

September 28, 2018

## **CrossHarbor Fund Targeting High-Yield Loans**

**CrossHarbor Capital** is rolling out a high-yield lending program with former **Prudential** executive **Richard Flohr** at the helm.

CrossHarbor, a Boston investment manager that pursues a broad range of alternative investments, has given Flohr a mandate to originate a mix of commercial real estate debt — bridge and construction loans, conversion financing and mezzanine debt.

The originations will be made via an open-end debt fund that was seeded late last year with a \$150 million equity commitment from **California State Teachers**. The vehicle, CrossHarbor Strategic Debt Fund, has an \$800 million initial target and has raised \$400 million of equity so far. It plans to use modest leverage to increase its initial origination capacity to \$1 billion. The return goal is 10-12%.

CrossHarbor is entering an increasingly crowded market. Numerous fund operators, finance companies and REITs have started pursuing bridge and mezzanine loans over the past few years, in some cases emboldened by regulatory restrictions

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imposed on commercial banks after the market crash.

Flohr, who joined CrossHarbor in April after a 28-year stint at Pru, said the firm will seek to stand out by its willingness to supply a broader range of debt than many other lenders. “We can do ground-up construction, which a lot of funds can’t do,” he said as an example. “When you go outside the box where most of the other debt funds are playing, you have less competition and more pricing power.”

While the fund has been in the works for some time, CrossHarbor is now ready to actively pursue originations. It will

focus on loans of \$30 million to \$50 million, but is willing to go as low as \$10 million and as high as \$100 million. Loan-to-value ranges will typically hover around 70-75%, but could rise as high as 85%.

The firm plans to tap the CLO market down the road, which would enable it to recycle capital by plowing the proceeds of bond sales into new loans. It's in active discussions with both potential underwriters and bond investors.

Flohr, a managing director based in Chicago, is the fund's portfolio manager. During his long stint at Prudential he wore many hats, ultimately becoming a managing director and head of the commercial MBS program and capital-markets group at Prudential Mortgage Capital, now called **PGIM Real Estate Finance**.

CrossHarbor has hired three staffers to line up and structure debt investments: **William Cohen** in Chicago, **Robin Ibbetson** in Los Angeles and **Matthew Klein** in Boston.

Cohen, a principal, was previously a senior vice president at **Avison Young** and in the early 2000s had a three-year stint at Prudential Mortgage. Ibbetson, a vice president, was formerly a vice president at **Amherst Capital** and **CapitalSource**, both of New York. Klein, also a vice president, had been an assistant vice president at **AEW Capital Management** of Boston.

Flohr reports to **William Kremer**, who co-founded CrossHarbor in 1993 with **Samuel Byrne**. In the late 1980s and early 1990s, Byrne and Kremer worked at Boston-based **Fleet Financial**. They managed the workout of \$500 million of nonperforming real estate that Fleet assumed via its 1991 takeover of **Bank of New England**, which had been put into receivership by the **FDIC**. ❖