



## BUSINESS

### Brookfield boss Bruce Flatt says a downturn will drive out 'bad habits' and get staff into offices

#### INTERVIEW OLIVER SHAH

Behind a hoarding on a quiet road in Hammersmith, west London, laboratories are sprouting where offices previously stood. Brookfield, the Canadian investment giant, is reconfiguring an old block into a life sciences complex. The first tenants have already moved in, including Sania Therapeutics, a start-up developing nervous system therapies.

As we navigate through a maze of brightly lit corridors, a Brookfield tour guide mentions that some experiments run for 24 hours. "So we should charge them twice the rent," says Bruce Flatt, its chief executive, to laughter.

As with all jokes, there is a shard of something telling in this. Few people have a sharper sense of property's value than Flatt. Over the past two decades, this former accountant has turned Brookfield into one of the world's biggest property investors, pouncing on assets such as Canary Wharf and Center Parcs in the UK, Potsdamer Platz in Berlin and the old World Financial Center in New York.

But he is more than just a landlord. Brookfield's tentacles reach into infrastructure (gas pipelines, port terminals, the maintenance group HomeServe), renewable energy (solar, wind, nuclear power) and private equity (it is bidding for payments processor Network International). It plays in credit, having swallowed distressed debt specialist Oaktree.

Brookfield's five listed entities are worth about \$150 billion combined. It manages more than \$800 billion of assets, employs 2,500 frontline executives and covers 30 countries. Mark Carney, the former Bank of England governor, chairs its asset management group.

Other than Steve Schwarzman, the founder of rival Blackstone, Flatt has probably done more than anyone of his generation to change the face of investing. His guiding principles are value – trying to buy things cheaply when they're out of favour – and patience.

"The world could be falling apart, the world could be booming – Bruce is just totally measured and he's always playing the long game," says Jon Gray, Blackstone's president and chief operating officer. "He's totally fine being a contrarian, totally fine investing in Brazil when no-one else will do it. He takes a very long-term perspective and he's been methodically building this long-duration asset management company."

Flatt has flown into London from Dubai. The mood in the tech-fattened emirate is "incredible", he says. "We built a 1.5 million sq ft [office] building there during Covid. It's now 100 per cent leased, at rents 100 per cent higher than where we started."

That's far from the case everywhere. In the US, Brookfield has been walloped by the slump in office values, partly related to the work-from-home trend. Over the past three months it has thrown the keys back to lenders on more than a dozen buildings, mostly around Los Angeles and suburban Maryland, where the average occupancy rate was just 56 per cent.

In the UK, Brookfield is suffering at Canary Wharf. The area's vacancy rate was 15 per cent at the end of last year, according to research firm Green Street. The huge floor plates once favoured by bulge-bracket investment banks are out of fashion. Magic circle law firm Clifford Chance announced its intention to leave for the City last year. HSBC is considering following. UBS is likely to shed space after its shotgun marriage to Credit Suisse.

Flatt insists that "generalisations are very dangerous". He says premium buildings, such as ICD Brookfield Place in Dubai, are attracting record rents. "What's actually bad, or tough, is 'com-



Brookfield's Bruce Flatt, pictured at its Manhattan West development in New York, welcomes the passing of the cheap-money era

# A recession will help bring people back to their senses

modity' office," he says. "If you have non-prime or older offices that people don't want to be in, it's not lower rent, it's no bid. Ninety-five per cent of our real estate is premium office, which is exceptionally strong. And 5 per cent, either they came in portfolios or we got it wrong. Therefore, we need to work out that 5 per cent."

Brookfield wrote down Canary Wharf's value from \$3.5 billion to \$3.3 billion last year (some analysts wondered whether that was a deep enough cut). Despite its travails, Flatt categorises the Docklands within the 95 per cent. He points out that while Brookfield owns the Canary Wharf estate, many of the individual buildings – including the HSBC tower – are owned by third parties. "I would say all these things bring opportunity," he says. "If XYZ business leaves and some owner owns that building, maybe we can help them repurpose it."

