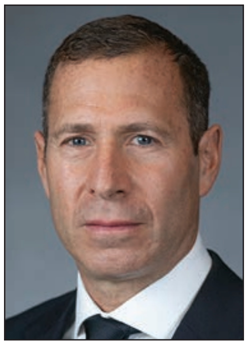
Transparency, Track Record, and Performance

An Interview with Richard Mack, Chief Executive Officer and Co-Founder, Mack Real Estate Group



Richard Mack

EDITORS' NOTE *Richard Mack co-founded Mack Real Estate Group (MREG) in 2013 and its affiliated debt investment business, Mack Real Estate Credit Strategies, L.P. (MRECS) in 2014, and has served as Chief Executive Officer and a member of each company's Investment Committee since its founding. He also serves as CEO and Chairman of Claros Mortgage Trust, a commercial mortgage real estate investment trust (CMREIT), externally managed by an affiliate of MRECS. Earlier in his career, Mack joined AREA Property Partners (formerly known as Apollo Real Estate Advisers) in 1993, the year of its formation, and ultimately served as Chief Executive Officer of AREA's North American business and a member of that firm's U.S. and European Investment Committees. Over 20 years, he was involved in the investment of billions of dollars in debt and equity real estate transactions on behalf of AREA's primarily institutional investors and was specifically responsible for creating new business lines to capitalize on evolving market trends, including a subordinate debt business and ArCap, a subordinate CMBS investor and special servicer. Previously, Mack had been a member of the Real Estate Investment Banking Department at Shearson Lehman Hutton.*

Mack serves on the Wharton School of Business Board of Advisors and, each fall, teaches a course on Real Estate Disruption with Professor Gilles Duranton at Wharton. Mack also co-founded the Penn Media Accountability Project at the University of Pennsylvania. He serves on the Board of Trustees of both the Randall's Island Sports Foundation and the Child Mind Institute, and on the board of directors of the 92nd Street Y. He is President Emeritus of the HES Community Center in Canarsie, Brooklyn, and a member of the Robin Hood Foundation's Housing & Homelessness Committee. Most recently, Mack was elected as Chairman of the Board of the Metropolitan Council on Jewish Poverty. Mack earned a BS degree in economics from the Wharton School of the University of Pennsylvania and a JD from the Columbia University School of Law.

FIRM BRIEF *Mack Real Estate Group, LLC (mackregroup.com) is an integrated real estate investor, developer, operator, and lender with offices across the United States. Founded in 2013, with roots in a family business dating back to the 1960s, MREG provides real estate investment management, development, and property management services through several affiliates, including MRECS. In 2021, MREG completed an initial public offering of its commercial mortgage REIT, Claros Mortgage Trust, which focuses primarily on originating senior and subordinate loans on transitional commercial real estate assets located in major markets across the U.S. Claros is the third largest commercial mortgage REIT in the country. MREG aims to generate attractive risk-adjusted returns for investors while being a trusted counterparty sought out by a wide variety of real estate market participants.*

Will you highlight the history of Mack Real Estate Group and how the firm has evolved?

This business is the evolution of a number of predecessor businesses, and the best way to explain the evolution of Mack Real Estate Group is to understand that history. I am third generation in the real estate business. My father was one of the pioneers in developing two different types of products in the Northeast – one was industrial in the Meadowlands, and the other was big suburban campuses in Northern New Jersey for telecom and pharmaceutical companies. In 1991, my father made an investment and went on the board of advisors in the creation of Apollo Management, and in 1993 they started a real estate fund. At that time, I was graduating from law school and had hoped to be on my way to the District Attorney's office. I had been a banker earlier and while I did not necessarily

AVEN, Los Angeles, California

The Greenpoint, Brooklyn, New York

see myself working in real estate, I thought that what they were doing provided a good temporal opportunity since they had raised a substantial amount of money to invest and assets were on sale. So, I thought I'd join them for a few years while I figured out what career I would pursue. The one thing I did not want to do was to end up in business with my father. He came from a family business which always has challenges.

We ended up being in the middle of the creation of the private equity real estate industry. In the early '90s, three things were occurring simultaneously to address the lack of capital: REITs became a major part of the investment landscape; commercial mortgage-backed securities (CMBS) became very important to the real estate debt capital markets; and there was the advent of real estate funds. I was fortunate to sit at the confluence of those three structural changes in the real estate business, and this influenced what Mack Real Estate Group has become.

While at AREA, we started with one $500-million fund and raised about $14 billion in equity and did about $70 billion in transactions. We operated that business for about 20 years and did everything from co-development to direct development to capital allocation and opportunistic to direct lending in both the U.S. and in Europe. We started out as a buyer of distressed assets, but our business evolved and moved into development and seeking out other high return opportunities and geographies. Two of our insightful decisions, which I was the primary advocate for, were Central Europe and real estate credit. I was lucky to have been able to be involved in Central Europe early in my career. Over time, the business grew, and I became the CEO of the Americas and oversaw global credit.

In 2013, we sold our interest in the AREA business and formed Mack Real Estate Group, as an owner, operator, and property manager with institutional capital. We then built out the platform infrastructure and quickly grew our portfolio to 5,000+ Class-A apartments in primary U.S. coastal cities including New York, Miami, Los Angeles, Seattle, and Portland.

