



MREG launches Mack Real Estate Credit Strategies

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Mack Real Estate Group (MREG) has expanded its real estate debt investment activities with the unveiling of a new lending platform focused on transitional and distressed assets throughout North America and in Europe. The direct lending business will be managed by Mack Real Estate Credit Strategies (MRECS), a newly formed real estate investment management company headed by Richard Mack, CEO, and Peter Sotoloff, chief investment officer. Initially, MRECS will focus primarily on mezzanine, preferred equity, and first mortgage loans for properties in need of flexible capital and sponsors seeking an experienced real estate lending partner.

MRECS brings together the Mack family's experience operating real estate credit strategy funds, commercial real estate securities funds, and investing in debt-based real estate opportunities at AREA Property Partners, with Sotoloff's deep and multi-faceted background in real estate structured finance as a co-founder of Blackstone Real Estate Debt Strategies (BREDS).

The Mack family and Mack Real Estate Group also bring multi-generational, global real estate experience and ownership, as well as significant in place capabilities in property development and management. This creates a complete lending platform with the ability and experience to assess real estate risk in the underwriting process, actively oversee a growing debt portfolio utilizing deep asset management talent, and deploy a development team with the skills to take control of the underlying real estate when necessary or desirable.

"There are three reasons for launching this business now," said Mack. "First, we believe that the returns currently available for loans secured by transitional assets in the United States, and for almost all European assets located outside of the very few top tier cities, will be superior to most other real estate investments, on a risk-adjusted basis. Second, Peter Sotoloff, whom we consider the best real estate debt professional in the market, has agreed to join us. Third, we are now able to invest with partners who supported us in our past businesses. We believe that they see the merits of continuing our previous, very successful real estate lending program, which was nearly unique in continuing to provide very positive returns even through the last downturn."

"Unlike our development business, where we plan to hold real estate assets with institutional partners indefinitely, we believe that real estate debt investments, with finite maturities, are well suited for limited-life investment vehicles," Mack said. "Further, we believe that high yield debt vehicles, when prudently managed by a firm with the proper combination of extensive lending experience and substantial real estate development and operational capabilities, will have the potential to provide investors with better risk-adjusted returns than other comingled vehicles that participate in the commercial real estate investment market. Many of our partners have recognized this distinction and are seeking out real estate debt opportunities as a result. Through this new institutional platform, we believe we have the opportunity to provide much-needed liquidity to borrowers, while mitigating downside risk through our cycle-tested experience at the asset level."

"I am excited to be co-founding MRECS with Bill and Richard Mack. We plan to build a preeminent real estate debt investment platform, relying on our extensive combined experience of creating value for investors in the real estate debt space, while providing creative capitalization solutions for borrowers," Sotoloff said. "Private lending has a major role to play in today's real estate debt markets. Real estate finance has experienced seismic changes since the last financial crisis. The landscape for borrowers is completely transformed. Financing options for transitional assets can be limited. As a result, we see tremendous demand for flexible, experienced lenders in that segment of the debt financing market, and limited competition. Our skill set is perfectly matched to the opportunity. I'm thrilled to help launch this business and look forward to maximizing its potential."

Previously, Sotoloff served as managing director and head of originations of Blackstone Real Estate Debt Strategies (BREDS). He was among the founders of the BREDS unit and helped build it into a \$10 billion (equity capital) multi-strategy debt investment platform. Before joining Blackstone, Sotoloff was a principal of Tribeca Associates, where he managed the acquisition, financing, and development of large-scale office, lodging, for-sale residential, and mixed-use assets and portfolios. Sotoloff also oversaw nonperforming loan acquisitions and global risk management strategies for the Morgan Stanley Real Estate Funds, and worked with the Goldman Sachs Whitehall funds earlier in his career.

In addition to other debt investment activities, including Claros Fund Management LLC, a long/short commercial real estate securities hedge fund, Mack-controlled entities are currently developing approximately 4,000 units of multifamily property in gateway markets throughout the United States. Mack Real Estate Group directly owns and manages approximately 6 million s/f of commercial real estate and real estate developments, and holds partnership interests in entities controlling in excess of 60 million square feet. Additionally MREG is the majority owner of Winthrop Property Management, which provides third-party property and construction management services to approximately 10,500 multifamily units and 8 million s/f of commercial buildings.

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