Brookfield's boss is baffled by the WFH revolution, which has gripped American cities since the pandemic. "I don't know what happened," Flatt says. "I can't explain... I've not met a CEO, other than a few weird tech guys, that has ever said or thought they didn't want to go back. The thing that mystified me was why they just didn't tell their people to come back."

Brookfield, in contrast, is known for its Stakhanovite work culture. Flatt hated having to stay at home for even a few weeks in the early phase of Covid – "it wasn't good" – and his staff have been back in the office "five days a week, or six" since June 2020. "We never really went home," he says. "We took a vacation for a month and we were back in the office, so nobody learned bad habits."

He believes other people's habits will change as a harsher economic climate swings the pendulum of power back towards employers, focusing attention on job security. "A recession always helps bring people back to their senses," he says. More broadly, a downturn restores reality to markets "in many, many ways".

"Our view on the world right now is it's going through a period of consolidation,"

Flatt says. "It's tougher. Capital's less available, valuations are down, bonds are cheaper. Everything is less robust. Venture capital guys can't get money. That's actually good, because money was too easy. That's not sustainable. And these periods of time favour the strong."

In recent months, Brookfield has spent \$12.4 billion buying Australia's Origin Energy, which has a 20 per cent stake in UK supplier Octopus, and \$13.3 billion on Bermuda-based container leasing company Triton. "We're putting enormous amounts of money to work," Flatt says. "Not that many people can."

This goes to the essence of Flattism. Addicted to work, publicity-shy, thrifty, he learnt at the knee of Jack Cockwell, a South African takeover merchant who came into the office every Sunday, and had his shoes roared. Cockwell, 82, was Flatt's predecessor as chief executive and

is still on the Brookfield board. Flatt doesn't appear interested in the usual billionaire trappings. He travels by Tube when he's in London and has said the only thing he accumulates is shares – although his wife, Lonti Ebers, is a renowned art collector and a trustee of New York's Museum of Modern Art. They have no children; associates half-quip that Brookfield's subsidiaries are the closest Flatt has to offspring.

With narrow shoulders, intense eyes and aquiline features, Flatt resembles a cross between a young Nicholas Cage and Steve Buscemi. Someone who has watched him work describes him as "brilliant but ruthless". Flatt speaks softly, almost falteringly, but his story is one of lifelong drive. The son of a mutual funds investor, he grew up in Winnipeg wanting to be an entrepreneur. He started a lawn-mowing company at 16. After a degree at

the University of Manitoba and a traineeship with an accounting practice in Toronto, he joined Brookfield at 25. Then it was known as Brascan, a portmanteau of "Brasil" and "Canada". The company traced its roots back to 1899, when it built São Paulo's tramway and power lines.

By the time Flatt arrived in 1990, it was a sprawling conglomerate spanning banking, beer, forestry and mining. Flatt was part of a team that slimmed it down, a process that continued after he succeeded Cockwell in 2000. The great insight that underpinned the modern Brookfield was the growing appeal of "real assets" – property, infrastructure, energy – to institutional investors. "We recognised early on that pools of money in the world were amassing ... and they were going to eventually need to invest in things other than stocks and bonds," Flatt says. "Our idea was to take our operating

skills, skinny it down to what we could do well, and then offer these products. It took us years to convince anyone to come in with us. We'd see 100 institutions and 99 would say no and one would come in, so we'd have one client in a fund."

The other insight was the power of investing outside the glare of the stock market. With private assets, "you get paid for the lack of liquidity, but more importantly, the distractions of the public market get taken away".

There is a contradiction in that Brookfield itself is quoted. Flatt says he wishes he had de-listed it 35 years ago, before that became unaffordable. "We'd rather have it private – it would be better – but we don't have \$75 billion," he says.

He and a small group of partners control Brookfield via a 20 per cent shareholding that gives them the rights to elect half the board. That would be frowned upon under UK governance rules; even in the US it was branded a "quantum leap backwards" as long ago as the late 1990s. "It's enabled us to have a long-term vision and not worry about day-to-day distractions," Flatt argues. "Some people will say that's not the right thing. I'd say, then don't invest... Many of our investors are thrilled, because they say the opposite: 'If you guys are leaving, I'm leaving.'"