A year later, we began to seize on the post-Dodd-Frank opportunity to scale rapidly in the debt space, because banks were no longer lending as they used to. We launched Mack Real Estate Credit Strategies, and built this on the back of our property management and development infrastructure, which we retained from the sale of AREA to Ares. Today, Mack Real Estate Credit Strategies is a diversified real estate debt platform that has executed more than $17 billion in loan originations, co-originations and acquisitions, with investments across the real estate credit spectrum including first mortgage, mezzanine, CMBS, and preferred equity.

Today, MREG is an integrated developer, operator, investor, and lender.

How do you describe Mack Real Estate Group's culture?

At our core, we are a family business that has grown into an institutional quality enterprise. As we look to the future, I think about the importance of having a strong succession plan, but we are also going to try to maintain the best parts of a family business culture as well.

How important is brand awareness for Mack Real Estate Group?

There is awareness in real estate around the Mack name since we have been involved in the industry for decades and have deep experience and knowledge. These days, we are focused on building more awareness around the brand and what we stand for because the business has become a lot more than just the Mack family. We are building a business that will outlive its founders and, as such, are attracting top talent at all levels of the company. We want to continue to build our brand awareness and understanding as we look to future growth and to building a leading, sustainable business.

Where do you see the greatest opportunities for growth for Mack Real Estate Group?

I think that there remains a lot of opportunity for growth in the U.S. We have been focused over the past few years on the Sun Belt as well as Seattle. We will continue to build out our development infrastructure and our teams in those markets, but I also see opportunities to move into some discretionary funds directed at distinct strategies. There are a few more debt products and places in the capital markets that we would like to explore.

We currently do not have a presence in Europe, however, I think there are interesting opportunities there. But we're in no rush. When the time is right, I foresee making our first investments in the London market through debt with a lower-risk, lower-return strategy. This would be a natural evolution for the business.

For CMTG, our publicly traded mortgage REIT, we continue to focus on high-growth markets in the U.S., increasing our position in the multifamily sector. Transitional real estate lending, which CMTG focuses on, continues to be a bright spot in today's uncertain environment as the opportunities for alternative lenders have become increasingly attractive.

How challenging is differentiation in the industry?

Differentiation is very challenging. It starts with transparency, track record, and performance, but assuming those are all very similar, you need to find investors who are philosophically aligned with how you approach the business and the opportunities you prioritize.

Part of our differentiation is our integration of certain family office attributes with the institutional quality of our platform and business. This enables us to provide investors with attractive opportunities that have the requisite transparency, as well as create an environment where top talent can build a career path with a little more stability and different culture than an institutional Wall Street-type firm.

Old Post Office Building, Chicago, Illinois

When you look at real estate development, is it about building buildings or creating places?

You need to provide what the market demands. That is becoming more and more about creating a sense of place around everything that you do. As we go about doing that, we also recognize that our first job is to seek to provide attractive risk-adjusted returns for our investors. This is always our first job – taking care of our investors. In order to produce those returns, you need to provide places that meet the evolving needs and desires of communities – and today that may also include more environmentally friendly attributes and features.

Do you feel that the real estate industry is making progress in regard to diversity and inclusion?

We are not seeing enough progress across the industry, so we need to keep trying different strategies. We start with the premise that we need to hire the best and brightest as that is what is going to make our business succeed. The way to make progress is to cast a wider net and to introduce young people to the industry.

We are involved in a program called Project Destined, which aims to introduce minority students and those from disadvantaged backgrounds to the real estate industry through an internship program. We do a lot of mentoring of these kids, which has resulted in finding talented people to hire.

I am also working with a close friend in the real estate industry on the concept of putting a few real estate courses in HBCUs or possibly building a real estate major at one of these schools to be a model for others to follow.

I think we also need to make a push for more women in the industry. We need to think about how to create the right opportunities in a very demanding business to make us more attractive to female candidates.

You commit your time and resources to philanthropic work. What has made this so important to you?

I think it is important for our business to set an example as a corporate citizen. For me personally, I had an incredible example from my father, and he had an incredible example from his father, about the importance of serving nonprofits and being engaged in the community. I have already seen in my kids their interest and desire to get involved in community service and make a difference. And frankly, as the leader of two companies, Mack Real Estate Group and Claros Mortgage Trust, it simply is an imperative as we think about integrating corporate responsibility throughout each organization and retaining the top-tier talent we need.

What advice do you offer to young people interested in building a career in the real estate industry?

When I speak with kids about the profession, I point out that there are many career opportunities in real estate. When we hire someone, we are looking for a diverse set of skills including real life experience – construction, leasing, asset management, brokerage. I encourage them to take a long view on their career and be willing to take entry level jobs that may not be in their sweet spot. They should approach their career as a progression of many different things that will evolve into something that they may not have expected. The key is to get in the door and learn, and to continue to raise your hand when opportunities present themselves.

Are you able to take moments to celebrate the wins and appreciate what you have accomplished?

I do not really celebrate the wins but focus more on the problems, which I know may not be emotionally beneficial. I'm working on that. But we have a long way to go as a business and I am focused on our future plans. I am looking to the day, which is not too far off, when I can step back and focus on three core things: being a spokesperson for the business and more public; thinking strategically about long-term plays; and spending more time with our investors.

Mack Real Estate Group will celebrate its 10th anniversary in 2023 and this will provide a chance for our entire team to reflect and celebrate what we have achieved over the past decade, but our main focus is looking at the next 10 years and the exciting opportunities ahead. ●