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Q+A: Kennedy Wilson's Mary Ricks on European expansion, reaping rewards in Ireland and female leaders

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Firm's president takes stock on her first trip back to Europe since the pandemic began

Kennedy Wilson arrived in Europe with a bang in 2011 when it bought a €1.6bn distressed loan book secured against Irish assets from Bank of Ireland.

It was a move that preceded a flurry of dramatic acquisitions as the Beverley Hills firm took advantage of the turbulent post global financial crisis market in Europe and soon built a name for itself as one of the sector's most savvy investors this side of the Pond.

Such was its growing reputation, it was able to undertake a £1bn IPO in 2014 as market confidence returned, a vehicle that was ultimately merged into its main corporate entity in 2017.

At the forefront of Kennedy Wilson's foray into Europe a decade ago was Mary Ricks, who fast became one of the market's best known and respected figures. The year after the merger Ricks was promoted to president of the overall firm and moved back stateside.

The onset of Covid-19 has meant that Ricks has been hamstrung in her travel and straining at the leash to get back to her old stomping ground.

On her first trip back across the Atlantic *React News* sat down with Ricks to discuss the opportunities she was seeing in the European market, how it is reaping the rewards from its early investment into Ireland and the unique prominence of female leaders at Kennedy Wilson.

How do you describe Kennedy Wilson as a business now? Historically you might have been described as a private equity player, but do you think of yourselves like that?

I would say we're opportunistic when there are times of dislocation in the market. We're also really good market pickers. If you think about what we achieved in Ireland and the long-term value we've created, that's a great example. Or what we did in Japan. Or even in the US, the Seattle market – we started our business there 15 years ago before that market appreciated significantly. We now have 11,000 multifamily units in the Pacific Northwest region [the area in and around Seattle].

Recently, this has translated to a similar strategy in the 'mountain states'. That's another market selection. And we've had 26% positive rental lease trade out in our mountain state assets. What that means is when a unit is vacated, somebody's paying us 26% higher rent in the mountain states.

You were arguably the most successful and early investor into the Irish market after the global financial crisis. How do you look back on that and where your portfolio and the market is today?

About half of our business in Europe is in Ireland and about half of our people. We truly believe in an operator model. It's very relationship-driven, which is how we run our entire global business.

It's our 10-year anniversary so we're truly embedded in, and we're benefiting on the opportunities that we created as long-term investors in Ireland. We were the first institutional investor to bring the PRS model in a professional way to Ireland, with our acquisition of the Alliance in 2012.

A lot of what we've bought since then are assets with land next to it. State Street is a great example. We bought a piece of debt, tied to the real estate. There was a land site next door, and we asked the whole team, "so what is this land worth?" And everyone's like "I don't know. Probably not very much." But we said, "Well, at some point it's going to be worth something."

The State Street site Kennedy Wilson bought in 2012 has now become Capital Dock

We had a very low land basis in everything we did. That has now become Capital Dock, which we built: 500,000 sq ft of prime offices and 200 apartment units. Then we bought a loan portfolio in that square, in the South Docklands, we took title to a dilapidated waterfront warehouse asset and created a 65,000 sq ft modern warehouse office conversion with leading ESG credentials.

That's a great example of something that we started in late 2012. And we now have an institutional capital partner in that project with us, enabling us to grow our business and grow our multifamily business. So we're building a lot. We're building to core, but building far above core returns.

> *"We still see real value in Ireland. I think Ireland is underhoused, and there's a real need for housing"*

More recently, we have deployed more capital into development in Ireland to create long-term value, given our extensive inhouse development expertise lead by Peter enna. And we also growing into the logistics space. We ched our logistics platform in December last year and we're growing that in a meaningful way, and also in Ireland and Spain.

We want to continue growing our PRS business in Ireland. We still see real value there. I think Ireland is underhoused, and there's a real need for housing. Our team really understands the space and what residents want in terms of building real communities and the services and amenities they need.

Since the onset of Covid, have you been surprised by the relative lack of distress in general?

It still has created dislocation in certain spaces. Take office, for example. You ask two different people, you'll get two different answers on what matters in the office space. That makes a market.

We are very stock-selective: again, focused on tech clusters, transport corridors and the right asset. The right asset in a mostly suburban location. I think we got a little bit lucky in our philosophy in the past. We don't own high rises in CBD. That's just not really what Kennedy Wilson has done. We've done a lot of suburban deals, office parks, low to mid-rise kind of assets.

With rates where they are, and so much capital in the global system, I don't see NPL-type distress on the horizon. Is there dislocation in certain markets that we can take advantage of to get that outsized return? Absolutely. That's how we're growing our business.

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But I also feel like during the global financial crisis people levered up; their point of leverage was much higher. The world is different now. There's way more capital and real estate as a sector is more sought-after than it's ever been. And people didn't over-leverage.