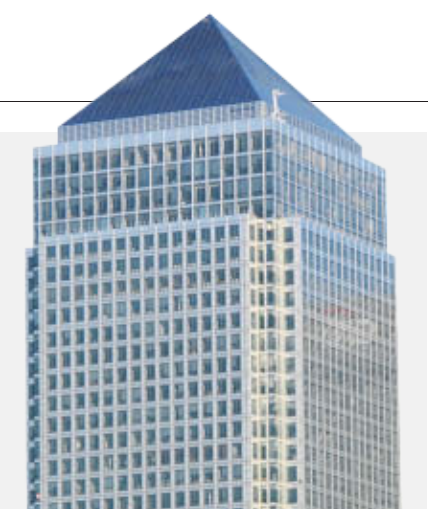
Brookfield recently promoted a cadre of senior lieutenants such as Connor Teskey, head of its renewables business, and Sachin Shah, who runs its insurance operation, as it begins to contemplate life after Flatt. Observers ask how he could be replaced: Blackstone's Gray says he is a "singular individual". But Flatt insists he thinks about succession "all the time".

"The day my name disappears from Brookfield, I'll have accomplished my goal," he says. "Somebody else will be in the front and I'll be helping them behind the scenes, and that will be fantastic."

As ever, this contrarian is thinking about the long-term. As much as Brookfield wouldn't be the same without Flatt, though, I suspect Flatt wouldn't be the same without Brookfield.

### CANADIANS' GLOBAL EMPIRE

● Having initially bought a stake during a 2003 takeover battle, Brookfield gained full control of Canary Wharf in 2015 with Qatar's sovereign wealth fund. The east London estate comprises 8.5 million sq ft of space.



● Brookfield acquired Center Parcs from private equity rival Blackstone in 2015. It has five holiday villages in the UK, plus one in Ireland. The Canadians scrapped plans for a site near Crawley, West Sussex, in February due to environmental concerns.



● HomeServe, the home repairs and emergency services group founded by Richard Harpin, was taken private by Brookfield for £4 billion last year. Flatt says de-listing allows firms to get rid of public-market "distractions".

● Joining forces with GIC and Temasek of Singapore, Brookfield took over the Australian utility Origin Energy for \$12.4 billion including debt in March. Origin owns a 20 per cent stake in the UK's Octopus.



### THE LIFE OF BRUCE FLATT

#### VITAL STATISTICS

**Born:** June 10, 1965  
**Status:** married to Lonti Ebers, an art collector. They have no children  
**School:** Grant Park High School in Winnipeg  
**University:** Manitoba  
**First job:** chartered accountant  
**Pay:** \$10 million last year, plus a fortune estimated at \$2.8 billion by Forbes  
**Homes:** Marylebone in London, and New York  
**Car:** he has the same white Audi hatchback model on both sides of the Atlantic. "One's left-hand drive and one is right-hand"  
**Favourite book:** value-

investing books – "anything by Benjamin Graham or Warren Buffett"  
**Drink:** Coke Zero  
**Film:** none  
**Music:** "Anything produced by [publisher] Primary Wave, which we own"  
**Gadget:** iPhone  
**Watch:** "None. Gave it up. There's one on the phone"  
**Charity:** Amant, an art foundation set up by his wife  
**Last holiday:** Uruguay over Christmas

#### WORKING DAY

Brookfield's chief executive is in perpetual motion, flying between the 30 or so countries in which the Canadian investment giant has

#### Whitney Houston is on Primary Wave's roster of recording artists



interests. "My schedule is really irregular," says Bruce Flatt. When working from Brookfield's head office in Toronto, Flatt likes to arrive at 8am and leave at 8pm. But the global nature of its empire means he is often up late. "I had a board call last night from 6.30pm until 11pm," he says, by way of example.

#### DOWNTIME

Flatt, 58, works constantly, including at weekends. He tries to run twice a week, which might fall on a Saturday and Sunday. Other than that, he catches up on Brookfield matters. "Having that extra time at the weekend allows you to just stay ahead of the game," he says.