



Stuart Boesky Teams With Hedge Fund on Real Estate Investment Venture

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Stuart J. Boesky, who over the course of 22 years helped build CharterMac into one of the country's multifamily powerhouses, has formed a real estate investment management company in partnership with hedge fund operator Mariner Investment Group.

His new venture, Pembroke Capital Management, plans to provide a broad spectrum of structured finance and preferred equity to developers and real estate owners. Its initial investments will be capitalized largely by Mariner, which is headquartered in Harrison, N.Y., and has some \$11 billion of assets under management. But the thinking is that over time, Pembroke will develop several pockets of capital, such as separate accounts, commingled funds and securitizations, for different investment strategies.

The objective, Boesky said, was to "figure out ways to securitize real estate to get the best results for all. We'll be matching capital with real estate deals."

Pembroke's investments will be made across the country and in most sectors, but it will also focus on what it deems to be underserved markets, such as affordable housing and workforce housing.

"There is a way to be socially responsible in one's investment approach while making economically astute and rewarding investments," Boesky said. He added that Pembroke would look "to create new and innovative products and solutions to serve developers and investors in community investment."

The company will originate senior mortgages, mezzanine loans, B-notes and preferred equity. It will also likely invest in certain CMBS, housing bonds and entity-level financing for public and private real estate operators.

"We want to be in all parts of the real estate capital structure," except for equity, Boesky said.

Boesky has already put together a team, comprised largely of senior CharterMac executives who will join him in the coming weeks.

Among them are Neil Bo, who previously was president of Meridian Investments Inc., a Boston-area broker-dealer that helped raise capital for CharterMac's tax-exempt investment funds. His joining gives Pembroke the expertise to quickly tap institutional and other investors for its endeavors.

Neil P. Cullen, who two years ago joined CharterMac's agency-lending unit as managing director, will be managing director of product origination.

And John Garth, who joined CharterMac's American Mortgage Acceptance Co. affiliate two years ago as chief operating officer, will join Pembroke as managing director of capital markets.

In addition, Brian Shelly, chief underwriter at CharterMac, will join Pembroke as managing director in charge of underwriting and asset management; and Paul Reynolds, who handled the underwriting of mezzanine and bridge loans at CharterMac, will join Pembroke as vice president and senior underwriter.

"Pembroke Capital and Mariner Investment Group together will create a formidable presence in commercial real estate markets," Boesky said. "We're creating a unique capital source."

Given the background and track record of the company's senior executives, Pembroke should be able to quickly build a substantial deal flow.

"We've been involved in so many deals," Boesky explained. "That we have the ability to cover a broad base of product." He added that Pembroke is a portfolio lender that will retain the right to service everything it originates. But given that it hasn't yet built a servicing operation, the company's initial investments will likely be serviced by a third party.

Boesky noted that the company has already put together the framework for three initial offerings: A fixed-rate five-year mortgage for investors in multifamily properties; preferred equity for REITs and financing that would facilitate the preservation of affordable housing. The five-year multifamily mortgage offering could be had with up to a 90 percent loan-to-cost ratio and is geared specifically for properties that are stable, but expected to increase in value in short order.

That offering was developed in response to expectations that multifamily rents should inch up in the coming years as the residential housing market continues to soften.

Boesky was chief executive of CharterMac until his retirement last November. He joined the company as president when it was launched some 22 years ago by Stephen M. Ross. During that time, he helped build the company into a vertically integrated capital provider to the real estate industry.

The company initially specialized in providing equity for affordable housing properties. It did that largely by putting together investment funds that received tax credits in return for the equity they provided and investing in tax-free multifamily housing bonds.

Over time, however, CharterMac broadened its wings. Its expansion started with the acquisition of its outside manager, Related Capital Co. in 2002. Soon after, it acquired a large stake in PW Funding Inc., which specialized in providing agency mortgage financing to the multifamily sector.

The company became a larger player in the agency-lending business through its 2005 acquisition of Capri Capital.

And earlier this year, it expanded its investment-management capabilities through its acquisition of ARCap Investors of Dallas. That purchase also gave the company a significant presence in the CMBS market.

The company also owns a substantial stake in American Mortgage Acceptance Co., a public REIT that invests in government-insured mortgages and provides mezzanine and bridge debt for apartment properties

When he resigned from CharterMac last year, Boesky agreed to serve as consultant to the company for a year.

Comments? E-mail Orest Mandzy, or call him at (215) 504-2860, Ext. 211.

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