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Savills Ireland
managing director
Mark Reynolds says
he isn't worried about
companies trying
to make savings on
office leases, with
more people working
from home in the age
of coronavirus



**Ian
Guider**

If any single street in central Dublin has undergone a complete transformation in the space of just a couple of years, it is Molesworth Street, just metres from the Dáil and Grafton Street.

It's now home to ultra-modern offices housing the headquarters of AIB and Barclays Bank and even the Ivy Restaurant. It is also, on a warm mid-morning in early August, practically deserted.

Getting people back into offices is on the mind of Mark Reynolds, the managing director of Savills. The estate agent's office on the street is a mirror image of what is happening across the country.

Staff are trickling back to their desks in small numbers, the majority are still working from home and now it appears they will be for some time to come. It must be a worry for a property company to be hearing about the death of the office as we know it?

“I am absolutely adamant that people are calling the demise of the office prematurely. And it is not until you and your staff get back in that you will realise the benefit of having your team together,” he says.

Reynolds was due to sit down with the *Business Post* for this interview earlier this year when his appointment to succeed Angus Potterton as managing director was announced. The date was set for the middle of March. Then the government announced the emergency lockdown measures.

Almost five months later, we meet in

Savills' boardroom. Dressed in a dark suit and an open-neck white shirt, Reynolds is in buoyant mood. Amid all of the difficulties facing the country right now, one of the more stable parts of the economy is property.

Much conversation has been devoted in recent months to how workplaces will never be the same again because of the social distancing requirements to prevent the spread of Covid-19.

The narrative is that employees have been freed from long commutes to be more productive from home offices. If that is true, then it could spell the end for large office blocks and investment in them.

“Genuinely, we have not seen any massive differential in terms of what the requirements will be for companies. Somebody came in to see me yesterday from London — he had quarantined for two weeks. He works for a German fund, but works out of London, and came in to see me here to look at opportunities. The fund bought something six to nine months ago but are looking to do more.”

Reynolds envisages a hybrid model for Savills and for other companies. Some workers will return to their offices for maybe two or three days per week. Pre-Covid, companies were already moving to a flexible mix of home working and office work.

“We're seeing it with our own staff. We're getting phone calls saying ‘when can I get back in?’. Our graduates will start with us in September. It is hard to train graduates if they are sitting at home in a bedroom.”

Besides, he adds, savings on office leases won't save some companies all that much money.

“When you look at a company overhead or cost base, the percentage that relates back to real estate is a hell of a lot lower than the salary bill.”

Deals may be few on the ground at the moment, but based on his conversations with big Irish and international commercial property players, Reynolds believes it's a pause rather than postponement.

US, German, South Korean, Chinese and British investment funds like Ireland. They can generate stable returns with little risk. Blue chip multinational tenants are unlikely to skip on lease payments. In a world where so much money is chasing any type of positive return, Ireland could benefit, Reynolds believes.

The challenged areas, though, are obvious. Retail and hospitality are suffering from the lack of workers in offices and

from few international visitors.

Even since the reopening of the economy in June, the footfall numbers have been weak through most stores, except for supermarkets. Online retailing is booming. Boarded-up shopfronts are becoming common in towns and cities.

Landlords, Reynolds says, are being practical. There is no point chasing tenants when they can't afford to pay. The better option is to work with retailers rather than put in receivers and chase rent through the courts. It's something the bigger landlords are doing proactively. Not every retailer, however, can be saved.

“Are we going to see vacancy rates increase? Yes. But to what extent nobody knows yet,” Reynolds says.

“The buzzword in retail at the moment is repurposing. So you could see those big boxes repurposed for food and beverage and leisure and we are seeing that in some [shopping] schemes in Britain. People aren't necessarily going to shopping centres to just shop, but for an overall experience.”

Reynolds, who is from Mullingar, is a lifer, having joined the company back in 1999. It was then known as Hamilton Osborne King before its takeover by Savills in 2006.

Property is in his blood. His family had been electrical contractors and were in the building trade. He studied property economics at DIT Bolton Street and landed a spot on the company's graduate training course.

He moved around from department to department, from working on land sales to being an assistant to Paul McNieve, the firm's then managing partner, and then working on the retail side of the business.

One of the first major projects was securing tenants for the planned Dundrum Town Centre being developed by Joe O'Reilly, the biggest retail project in the country.

“Dundrum has been a massive success, but at that time you were selling a suburban retail scheme in Dundrum village in south Dublin. We used to have weekly meetings with Joe from 7am for two hours on securing tenants for that scheme. My God, did he pull it off,” Reynolds says.

When Savills came calling for Hamilton Osborne King in 2006 in a €50 million deal, Reynolds was sent to London to assist with the integration of the two companies.

The businesses were a good fit with similar values and cultures and it was also a chance to work with Irish property developers who, in the Celtic Tiger era, were snapping up trophy assets.

"The Irish in those times were the most proactive buyers," says Reynolds. "Any time you rang up, you got a meeting because they knew you had money. The Irish developers bought well. When Nama sold those assets, they got good prices because they were premium assets."

After a couple of years in London it was time to return to Dublin. It was 2008 and the economic crash meant several lean years followed. The property market was moribund and the only deals being done were with Nama and receivers who were working out assets on behalf of banks.

It caused a shift in the business model. Estate agents make their fees from transactions, be it selling homes or offices or parcels of land. With that business in decline and subject to economic cycles, a more sustainable source of revenue was needed.

Providing consultancy services was the key, as income is stable regardless of what is happening. So the business set about building up those skills, providing management services (it manages 3,000 properties), surveying, asset management, capital markets advice and research.

The clients were no longer builders and developers, but Nama, the banks and the big accounting firms that were selling down seized assets.

