

Lorcain Egan

Meet our latest Master, Starwood Capital Group's Co-Head of Europe, a seasoned real estate expert, who believes that staying true to principles and processes leads to long-term success in real estate.

“Tell us, how did you get into real estate?”

It was completely by accident, I studied Law & Economics at university and decided I'd like to do a bank graduate scheme before progressing with my career in Law. The idea was to get some differentiated experience and broaden my horizon. It was a lucky dip scenario with the team allocations in the graduate scheme and I got assigned to a real estate structured finance team – or in my case it was more like an un-lucky dip as I started right at the precipice of largest real estate crash ever! That was the start of it.

What do you enjoy most about your work?

I love the fact that real estate remains a relationship and people-focussed business. Unlike many jobs in finance and investing these days you cannot sit behind a screen. You need to be meeting people, looking at assets, gathering proprietary info and forging relationships that will give you an advantage when you are investing.

In another life, what would you be doing if you weren't at Starwood?

In my dreams, I would like to have been a professional rugby player. Back to reality, I think I would have

continued my career in Law as a Barrister focusing on Criminal or Corporate Law.

Who has been most influential on your career to date?

I have had some really great mentors throughout my career. It amazes me how generous people are with their time and their knowledge sharing. A couple of people I would call out, Brendan Jarvis at Barclays has been a great mentor and friend over the years. Brendan has had a fantastic journey and is a pillar in the real estate community. He has seen everything through many different cycles and has the Midas touch in the trickiest situations. Jeff Dishner has been a great boss to work for at Starwood and is universally respected in our industry.

What does success look like to you?

For me, success is multi-dimensional. When I look back on my career, I'd really like to be regarded as someone who left whatever business or team I work with in a better place. That's the work aspect, and most importantly alongside my wife raising two healthy and happy boys into good young men would be the ultimate definition of success for me.

What achievement are you most proud of in your career to date?

My proudest day was the day I joined Starwood. To this day I am exceptionally proud to work for such a great firm. It's the place for me until Andy Farrell rings and I have to answer Ireland's calls! Joking



aside, I have always held the firm in great esteem, the people, the achievements over such a long period of time and the firm's unrelenting desire to be the best is phenomenal. Playing a small role in Starwood's journey makes me very proud.

How do you maintain a good work/life balance?

With a lot of effort! I really focus on the things that are important to my family and to me, making sure that I carve out the time for these things. Having breakfast with my family as many mornings in the week is a great way to start my day and spending high-quality time together at the weekend. Carving out time to exercise and play the odd game of golf keeps me in check. I focus on really being present when I'm spending time with my family, being there physically is one thing, but being there fully from a mental perspective makes all the difference.

Is there anything you would change about the industry today?

I think the real estate ecosystem works well. It's not perfect, but people generally gravitate to the risk / reward that they have the appetite for. Continuing to develop the data quality and availability of data in Europe for our industry is something that I think the whole sector would benefit from. We are significantly behind the United States in this respect.

Where do you see yourself 10 years from now?

I tend to focus on the near term in my life and then the long term takes care of itself.

WORDS OF WISDOM

What advice would you give to your younger self?

The same advice I give all the young people who ask me – stay cool, at all times, keep doing the right thing, following the right processes and everything works out the way it should in the end. Life is a long road with many twists and turns – people who are consistent and resilient will always be successful over the long run.

If there was one business decision you could change from your career, what would it be and why?

Nothing at all. My view is that the things you have done make you who you are. Even the questionable decisions, which with the benefit of hindsight would lead to a different decision today, all forge the person, provide you with experience and create a better-rounded investor over time.

In real estate credit we are in the middle of a multi-decade secular trend, so taking advantage of that over the next ten years will be where my focus is.

What is something you would like to learn or get good at in the future?

AI is dominating my thinking right now. It will change how we live and work. I'm not sure I will ever be able to "learn" AI, but getting better at comprehending it and applying it is a real goal. For real estate, AI will not only determine which asset classes we target and where we invest capital, but over time, it will change the process of how we invest capital.

