

# Intercitygroup

Mastering Real Estate

Interview *(Translated from the German)*

## “We’ve always stayed hungry.”



Board member and honorary president Toni Bächler and Intercity Group CEO Herbert Wüst talk about their work together, developments in the real estate sector, upcoming challenges and what it is that makes Intercity so unique.

**Mr Bächler, when did you join the Intercity Group?**

**Toni Bächler:** I officially joined Intercity Lucerne on January 1, 1964 as a sales associate. In 1969, I opened the Intercity Geneva branch before heading to Zurich at the end of that same year to join Hans Wüst, Herbie Wüst’s father, at Dufourstrasse 90. I took over responsibility for sales pretty quickly, and from Zurich I also managed the Bern and Basel offices, which had opened in the meantime. Gradually, I also took on the man-

agement business, followed by the management of the Intercity Group in early 1970.

**Herbert Wüst:** The 1970s were tough, and Toni Bächler and finance director Dieter Herweijer were key to the company’s survival. Without them, Intercity wouldn’t exist today. Even back in 1981, when I joined the Intercity Group and Toni was managing operations, we understood and complemented each other well. As I took over the running of Intercity, he became a mentor for me and others in the company. If I had to broadly summarize the roles he has fulfilled in the Intercity Group, I’d say ‘savior’, ‘leader’ and ‘mentor’.

Küsnacht, September 13, 2018  
Toni Bächler and Herbert Wüst in conversation with Clau Isenring and Stephan Egloff



Toni Bächler is a key figure for everyone at Intercity, and a teacher for me personally. I might never have joined the company, or at least not been there long, if Toni Bächler and Dieter Herweijer had not kept it on course.

#### Has the way you have worked together shaped the company culture at Intercity?

**Toni Bächler:** Certainly it has. The basis of our working relationship down the years has always been respect and trust. We were always open, honest and completely direct with each other. And we still are.

### “Toni Bächler was, for me and for Intercity, a savior, leader and mentor.”

Herbert Wüst, CEO Intercity Group

At the Intercity Group, we aim for dialog and consensus. Herbie believes in the ‘unité de doctrine’ approach and applies it to managing the Group. And our staff also subscribe to this philosophy, which is crucial.

**Herbert Wüst:** Here, nobody pulls rank on anyone else. We have a culture of two-way communication and base decisions on common sense. I believe we all know exactly

how things should go, so we often discuss issues bilaterally, too.

#### You mentioned the difficult 1970s...?

**Toni Bächler:** The 70s were definitely hard. In the wake of the oil crisis, in 1974, we were wrong-footed and slid into real difficulties. I remember that time so clearly. One day, in September 1974, I had to let 30 employees go - and there was no unemployment benefit then. That was bad, but it was to save the Group - it was a matter of survival. Things started to pick up in 1977.

#### What are the other landmark decisions and chapters in the Intercity story?

**Toni Bächler:** We decided relatively early on not to get involved in large-scale real estate investment, but instead to remain as a third-party provider offering marketing, management and consultancy services. Also because our options in terms of capital were limited. That’s how we managed to navigate the dark

days of the early 80s and do relatively well in the 90s, until the huge bank writedowns happened and up to CHF 60 billion was wiped off the real estate sector. We’ve always endeavored to remain independent

and focus on our core business. And we’ve more or less succeeded.

**Herbert Wüst:** A milestone for us in the latter half of the 80s was Gehrholz Park - a project comprising 83 houses on the former Zurich brickworks site overlooking Goldbrunnenplatz. Hans Wüst decided to take on the project as a private individual, and it was a huge success, mainly due to the massive increase in land prices. Overall, it was a really easy sell: these were townhouses in a complex that was outstanding in every respect - and still is today. Gehrholz Park was a key project for us, for the company, in that we successfully concluded the contract, and for the family, and Hans Wüst in particular, because it led to an accumulation of assets.

#### How has the real estate sector changed over the years?

**Herbert Wüst:** In terms of the real estate services sector, segmentation, specialization and professionalization have been key for us. In 1986, when I was a trustee, real estate agents were still jacks of all trades who fixed roofs, sold villas, rented out offices and managed properties. For Intercity, segmenta-



tion meant one thing: a multibrand strategy. Rather than covering everything under the same brand, we wanted to promote our specialization and make it more visible.

