



Q&A:

ACORE Capital

Q&A: ACORE Capital

Breaking New Ground

9 November 2020

Tony Fineman, Managing Director, Head of East and Midwest Regions of ACORE Capital, discusses the loan origination market and the repositioning of the retail sector.

Q: Tell us about ACORE Capital. Where are you currently finding opportunities?

A: While there's an element of our business similar to a traditional debt fund, I like to think of ACORE Capital as a non-bank lender. We have been in business for approximately five and a half years and originated over \$7 billion of product last year with an average loan size of between \$70 and \$80 million. We are active nationally in the bridge lending space, focusing on everything from land and construction loans to light to heavy repositioning, lease-up plays, and stable assets. We have a sizable loan portfolio under management.

Q: What are you currently working on, and what's the split between loan origination and asset management?

A: It's evolving. While we are and have been spending a large majority of our time on asset management and managing our existing portfolio, the new origination business started showing signs of life towards the end of the summer. However, new loan origination remains choppy, and it's complicated finding deals that work for both sides.

Q: How do you envision the rest of 2020 playing out on the loan origination side?

A: I think the situation will continue to improve, but the improvement will not be linear. I do not believe that we will see a "normal" lending market this year. The general sentiment among people that I speak with is that things will continue to improve slowly.

Q: How do you envision the repositioning of retail, a trend that was already underway pre-COVID?

A: Before the pandemic and the resulting financial crisis that we find ourselves in today, the soft goods retail trends were not favorable in terms of bricks and mortar real estate. These negative trends resulted from technology and the ability to shop without leaving one's house; there was no financial benefit to getting in one's car or taking public transportation to go to a physical store. The convenience of the internet and the services provided by logistics companies have affected the retail industry for a long time.

What's interesting is that whatever direction retail was heading in pre-COVID accelerated during this crisis. People who never bought groceries or other goods online are now doing all of their shopping online. The pandemic has hastened and accelerated the retail sector's demise, and that acceleration will continue. Experiential retail will continue to evolve, so there will be a need for brick and mortar retail. The question is how much brick and mortar will be needed. Inevitably retailers will come up with creative strategies for having a physical presence. But they will have to evolve and create new retail concepts to justify a brick and mortar presence.

Movie theaters are a great example of this. They evolved by having fewer seats but offering more luxury and product offerings with better margins to generate more significant income and create an experience that customers couldn't replicate at home.