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ACORE Writes $96.5Mln Loan on Md. Office; Sees $5Bln of Originations This Year

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ACORE Capital has provided $96.5 million of financing to facilitate the purchase, by a venture of Foulger-Pratt and Cerberus Capital Management, of One Discovery Place, a 549,000-square-foot office building that serves as the headquarters of the Discovery Chanel in the Washington, D.C., suburb of Silver Spring, Md.

The venture purchased the property, which Discovery is vacating early next year, for $70 million, or $127.50/sf. At that time, the Foulger-Pratt/Cerberus venture plans to reposition it into multi-tenant use. The five-year-old property was sold by Discovery Inc., which as part of its acquisition of Scripps Networks Interactive is moving its headquarters to New York.

The financing is comprised of both a senior and mezzanine loan and was arranged by JLL. It's structured much like a construction loan, in that only part was funded up front. The remainder would be funded as certain thresholds are met. Those would involve improvements to the property and the leasing of space.

ACORE, which was launched in 2015, has become among the major alternative players, particularly in the large-balance space. The company - ACORE stands for Alpha Commercial Real Estate - is [led by a group of lending executives who have worked together for more than 20 years](http://www.crenews.com/general_news/general/former-starwood-lending-execs-form-acore-capital.html), including at Starwood Property Trust, where they developed the company's lending business, Countrywide Financial Corp., Coastal Capital Partners and Nomura Securities.

The company's balance sheet now totals more than $11 billion, comprised largely of relatively short-term loans against properties in transition and construction loans. It's on track to originate $5 billion of loans this year, roughly matching the $5 billion it funded last year. Given the $70 million average balance of its loans, it has written about 70 loans annually. Much of that is repeat business, explained Warren de Haan, a founder, managing principal and head of originations for the company.

Like many other alternative lenders, ACORE's business relies on property acquisitions for volume - when investors buy properties, they're often looking for flexible financing in order to improve the value of their investment. With [real estate funds having roughly $290 billion of dry powder](http://www.crenews.com/general_news/general/real-estate-investment-managers-raise-$229bln-for-48-funds-in-2q.html) - capital that's ready to invest - property-sales activity ought to remain healthy, despite higher interest rates.

"We have proven that we'll be there for borrowers," he added, which explains the "high percentage of repeat business we have." He said about 45 percent of its business comes from clients who previously have borrowed from ACORE. He noted that the team that oversees the company, which also includes Boyd Fellows, Chris Tokarski and Stew Ward, has developed "very deep relationships" over the 20-plus years it's been in the lending business.

The company has a staff of about 75, with 18 dedicated to loan originations and 21 to asset management. It relies on its deep relationships with brokers to source lending opportunities.

While the company is willing to write loans as small as $25 million, and can fund loans larger than $200 million, it's found its sweet spot is about $75 million. "It's a small universe" of lenders that can consistently write loans that large nationally, de Haan said.

The loan against One Discovery exemplifies the types of opportunities ACORE prefers. The property is in a strong location, which already had had substantial interest from potential tenants, and is owned by what de Haan described as a "world-class" investment fund and "world-class local partner." He added that institutional borrowers, such as Cerberus, haven't been pushing the leverage envelope too much. ACORE typically writes loans of up to 75 percent of a property's value, and can go up to 80 percent. Borrowers, de Haan explained, are looking primarily for lender flexibility.

ACORE is capitalized by investors that include [Delphi Financial Group](http://www.crenews.com/general_news/general/acore-capitals-backer-ups-commitment.html), a unit of Tokio Marine Group that had committed nearly $3 billion to the company. It leverages its capital with a series of warehouse facilities, but hasn't yet tapped the collateralized loan obligation market. While [pricing in that market has gotten more competitive with warehouse lines for most lenders](http://www.crenews.com/top_stories_-_free/alternative-lenders-enjoy-efficient-financing-through-clo-market.html), the costs involved in issuing a deal often can outweigh any spread advantage, particularly for the largest and most-active lenders.

ACORE continues to focus on writing first-lien bridge loans and mezzanine loans and has occasionally made preferred equity investments. It could, however, expand its menu when opportunities arise. "Where we find value, you'll see us in those spaces," de Haan said.

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