

Q&A

➔ MANAGING PARTNER AT ACORE CAPITAL

Warren de Haan

By Danielle Balbi

Warren de Haan and his partners—Boyd Fellows, Stew Ward and Chris Tokarski—first began working together at Nomura Securities in the 1990s. After founding Countrywide Financial in 2004 and then joining Starwood Property Trust six years later, the foursome decided to take their combined 100 years of experience and start their own venture. Last year, the firm landed a \$1.6 billion capital investment from Delphi Financial Group, a subsidiary of Japanese insurance giant Tokio Marine Group, to launch ACORE Capital—which stands for alpha commercial real estate. Since ACORE's first debt origination in July 2015, the company has committed to more than \$2.6 billion across 40 loans. Mr. de Haan provided *Commercial Observer* with a bit of insight as to why 2015 was the right time to start the new firm and how ACORE may very well have an advantage given current market volatility and new regulations dictating how banks and commercial mortgage-backed securities folks will be conducting business.

Commercial Observer: Where did you grow up?

Mr. de Haan: I grew up in Pretoria and Cape Town, [both] in South Africa.

How did you get in to the real estate lending industry?

I graduated from Cornell University and joined Nomura's commercial real estate lending platform in New York City, which at the time was the dominant commercial real estate lending platform in the U.S. My partners at ACORE—Boyd Fellows, Stew Ward and Chris Tokarski—held leadership roles at Nomura and were doing innovate and exciting things in commercial real estate finance. We have been partners ever since!

Why was 2015 the right time for you and your colleagues to launch ACORE Capital?

It was a confluence of factors. Primarily, we had a vision to build a best-in-class commercial real estate finance platform leveraging our 20-plus years of experience as partners building and operating similar platforms. Most recently, we were the management team at Starwood Property Trust, with Barry Sternlicht, that grew the company from \$890 million in IPO [initial public offering] capital to a market cap in excess of \$5 billion between 2010 and 2014. Furthermore, with banks facing a more robust regulatory framework within which to operate, and the disruption in the capital markets, the

opportunity set for “non-bank banks” has never been better. There are over \$1 trillion of loans coming due in the next two years coupled with a very healthy investment sales pipeline and an economy that is somewhat stable. Within six months of our resignation from Starwood we secured a \$1.6 billion capital commitment to launch ACORE.

What types of deals are you guys working on now?

Since funding our first loan [last] July, we have closed or committed to 40 loans totaling over \$2.6 billion. It runs the gamut. The core of our business is making whole loans secured by high-quality real estate with a business plan to add significant value to the property. In other words, transitional [and/or] bridge loans that range in size from \$25 million to \$200 million on all property types nationwide. We also do non-cash flowing deals like empty office buildings and construction on a select basis. Interestingly, given the volatility in the capital markets we are seeing a lot more loan acquisition opportunities. We recently closed on a \$200 million pool of loans that a specialty finance company was selling.

How much of a deal do you typically hold on your balance sheet?

We are a one-stop shop. We originate whole loans but will opportunistically sell A-notes and retain the subordinate debt on a case-by-case basis.



COURTESY WARREN DE HAAN

What is one of the most interesting transactions you have closed in the last 12 months?

We recently closed an \$85 million loan for an opportunity fund whose business plan is complicated, requires a significant future funding component and a complete repositioning of the asset. Their existing lender had multiple lenders in the capital stack, and as such they were having issues getting the approvals from one of the participants to execute on their business plan. ACORE refinanced the loan as a one-stop shop and retained the whole loan on our balance sheet thus enabling the borrower to only have one point of contact and one set of approvals.

Are you seeing demand for any specific types of borrowers or for any particular locations or asset classes?

Transaction flow is extremely strong so we are seeing demand from borrowers on all property types across the country. However, there are a disproportionately large number of hotel loan requests in the market today. Surprisingly, we have closed on a number of high-quality multifamily projects, which have traditionally been financed by banks.

How are the current market conditions providing ACORE with more lending opportunities?

The current environment is exceptionally

good for ACORE. The disruption in the capital markets is impacting CMBS [commercial mortgage-backed securities] and those lenders reliant on financing themselves through CLOs [collateralized loan obligations]. Some specialty finance companies, which are publicly traded, have not been able to raise follow-on capital, and bank regulations and risk retention rules are impacting traditional financing sources. As such, a number of our competitors have been sidelined. Providing borrowers with surety of closing as a one-stop shop balance sheet lender, competitive pricing and loan flexibility tailored to their business plans is helping ACORE gain market share and presence rapidly.

What are some of your goals for 2016?

On the new loan origination side we expect to close approximately \$5 billion in whole loans this year. We also intend on raising additional investment capital to take advantage of the exceptional risk adjusted returns we are able to manufacture given our competitive advantages.

How large is your team now? And how much are you planning on growing the team in the near future?

We are currently 40 people in New York, Los Angeles, San Francisco and Dallas. We are looking to add experienced real estate professionals in all the offices, and we should be around 50 people by the end of 2016.