Where are you finding that relative value? What does a good deal look like for you?

We have flexible capital. With our equity teams we're able to price the risk very well and very quickly. We can go up the LTV curve, we can lend on transitional assets, we can do construction lending. Those places that others maybe can't play as much. A good example is Embassy Gardens. We just closed that in June. We're now doing a construction loan in that same submarket. Again, that view of tech clustering and what we see the market doing over a medium term to long term hold. We did that all on our balance sheet, so we can hold that for as long as we want to hold it.

One Embassy Gardens in Nine Elms, London

Kennedy Wilson is one of the few real estate firms that has a dominance of female leaders. How much has this been deliberate and how much has it been a natural evolution?

If you look across in 47% of our business here in Europe, 50 out of 106 people are women. But I think what's really interesting is 50% of the heads of business units in Europe are women, that's not including myself.

That view that Kennedy Wilson takes – that all of us on this team, 106 people in Europe, we're all family – allows us to attract and importantly retain senior women. The average tenure of our heads of business is 8 years. It says a lot that the women are in it for the long-term, as the men are. Because many of those women have gone and have had kids and have come straight back at that same level. That is unique and I feel like that, historically for women, has been the real issue.

It originally developed organically and then it became more of an important aspect of our business, a place where they know they can grow. Fiona D'Silva, she's a great example. She was one of the earlier members of the team in London, really contributing to our growth and is now the head of investment for all of Europe.

Fiona D'Silva is now head of investment for Europe

Anna O'Meara is another great example, she started off a portfolio manager, grew with our business and is currently head of operational reporting, leading a team. Juliana Weiss Dalton was appointed head of ESG for Europe last year – these are all areas of increasing importance to the business.

I've been lucky in my career and only known that I can just go, go, go, which is thanks to Bill [McMorrow, Kennedy Wilson's chairman and CEO]. But in talking to a lot of my other senior colleagues in the business who are my age, we all have talked about how our role models were not women in real estate or ce. That's new, and that's something that we're really g to promote and create at the company.

> *"You can't grow your business that much by only recruiting senior women because there's not a lot of us"*

We started Kennedy Wilson Women, KWW, here in Europe. It's a speaker series to try to provide that role model, that mentorship and that leadership for young women in the business, to feel like they can relate and hear other senior women's stories, and try to really advance women's careers. And to have a forum for the men to participate and understand how they can help. We've had incredible past speakers: Sanaz Zaimi from Bank of America, and Isabelle Scemama from Axa.

Do you think things have got better over the last five years in the sector as a whole?

I feel positive, because people are talking about having better diversity more regularly. That's where it has to start. Next it has to start down at the university level with young women, and attracting them to our business. For so many years, I think they felt like it's a man's business. You can't grow your business that much by only recruiting senior women because there's not a lot of us.

You do a lot of asset managing, repositioning, and getting your hands dirty. That tends not to mean new buildings, but slightly older buildings. How do you think about that in the context of your ESG strategy?

Certainly in the UK, only 2% of the market is new build. 85% of the buildings that will be here in 2050, when we need to be net zero, have already been built. So when the market wakes up to the fact that we all need to roll up our sleeves and deal with the buildings that we have, we're going to get there in a [illegible] earnest way.

Buckingham Palace Road is our biggest asset. We reduced the electricity consumption in a big way, by almost 50%. We changed the light bulbs, put in a new BMS system, we're now rolling out high-end software that speaks to your BMS system and optimises everything beyond what a human being can do and finds the faults.

111 Buckingham Palace Road has been in the Kennedy Wilson portfolio since 2014

We've closed 18 assets to date. Most of those have been industrial, and we have another 17 assets in the pipeline. 14 of those are industrial, two are office, one is mixed use. So that'll be 35 deals that we've closed this year.

The other interesting thing that we're doing in our business is the leasing velocity. This whole year has really picked up. That reopening trade that everyone's talking about is real. We're really seeing that happen.

Do you feel that your office tenants are downsizing?

For our portfolio, we're in record year leasing territory in 2021. Our business is booming right now. [In their Q3 results, Kennedy Wilson reported an increase in adjusted EBITDA of 165% compared to Q3 2020 earnings. Assets under the firm's management grew by 17% in 2021, to $20.5 billion from $17.6 billion at the end of 2020.]

We're finding that office occupiers are returning and in many cases taking more space – desiring lower density use and more communal and breakout spaces with more focus on wellness and amenities within the space.

We're seeing companies now make decisions, which is big. We're not seeing shorter leases, but maybe that's because we're in suburban locations, low rise, people control their own front door, people can drive to work. We're not in the City of London. I don't know if that's going to have a little blip over the next couple years, but I feel like there's some dislocation in this space because the office question is still there.