



The better part of Valor

Valor Real Estate Partners founder Christian Jamison joins **Simon Creasey** to discuss the company's path to a €1bn I&L asset portfolio, its recent joint venture with Quadreal and its ambitions for the year ahead

A decade or so ago, Christian Jamison spotted a business opportunity. He realised that industrial and logistics was undervalued as an asset class yet occupier demand was soaring thanks to the projected growth of ecommerce.

So, in 2012, he set up an investment vehicle, Delin Capital Asset Management, which was initially focused on 'big-box' industrial and logistics assets. Then, in 2016, he spied another opportunity – last-mile logistics. Cue a strategic pivot and the launch of Valor Real Estate Partners.

Four years on, Valor has assembled a 6m sq ft-plus, €1bn (£881m) pan-European portfolio of prime urban logistics assets.

That's just for starters. At the end of last year, the company announced a €1bn joint venture with Canadian investor Quadreal. Now, Jamison intends to use the war chest to build up a portfolio of circa €2bn of assets under management in the next three to four years.

Property Week caught up with Jamison to find out more.

Jamison started his career in investment banking in the late 1990s and then moved on to real estate investing at GE Capital in 2002. From there, he joined JP Morgan as an executive director in its real estate structured finance group.

In the wake of the 2008 financial crisis, he started thinking about doing something "a bit more entrepreneurial" on the "buy side". That's when his interest in industrial and logistics property started.

"It was around the end of 2010, beginning of 2011, and it was really the income profile at the time that attracted me to it," recalls Jamison. "I was working with some high-net-worth individuals who were looking to invest in real estate as a way of protecting capital and

getting above-inflation returns on that capital, but while getting good income distributions at the same time, and industrial and logistics back then was trading at 7% or 8% cap rate [yield], even with very long leases to supermarket groups or high-quality covenants. So, you could buy them and basically get all your money back through the contracted income and you still owned the underlying land and buildings."

Gaining traction

The investment profile of the sector was what initially caught his eye. Then he saw how rapidly ecommerce businesses were gaining traction and realised that the asset class would continue to grow, fuelled by this new breed of occupier, even if the wider economy wasn't growing.

"There's a much-used rule of thumb that goods sold online require three times as much logistics and industrial space as goods sold through traditional shops," he says. "So, to me, it was that combination of capital preservation, income and demand growing through ecommerce that got me into the sector."

Delin Capital Asset Management was set up with private Russian capital. "That was kind of a core-plus strategy focused on big boxes and really it was an opportunity to ride the cap rate cycle. So, we were buying at 7% to 8% net initial yield and we amassed a €500m portfolio in the UK and Europe."

The portfolio performed well, generating strong income return and substantial capital growth, but around 2015-16, Jamison started to get itchy feet.

"I really wanted to pivot away from the big-box space and more into small, medium-sized units around city centres, and specifically urban areas,

where I really felt as though cap rates had kind of moved already. To generate returns going forward, it was important to identify pockets of rental growth, and that's what attracted me to urban infill industrial and logistics – or 'last mile', as it's often referred to now."

Around this time, he met up with Jeffrey Kelter and Robert Savage, who had built up KTR Capital Partners – a leading private-equity real estate investment and operating company focused on industrial properties in North America that was eventually sold to a joint venture of Prologis and Norges Bank Investment Management in May 2015. The trio started discussing the outlook for the market and immediately realised that while there was strong demand for last-mile logistics, there was a limited supply of suitable stock.

"That supply/demand imbalance was really interesting to us because that's what drives rental growth," says Jamison.

They hit it off so well that Kelter and Savage came on board as investment partners. The "ball was rolling", says Jamison.

The first deals were done in London and Paris in 2016 and 2017 respectively and in late 2017, Valor launched a

logistics fund with AIG. By the end of last year, Valor had built up a portfolio of assets under management for AIG worth circa €500m.

Despite how active the company has been since its formation, Valor has sailed under the radar largely because the deals have been relatively small-ticket.

"We've been quietly amassing the portfolio," says Jamison. "It's 'roll your sleeves up', 'one deal at a time' and that's how we found the value. One of the tools in our toolbox in terms of delivering returns for our investors is our ability to find those »

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Christian Jamison, Valor



Metropolitan focus:
Merton Park (left)
and Valor Heathrow
are well placed to serve
the London market

smaller off-market opportunities, and we're doing it through shoe leather and just pounding the streets knocking on doors."

He adds that a lot of deals Valor has completed have been sourced off-market and that forging the necessary relationships is not a swift process.

"You need to develop the relationships with the local brokers, the local owners, and you need to invest a lot of time," says Jamison. "For every deal we're closing, we're probably reviewing 10, 15 or 20 deals, and the rate of conversion is relatively low as it is with any transaction business."

What has helped Valor stay ahead of the competition is the "proprietary information" it has amassed from running the rule over so many potential opportunities.

"Having reviewed so many deals, we have invested a lot of time and effort in terms of our comparables database and our proprietary research capability, and I think we have a few things that are difficult to emulate," says Jamison.

"So, although there is competition, we still have a pretty active pipeline and we feel confident that we can continue to grow our volumes. We think we will close more deals in the coming year than we did last year and that trend will continue."

To date, the bulk of Valor's assets under management are in London and Paris – around 80% of properties are in those two key markets. However, it also acquired assets in Manchester

and Lyon, and started investing in Germany, securing assets in Berlin, Frankfurt and Düsseldorf.

Future focus

Valor's primary future focus will be on last-mile logistics assets in the greater metropolitan areas of London, Paris and Berlin, with a secondary focus on major UK and EU gateway cities such as Manchester and Frankfurt.

Many of the assets acquired in these locations over the coming months will be for the €1bn joint venture it struck with Canadian investor Quadreal in October last year.

Jamison says the agreement with Quadreal will see a continuation of Valor's "value add, total return" strategy, with the JV open to a wide range of different investment options in these key geographic markets, from "mispriced income and shorter leases" through to "opportunistic, speculative development".

He says Quadreal shares his vision and has the financial firepower to help Valor double the value of assets under management.

"We'd got to about €1bn and we really wanted to get to at least another €1bn, and in Quadreal we had a partner that, if we wanted to, could potentially go way beyond that as well," he says.

"They're a very high-quality institution with an outstanding reputation on a global scale. At the end of the day, the timing was right, we got on

extremely well, and we shared a lot of similar views about how we saw the opportunity for the future."

It was a similar story in December last year, when Valor secured its first impact loan with Paris-based financial services group Acofi. The loan terms include specific environmental criteria linking improvements made to its assets to step downs in margin.

Jamison says he would like to strike more such green finance deals. "It's a win-win. We get a margin advantage as we make our assets more energy-efficient, which is something the tenants want and something we want," he reasons. "So, yes, it's something we would like to do more of in the future."

In the meantime, Jamison hopes to continue to expand the company's 25-strong team so that he can deliver on his ambition of having €2bn of assets under management in the next three to four years.

He admits there are a number of obstacles in Valor's path, including growing levels of competition for last-mile logistics stock and increasingly aggressive pricing. However, he remains quietly confident.

"It's definitely something I think we can do," he says. "Bear in mind that we have amassed €1bn in four years, and when we started there was just two of us with our laptops in a single room. We're now 25 people with two offices, so I think we should be able to replicate what we've done in a shorter amount of time."

Given Valor has focused on the hottest part of the market, last-mile logistics, you wouldn't bet against it. ■

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