John Carrick

Building Relationships

An Interview with John Carrick,
Co-Founder and Managing Principal, Integrated Capital Management

EDITORS' NOTE *John Carrick has extensive experience as a real estate attorney, investment banker and principal which is reflected in the execution of more than $75 billion in real estate transactions during his career. Prior to forming Integrated Capital Management, Carrick was Senior Managing Director at Newmark Grubb Knight Frank (NGKF), where he advised clients with respect to both equity and debt capital formation on a project, portfolio or entity basis. He also held executive positions at Anderson Global Corporate Finance, Savills Studley and Cohen Financial. Previously, he was part of the investment banking practice at Nomura Asset Capital where he focused on debt underwriting, origination, securitization and asset management. He started his professional career as a structured finance attorney in the private sector and as counsel for the Resolution Trust Corporation. Carrick received a B.A. from Bucknell University and a J.D. from the Columbus School of Law at Catholic University of America. After practicing law for five years, he continued his education at UC Berkeley and earned an M.B.A. at the Haas Graduate School of Business where he was awarded the prestigious Marshall Bennett Real Estate Fellowship.*

FIRM BRIEF *Integrated Capital Management (integratedcm.com) is a Los Angeles-based investment management firm. Founded by real estate finance veterans John Carrick and Robert Lindner, Integrated is privileged to invest the commercial real estate allocation of Disney and several other family offices around the country, as well as multiple registered investment advisors (RIAs) and foreign capital sources. Principal investments are capitalized through the firm's various discretionary private equity offerings and are generally styled to help accomplished owners, operators, and developers of commercial properties scale their platforms and assets under management on a national basis by offering strategic co-investment capital. In addition, Integrated is able to access institutional LP equity, senior debt or structured investment through its affiliated investment banking platform, Integrated Realty Advisors.*

What was your vision for creating Integrated Capital Management and how has the firm evolved?

Integrated is really the natural outgrowth of our team serving the real estate community as investment bankers for more than 30 years. People often use the term differently, but when I say "investment banking," I mean we helped accomplished owners, operators and developers of commercial real estate in all asset classes to capitalize, whether it be on a project basis, portfolio basis, or even at the entity level.

Over time, we found the advisory business to be a great farm league for off-market principal investment opportunities. The team would spend four to six months getting to know a project, a market and a sponsor. We would raise the capital successfully, and our efforts would crescendo with a closing. The sponsor, who already had significant money at risk, would often then be required to contribute additional equity at closing.

Given the high-touch boutique style of our practice, our clients tend to become friends so at the closing, I would ask, "How are you going to come up with that additional money? Do you mind if we come alongside you and invest in the deal?" Generally, as friends, they would allow us to do so.

Robert Lindner, our co-founder, and I started to co-invest more regularly with our clients and, over time, we enrolled other private wealth relationships in these co-GP style investment opportunities. The Disney family and other family offices with whom we enjoy deep, long-standing relationships, would invest with us alongside the sponsor, and we all did very well on a discrete project-by-project basis. Nearly three years ago, these same relationships encouraged us to form Integrated and migrate to a fund format so that they would be able to participate in every investment opportunity and benefit from the resultant diversification. Integrated's debut fund subsequently closed on an oversubscribed basis and has served as the catalyst of our growth ever since.

How do you define the sweet spot for the size of deals for Integrated?

As you might imagine, few things have gone as expected over the past couple of years. The first deal that opened our eyes to the possibilities took place more than ten years ago. It was a $50-million multifamily development deal, and we raised $30 million of debt which meant 60-percent leverage. Of the $20 million of remaining equity, we raised $18 million from an institutional equity source which left $2 million for the sponsor to contribute.

Unfortunately, the sponsor experienced a liquidity crunch at the most critical moment, so the Disney family, myself and my partners invested $1.3 million of the $2 million, and we did exceptionally well in that transaction. Given our experience, we assumed a $2 million co-investment would be representative of most deals when we formed our debut co-GP fund at Integrated. We also didn't think it prudent to have more than 15 deals in any one fund from an asset management perspective. So, $2 million times 15 investments is $30 million, which is what we set out to raise.

We were lucky to be oversubscribed in the fund, and what has surprised us is the number of larger transactions in which Integrated can participate due to the greater equity required from the sponsor. While we are certainly still investing in $50-million projects, we are also either investing in or have an active pipeline of deals from $175 million to over $450 million in total project costs. As a result, we've added to our assets under management through a multitude of sidecar offerings. Currently, Integrated manages just under $50 million in a variety of co-GP investments ranging between $1 million and $13 million, and we expect to launch a larger fund in early 2020.

How do you define the Integrated difference?

I think it comes down to our relationships. Integrated's goal is that with each $50 million of equity we raise, we want to find two, three or maybe four exceptional sponsors and really help turbocharge them to scale their business. We underwrite at the sponsorship level as much as we underwrite at the project level. We're doing both, but sponsorship is equally important given the programmatic nature of our relationships.

Integrated would not be where it is today without the support of our investors as well, and there is no higher mandate than preservation of the trust placed in us. This is not just business, it is personal, and our commitment is evidenced in everything we do. ●