**Toni Bächler:** Specialization also had a marked effect on the training situation. From the end of the 70s, people began to value proper training - the first exams for real estate trustees were held in 1968. Nowadays, for marketing, management and financial accounting roles, we recruit mainly experts with qualifications.

**Herbert Wüst:** ‘Property’ as an asset class has in general become considerably more important. Of course, this is also due to the low interest rates. The downfall of banking has resulted in real estate becoming sexy. For those of my generation, a career in banking was seen as one of the most attractive and obvious options. Nowadays, everyone wants to be in real estate.

**Toni Bächler:** Another decisive factor was the boom in entrepreneurship in the mid-80s. Architects became involved in production, and var-

ious businesses got into housing construction on a large scale. This meant that real estate service providers lost important clients, as they were all organized in a vertical structure. They did everything themselves - from production and sales to management. This had a significant effect on the sector, at least in the Zurich area and conurbation, and obviously on Intercity

**“When we collaborate on properties that cannot be marketed, there are immediate repercussions for us.”**

*Toni Bächler, board member and honorary president*

as well. And then there were the institutional investors, who started to increase their holdings.

**How did Intercity respond to these changes?**

**Toni Bächler:** We realized that the earlier we could get involved in an advisory capacity, the more influence we would have on a project in terms of saleability. That is why we invested quite a lot upfront, before seeing any returns from marketing and sales.

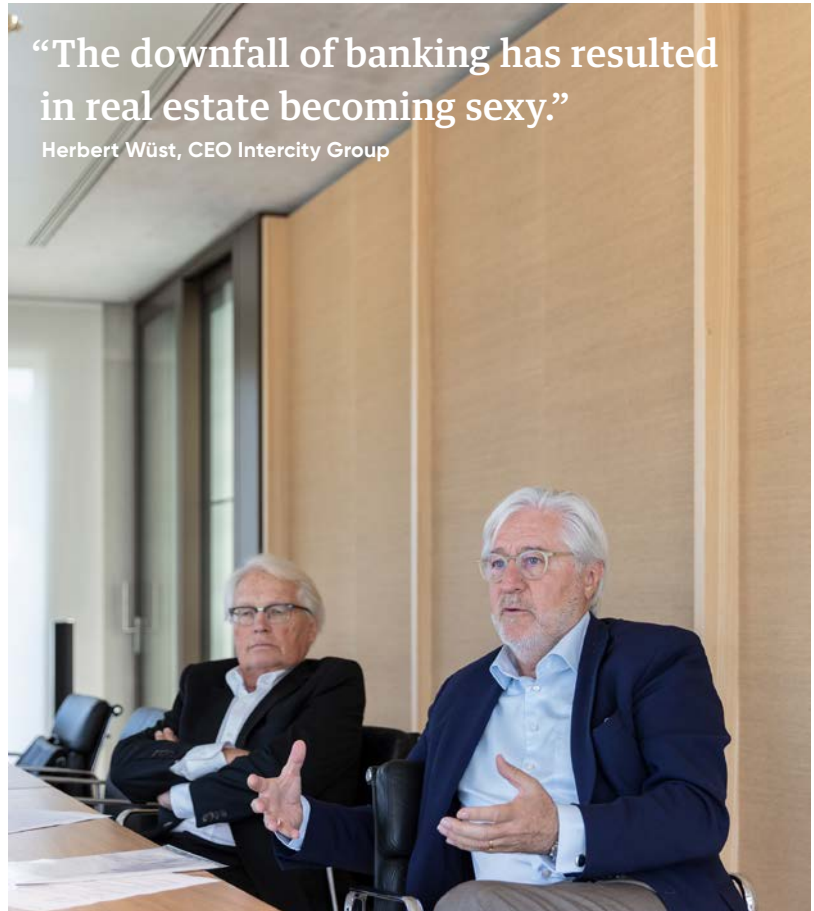
**Herbert Wüst:** ...and there are only returns if we conclude a project successfully. But when we are able to influence the products - particularly in the residential property sector - we can use our market knowledge to ensure that the product is ultimately absorbed by the market. We bring in the voice of the market, if you like. In the business of transactions, we are probably the

only stakeholder in the project who has to conclude a successful sale in order to earn some money.

