Multi's co-CEO: "I genuinely think that retail will come back"

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Elmar Schoonbrood speaks exclusively with React News about the year after the management buyout from Blackstone

Steven Poelman and Elmar Schoonbrood

Celebrating its one-year anniversary since the management buyout from Blackstone, Multi Corporation's co-CEO Elmar Schoonbrood looks to the future, with goals of market entries, more asset management mandates and further investments.

In the year since the MBO, Multi has won more than €1bn of new asset managements, with its asset management portfolio now worth around €5bn. Although Multi remains a retail specialist, with the majority of its mandates being retail-focused, it has also branched out with management mandates for a hotel and two offices in Madrid and Barcelona, as well as a mixed-use asset in Germany.

Last summer, Multi also opened a new office in Switzerland and now has a presence in 13 countries, including the Netherlands, Germany, Spain, Portugal, Italy and Poland.

“It has been an absolutely fantastic year for Multi. I am very proud of what we have achieved in our first year post-MBO,” Schoonbrood says. “One of the highlights last year was our first corporate takeover of a competitor. We bought a company called KoprianIQ – a German retail manager. Although the company was relatively small, it was an important and strategic takeover for us. We acquired six new management mandates and about 25 people.”

In the year after the management buyout, Multi has won €1bn of new asset managements, including management of the Mall of Switzerland

On the acquisition side, Multi has bought four retail assets in the Netherlands, of which two are retail-to-residential conversion projects adding residential components to existing retail schemes.

Retail rebound

With a high number of headwinds over the past years, the retail and shopping centre sector has gained a potentially undeserved bad reputation, with a number of investors shying away from the sector.

Schoonbrood says: “Retail is still seen as a difficult asset class, faced with headwinds from e-commerce. I don’t disagree, but it is much more nuanced than that. Certain subsectors of retail are struggling, like non-dominant secondary shopping centres, but other subsectors like food-anchored retail, outlet centres and dominant shopping malls are performing well. I think the relative value of retail compared with some of the other asset classes is becoming a lot more attractive, especially when interest rates are rising.

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“A lot of investors still have a blanket aversion to investing in retail, but we have noticed since the start of this year that a number of investors are starting to look at certain subsectors of retail again.”

According to Schoonbrood, it is the non-dominant shopping centres that have gained retail its bad reputation – and he expects the subsector to struggle going forward. However, he points out that not all retail and shopping centres fall under this subcategory.

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> *mature. This could create interesting investment opportunities."*

"I genuinely think that retail will come back. It offers a much higher yield at rents that have already come down over the past three years because of Covid. So, you're buying at a higher yield and at lower rents, which gives you much more room for growth. The opposite is true for some of the other real estate asset classes," he says.

However, as a result of current economic headwinds and the recent shockwaves created by Credit Suisse and Silicon Valley Bank, Schoonbrood expects to see more distress – especially in the non-dominant shopping centre market, leading to opportunities to invest in the retail market.

Distress on the horizon

With a background in non-performing loans, Schoonbrood is no stranger to distress and challenged assets – something he expects to be a real advantage in the current market.

"We went through the great financial crisis when I was overseeing NPLs at Morgan Stanley – I've seen what has happened. I like to say I've seen this movie before, although certain chapters are going to be different and I think that there will be an element of distress," he says.

Among the differences between today and the global financial crisis, Schoonbrood points out, is that at that time interest rates were around 6% in the UK and rapidly declining. Now, it is the opposite, with low interest rates that are going up at speed.

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Although still a retail specialist, Multi has mandates in the hotel, office and mixed-use spaces

So what does this mean for retail? Schoonbrood says: “Because of the blanket perception that all retail is bad, retail is harder to finance than other asset classes. I expect to see more distress as some loans will become difficult to refinance when they mature. This could create interesting investment opportunities.

“We have a lot of experience in the NPL sector, and we are now teaming up with a number of investors which are actively looking at retail NPL acquisitions. We typically start by underwriting the underlying retail assets and we can also help with redevelopment strategies. Although we don’t have the balance sheet to acquire large loans for our own account, we can co-invest to make sure we are fully aligned.”

On the consumer spending side, Schoonbrood expects 2023 to remain challenging. However, he has not yet seen a material impact of the decrease in spending power in Multi’s portfolio, partly due to government support in a number of the countries the firm operates in.

Further growth

With offices in 13 countries across Europe, one of Multi’s ambitions for the future is to open offices in France and the UK – although an exact timeline is yet to be established.

The firm is also looking at land acquisitions to develop residential and office space, potentially with retail on the ground floor.

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When asked if Multi will consider new investments and deals, the answer is clear: “One hundred percent, yes – we are actively looking at deals. There are three themes that I really like: first, dominant shopping centres. If they’re not dominant, you are going to struggle to keep your centres occupied and to drive rental value growth. These tend to be big assets where we typically team up with separate account investors.

Gran Roma shopping centre in Italy

“Second is what we call retail-to-residential conversions, which are often smaller assets – and I would probably say weaker assets as well. Doing the retail-to-residential conversion can be very attractive, because you can buy the non-dominant weaker retail at very attractive yields.

“The third investment theme is quick service restaurants, aka fast food. Customers are feeling the pinch from the inflation impact and will be more cautious in their spending habits, especially for discretionary spending such as eating out. Quick service restaurants offer a cheaper alternative to some of the more expensive family diners, so we expect the performance of these types of QSRs to do well.”

In terms of new market entries, the UK is high up on Schoonbrood’s list after living in the UK for 20 years – and he is seeing a range of opportunities in the country, with a number of shopping centres and some expected distress.

“There are a lot of shopping centres in the UK and there is a lot of distress there. That is where we can really help, whether it’s helping the banks on the NPL side or whether it’s investing with some of our separate account investors,” he says. “It will no doubt be an interesting year for us.”

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