It was tough working through those years as the property market stuttered along. If there was a sign to Reynolds that the gloom was lifting, it came in 2012 and the mandate to sell the Alliance building on Barrow Street in Dublin, close to Google's European headquarters.

The old gas cylinder had been converted into a unique looking apartment block that had been largely vacant for some time. The buyer was a company called Kennedy Wilson, which was pretty much unknown to anyone here, but was one of the largest US property investors.

It bought the entire building for €40 million from Grant Thornton, the receivers, with the aim of renting out the apartments. It would be Ireland's first private rental sector, or PRS, deal.

It was a sign of confidence and, importantly, these private equity firms follow each other. If one spots value, it will draw in others. Money suddenly began to flow back in and properties were shifting hands.

"We sold Clancy Barracks later to Kennedy Wilson, and Heuston South Quarter. They were massively important. Without the external equity we would not have had the recovery. They bought the assets and that money came into the state," Reynolds says.

The prime sites were drawing bidding

wars among international funds and Savills has benefited. Reynolds quips that he sold the giant Cherrywood site in Dublin twice, first to Hines and later to Quintain.

He was the adviser on the sale of the old Jurys hotels site in Ballsbridge to Joe O'Reilly, and on the sale of part of RTE's Montrose land to Cairn Homes for €107 million.

Unsurprisingly, he believes the influx of this money is good for Ireland. These are experienced property investors seeking stable, long-term returns. Without that money, there would have been no economic uplift.

What is clear, he adds, is that these investors like Ireland and build-to-rent schemes will be here to stay and will make up a greater percentage of our housing stock.

But what about the consequences of this? As much as investors might like these apartment blocks for their secure rental income, is it freezing out those who want to buy?

"There's plenty of schemes we are doing that aren't PRS. Those guys want schemes with 100 to 150 units or more. Smaller schemes are not of interest to them and loads of smaller schemes are being sold to owner-occupiers. With any market you need a mix with rental and private homes.

"It's going to represent a far bigger percentage of the investment pie and it's a sector that's here to stay."

As the biggest estate agent in the country, Savills also needs a steady stream of first-time buyers and those looking to trade up.

The lockdown will undoubtedly reduce the supply of homes built this year. Reynolds believes there are other factors at play as to why the number of new homes coming on the market continues to lag demand.

The construction industry has never recovered the number of jobs it lost, for one. Perhaps more importantly, he says, are the changes in planning and development policies. Certainty is what developers want. Every little change affects the underlying financial assumptions of housing developments.

"You can't keep changing the goalposts because the minute you say you will do something, the market will wait to see and will pause making decisions."

Prior to Covid-19, the chatter in property circles was about whether it was an overheating market. In their scenario planning, the banks see house prices falling as much as 10 per cent in the next year.

They've barely moved. Newly completed housing schemes are actually selling, Reynolds says. And having invested money in virtual viewing platforms, it turns out most buyers want to do actual physical viewings.

The company is currently looking at

expanding the services it offers clients. One of which is an online sales platform. The technology investment made by the company is paying off. It's also making a big push into energy and sustainability of buildings. These services are meant to cushion it in the event of a dip in transaction revenues.

"We are going to be ambitious. We're number one in a lot of areas and we can continue to grow. We're actively looking for new blood. Logistics is key for us, as well as the data centre deals we've been involved in."

It might be an unfair question to ask but having been involved in some of the biggest deals in the country over two decades involving high-profile assets, is he a buyer or seller of property right now?

Reynolds pauses before answering. "You'll never go broke taking a profit."



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CV Mark Reynolds

Age: 43

Lives: Foxrock, Dublin

Family: "Married to Leonie with two girls, and a new addition to the family called Bobby, a dog."

My working day: "Pre Covid-19, up at 6am, in the car by 6.20am and at the desk by 6.45am, blitz my emails for an hour and then start making calls to clients, colleagues in Dublin and London until mid-morning. We have a regular schedule of weekly meetings with all members of the senior team. Also the day will be a mix of one-to-one meetings with colleagues, presentations, pitches and briefings with clients. Every week there will be various breakfasts, lunches and dinners, and one-to-ones with clients, although less so now since Covid-19 struck."

Early bird or night owl: "Early riser and always have been but need my sleep, so always early to bed in my house, kids permitting."

Twitter, LinkedIn or Instagram: "On LinkedIn and it really is a great resource, not on Twitter yet and relatively new to Instagram."

My perfect weekend: "Spending time outside with Leonie and the kids. I spend a lot of time in the Midlands, also catching up with family who still live there. A good weekend will always involve a game of tennis, cinema with the kids, a run, and a glass of wine over dinner in Weir's Bar & Restaurant outside Mullingar. I'm particularly interested in antiques, history and movies."

In his own words . . . Mark Reynolds on making deals

One of the best recent deals I worked on was the sale of a prestigious landholding for RTÉ in Donnybrook, Dublin 4. It is so rare for such a large residential landholding, in one of Dublin's most affluent suburbs, to come to the market.

There was an extensive and robust process put in place by the client in order to be appointed as the sales agent, so from a starting point it was great to win the sales mandate both for myself and the team.

Then the sales process itself generated an incredible amount of media attention and exposure, both in Ireland and abroad.

There was intense competitive tension throughout the sales process and in the bidding for the lands, with potential buyers emerging locally and internationally.

The client had put in place a super professional team to assist in the sale, who were great to work with, and the entire process went very smoothly. An excellent result was achieved – €107 million – for a very appreciative client.

All in all, a very rewarding project to work on and I have no doubt that Cairn, the Irish buyer, will do a super job on the proposed new residential scheme, which is badly needed for the city.



Fergal Phillips