Another important aspect, which we took into account from early on, is internationalization. In the 90s - in particular, in the commercial property consultancy business - huge office spaces were standing empty and there we were, with our transactional approach. We could act dynamically, while many other companies which were only active in a management capacity

“The downfall of banking has resulted in real estate becoming sexy.”

Herbert Wüst, CEO Intercity Group



were suddenly faced with vacant properties. The 90s were a difficult time for the real estate business in general, but they were actually good for Intercity.

**What do you feel makes Intercity Group unique?**

**Herbert Wüst:** Our independence, our cross-regional presence and our consistency. On the service provision side, the sector has changed dramatically. Many have disappeared, but we're still here. In addition, we've always stayed hungry. Ours is a challenging business model: on the one hand, there's the management business, which is essentially a portfolio business, albeit one in which profitability is a constant challenge. And on the other hand, there's the transactional business, where we have no idea at the beginning of the year whether we'll make turnover by the end of it. You have to be able to handle that type of pressure. And we can, because we all think entrepreneurially and enjoy what we do.

**Toni Bächler:** You can look at it like this: in our transactional activities, which are at the heart of agency work, we are effectively selling twice. First, we are selling our services, so that we get the contract. Then we have to do the marketing. When we collaborate on properties that cannot be marketed, there are immediate repercussions for us. This is our constant conundrum.

**But this business model also adds to your credibility...**

**Herbert Wüst:** Yes, and I sometimes need to bear that in mind when meeting clients: we're all in the same boat and share the same interests. As an agent, we are judged on the conclusion of the rental contract and the sales contract.

**The 93/94 Intercity progress report stated: "When others say it won't work, that's when it becomes interesting to Intercity". How important is resourcefulness in the real estate business?**

**Herbert Wüst:** Nothing would happen without creativity. Often, it's the messy, difficult situations that are the most interesting. Because you can always get stuck in somewhere - you just have to find the right point. Usually, it has nothing to do with the price. What's important for us is to be able to adapt experiences and reflections in one area across the board. Our specialization, together with the constant

flow of expertise across the Group, is undoubtedly key to this.

**Toni Bächler:** Yes, that is a decisive factor. We have to identify Group-wide synergies and leverage the specialist expert and regional experiences from across the companies. This gives us a stronger presence in the market and allows us to offer creative solutions.

**What do you see as the biggest challenges in the future and is the Intercity Group ready for them?**

**Herbert Wüst:** For us, as a family company and third-party services provider, it is absolutely crucial that we have the right people on board: business people in the business. And that's despite - or perhaps because of - the digital revolution. The question is: is it about digitalizing the business model or is it about tools? In terms of tools to ensure increased efficiency, we are well equipped - this is particularly important for management. We are not questioning our business model, however. Above all, when it



comes to providing advice, which is where we can really add value, well-qualified experts are key.

**Toni Bächler:** A constant challenge for us has always been to anticipate where the market is going. We need to spot opportunities and the services we can use to exploit them early on, while still keeping our feet firmly on the ground. We keep our eye on the ball, and our flexible structures allow us to act swiftly

and agilely. In our transactional business in particular, we have the advantage of being able to move easily from sellers and the sales market to renters and the rental market. Or the other way around. But always with the associated risks, including in terms of investment in personnel.

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**Toni Bächler, board member and honorary president**

precious, volatile transactional business - they allow us to react to trends. Such as in retail, for example, where online trading has changed the sector. Or in the investment business, where there is great pressure on the investment side. Hugo Steiner is particularly strong here, as it already has exactly the right skills, credibility and network to take on these investment properties and sell them.

**Herbert Wüst:** Our structures, hierarchies and decision-making processes are ideally suited to the

**You once said that Intercity is always among the first movers - what will be your next big move?**

**Herbert Wüst:** Looking back over the years, it's clear that we were actually the first to do this or that. In that sense, we certainly are a first mover. We will continue consistently taking advantage of opportunities in the future. If we see that there is a possibility to grow in the real estate management field, then we will act

on that. We will also be more open to cooperation in future, including across sectors. Because a company has no future if it believes it can do it all and set the standard. •