Working with exceptionally talented people and the satisfaction of seeing the tangible results of our work in improving the built environment and delivering investment performance. I particularly enjoy the variety of my role that combines the freedom of entrepreneurship, the responsibility of leading a team and the intellectual stimulation of investing. No two days are the same and I'm fortunate that my work provides the opportunity to continually challenge myself and learn.

Have you always had an entrepreneurial streak? Have you always wanted to run your own business?

It would be great if I had one of those ubiquitous anecdotes about how I built multiple successful businesses by 18, but the reality was entrepreneurship was not something I had much exposure to growing up. I was raised by young parents who were fairly liberal and left wing. My mother built and ran a charity amongst other things and my father represented the trade union within the pension company where he worked. So although that upbringing instilled a sense of adventure and responsibility that has been relevant to my life choices, it didn't cross my mind that building a business was something I would or could do. I think my mum is still kind of disappointed I'm not a human rights barrister whereas I am just disappointed my father

retired before I could pitch his pension plan! The aspiration to build a business crept up on me through my late 20's and early 30's as I reflected on my goals until I arrived at a point where it became a question of what, when and with whom rather than if. I ultimately came to the conclusion that I wanted the freedom and responsibility entrepreneurship offers to shape your own destiny, build something with like-minded people and earn rewards for risk taking.

Tell us more about founding DFI... What has been hard and what has been most rewarding?

My partner Frank Rocco Grande and I had collaborated through a joint venture in our previous respective firms. We realised we shared similar values and had complimentary skill sets. We were both dissatisfied with the culture of the firms we worked at and were determined to build something different. So we set out to launch a European private equity platform with a focus on operational real estate and the small to mid-cap space, where we felt there was an opportunity. We knew we would benefit from a strategic and financial partner to provide seed capital into our funds and other investment products so we partnered to become part of the Deutsche Finance group, who had been an LP in Frank's previous real estate funds. They had great access to German retail and institutional capital. We set up DFI at the end 2016 and completed our first investment alongside launching our first pan European value add /

WORDS OF WISDOM

What advice would you give to your younger self?

One of the keys to a happy and enriching life, is to surround yourself with people you trust, respect and can enjoy the adventure with then cut the rest. I would also say try to care less what other people think of you.

What's the best decision you've made recently?

I recently started meditating regularly again as I realised I had started to drop it from my daily routine and it is something I gain a lot of benefit from in terms of my mental state and being able to think with more clarity.

What's the worst decision?

Trying to keep up with people much fitter and younger than me at football. We have a five a side football team at DFI. Although it is a lot of fun, in a recent game we played a team considerably better than us, shout out to Eastdill, and my attempts in vain to keep up lead to a painful twisted ankle. Injuries don't seem to heal so quickly these days.

What does your typical weekend look like?

I have a 3 and 4 year old, so they decide. It seems to me parenthood is a valuable lesson in learning to relinquish control.

opportunistic fund in early 2017. Our first investment of the fund, was a £300mn acquisition of the Olympia exhibition venue and operating business where we also brought in two German institutions as co-investors given the scale. Although this was a larger transaction than we had anticipated as the fund's first deal, it was an opportunity we felt compelled to find a way to execute given the entry basis and value creation potential. Working alongside our partner Yoo Capital, we had some early success securing a 1.5mn square feet planning consent to create a new cultural and business district around the existing exhibition venue. In retrospect that really helped accelerate the growth and raise awareness of DFI. Since then we've been fortunate to grow the platform to c. €4bn of asset under management through a series of discretionary pan-European funds, related co-investment vehicles and separate accounts backed by a global investor base, of whom we are greatly appreciative of their support, and we work with an incredibly talented team of investment and operating professionals based across four European offices.

What was the hardest and most rewarding about setting up the business?

I think the hardest thing, particularly at the beginning, was trying to convince relevant stakeholders while battling with self-doubt. Although the responsibilities and challenges it involves can be overwhelming at times, by far the most rewarding aspect has been growing the team and culture.

What advice would you give others looking to start a business?

Everyone will be quick to tell you with confidence how you're going to fail. Be resolute in your belief of yourself, your partners and the mission. Also start at the end not the beginning. Try to visualise your end goal and how you want to arrive there. As you progress you will take many hits and get knocked off path, so we've found it helpful to be clear on your goal and the non-negotiable principles that will guide you through difficult decisions. Finally, ideas are important, but you don't necessarily need to come up the perfect unique idea. They are not only hard to come by, what is most important in business is the quality of the execution.

What are the three most important ingredients for a successful business?

First, when you strip everything back the one sustainable competitive advantage for a business is the quality of its team and culture. Prioritise and focus on that as the core foundation. Culture drives behaviours, behaviours drive performance and performance drives results. Second, be clear about your goals and differentiation and ensure everyone in your organisation is working towards that. Finally, our job is ultimately to generate and execute great investment ideas. We think a high performance investment culture needs to provide the opportunity for everyone to contribute ideas in a trusted environment and prioritises learning agility, accountability and learning to tap into intuition as well as logical analysis.

How are DFI tackling ESG at a corporate and asset level?

DFI has placed has a strong emphasis on ESG factors at both the corporate and asset levels since inception. We see ESG as not only a responsible practice but also a key driver of value. Our approach to ESG is integrated into every aspect of our operations. Some key ESG initiatives we have undertaken over the last year include reporting to GRESB and annually reporting to UNPRI. We incorporate a sustainable due diligence process as part of the investment process and incorporate ESG into our business plans. DFI's assets are targeted to achieve certifications such as BREEAM Excellent, LEED Platinum, Passive House, NABERS, and WELL Gold. Our focus for the upcoming months is on decarbonisation and reviewing our Net Zero Carbon roadmap both asset level and corporate level.

What are DFI's plans for the future?

We will remain focused on protecting and hopefully enhancing our team, culture and track record in a frankly challenging environment whilst seeking to take advantage with new investments at an interesting point in the cycle. We will continue to grow our pan European value add / opportunistic flagship fund series and related co-investment programs. In response to investor interest, we will also explore new separate managed accounts and business lines complimentary to our fund product that are tailored to our client needs and how we see the market opportunity ■ ”

MARKET VIEW

What assets/where should we be investing in right now?

It is a challenging environment to invest in at the moment given the lack of visibility into the path of inflation, rates and therefore pricing. That said, after a decade of abundance, we have seen a reduction of liquidity across Europe. This is leading to a sharp repricing across certain markets and sectors and as a result we are seeing a lot of very interesting opportunities. We expect that opportunity set to expand as asset owners encounter refinancing challenges. As a result of secular trends we have seen the bifurcation of real estate with certain sectors like residential, student and logistics performing strongly from an occupational perspective whilst others like retail have lagged. With the market repricing and less liquidity, we are seeing some interesting entry points into those sectors where we have high conviction.

How is investor appetite changing in Europe? What Countries are most attractive to investors right now and why?

The investors we speak with believe that we are entering a very interesting cycle for value add and opportunistic investing and many are preparing themselves to allocate. In general investors also perceive Europe, and in particular certain markets within it, to have re-priced faster than Asia, where rates and yields have stayed low, and the US. Investors also see Europe as being more supply constrained than some other markets and leading on ESG, which creates disruption and opportunity. We have seen some of the most interesting investments recently in the UK, which has repriced fastest. We also find Germany interesting as historically it has been a low yield, low volatility market that has relied on accretive leverage to enhance returns. Increases to interest rates, construction costs and a general pull back in liquidity, is placing a strain on some investors and operators, in particular the developers. And some sectors with strong fundamentals like residential are repricing quite quickly given low yields and lease structures.

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