On a personal level, I play the guitar and have neglected it over the last couple of years. I'd love to be a little better so I can jam with my dad who is a wizard on the guitar.

Tell us something not many people know about you.

I once performed on the Graham Norton show! To the shock and amazement of my wife, I volunteered to dress up in 1970's clothes and do a dance with a couple of other people from the audience for the opening credits. It was my one and only TV appearance. I was very disappointed not to be invited back to perform again . . . but remain hopeful!

What is the best decision you've made recently, and what was the worst?!

In Q2 last year, we took a view that we could get great risk adjusted returns by being active and we switched on the taps in our lending business in Europe. This proved to be a great time to

be a lender and we executed some high-quality deals with great partners. On the flip side, we recently lost a nice large deal which was high quality and had durable cashflows. We were slightly nervous of the macro backdrop and held our ground on the spread. In the end, a UK bank won the deal and in hindsight it would have been a great decision to lean in a little harder. But you can't win them all, so we don't look back in anger.

Name one book that changed your life?

Legacy, it's a book written by James Kerr about the All Blacks rugby team. As you know by now, I love rugby. I'm also keen to learn how we can import best practices from the world's best sports teams into our business. Our company has many of the same dynamics and challenges as those encountered by high performing sports teams and this book has been a bible for me. For years sports teams have been trying to learn from high performing businesses and I think it's really interesting turning that theory on its head ■ ”

MARKET FOCUS

The investment market was hit hard in 2023 by rising debt costs/inflation, how do you see the market changing in 2024?

I believe inflation and higher rates will stick around for a little longer – this is sticky. Much of the cost pressures we experienced over the last two years are now in-built in the economy and we will need to manage with these higher rates. With a number of elections around the world towards the end of the year and the current macro backdrop, I expect investors will remain cautious and that investment activity will start recovering, but not at the pace some would have expected or hoped for. It will remain an opportunistic market with these forces in play.

Have rising debt costs changed how Starwood underwrites its investments?

Not really. We are very consistent in the way we assess opportunities and this formula has been refined over thirty years. One of our core principles when underwriting deals is utilising positive leverage, it is fundamental when executing a levered investment strategy. Less deals tick the box in a higher rate environment. We have had the same approach through many different cycles and we continue to use the same methodology to assess deals. In this world, fewer deals meet the threshold of viability due to the higher cost of debt.

How can businesses best future-proof their investments and risk/return requirements in a volatile market?

The best thing to do in my opinion is to go back to two simple drivers. First, lean in to the fundamentals. Where is supply and demand in balance or even better, where is it attractive? Second, be acutely focused on capital flows. What

asset classes do investors want to be invested in? In certain cases, you may have incredible fundamentals but zero liquidity and low prospects for capital flows. This could be very opportunistic investing but it's not a way create a highly probable corridor of outcomes.

What asset class should we be investing in right now? Why?

I think the data centre market continues to offer good prospects for attractive investing. The demand tailwinds are phenomenal, as strong as I've ever seen in any asset class, supply is complex with constraints related to power availability and importantly the returns which can be achieved are strong.

Which asset class do you feel will struggle the most in the next 12-24 months?

The easy answer is office, however calling out an asset class is very broad brush. I think the office market will be bifurcated. The best quality buildings will continue to attract occupier demand, debt and investor demand. Lower-quality assets with poor medium- to long-term prospects will be overly penalised compared with previous property cycles due to the negative capital flows we are seeing today and expect to see going forward.

Why do we need diverse thinkers when approaching investments today?

Our world is a diverse multi-cultural world, so are the end users of real estate. We need diverse thinkers who can help the business see the world as it is, not just from a one-dimensional, biased perspective. It is so important for investors today to have a diverse pool of talent. This not just within the broader workforce, but within the decision-making forums, as thought leaders in the business and as stakeholders who bring different perspectives.