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## ACORE adds Matt Drummond to head high-yield strategy

The credit manager is looking to build out its portfolio in the space to complement its primary value-add strategy.

By Harrison Connery

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ACORE Capital has added Matthew Drummond, formerly of Affinius Capital, as its new senior managing director and head of high-yield strategies.

Drummond steps into the newly created position as San Francisco-based ACORE looks to capitalize on the emerging wave of real estate debt coming due by targeting non-distressed assets with distressed capital stacks. According to the Mortgage Bankers Association, commercial real estate lenders face \$1.9 trillion in loans coming due over the next three years.

In his new role, Drummond will be focused on both originating debt as well as raising capital for funds. According to ACORE CEO Warren de Haan, the idea behind Drummond's hire is to build out a high-yield portfolio that complements the firm's primary value-add strategy. ACORE's value-add lending usually allows up to 70 percent last dollar exposure, as opposed to 85 percent exposure for its high-yield strategy. High-yield investments may also involve equity participations and warrants.

"ACORE has been active in this space for some time, but they have a goal of really accelerating that," said Drummond, who will be working closely with the 28-person origination team to drive investments.



Drummond: building out a new business as ACORE's head of high-yield strategies

ACORE is a credit manager with \$20 billion in assets. It has raised nearly \$5.7 billion since 2018, taking the 16th spot on PERE's Real Estate Debt 50 2024 ranking of the top 50 real estate debt managers by capital raised over the past five years.

Drummond got his start on the lending side at M&T Bank, where he spent a year and a half before joining LaSalle Investment Management in 2008. In 2010, he joined Square Mile Capital Management in the company's asset management group, eventually working his way up to senior managing director. Square Mile's integration with USAA Real Estate last year created the company known as Affinius Capital. Affinius declined to comment on Drummond's departure.

"For the bulk of my time there, I was co-leading the opportunistic and preferred equity strategies for [Square Mile]," said Drummond. "So very, very similar to what my mandate is going to be here."

In April, ACORE closed on its largest commingled fund, ACORE Credit Partners II, with \$1.4 billion in commitments. At the time, it was the largest real estate debt fund of the year and the fourth largest close

overall. With the fund, the firm will originate floating rate loans at SOFR plus a spread for projects ranging from new construction to assets undergoing renovations, rebranding or repositioning. Financing new acquisitions will be a core part of ACP II's strategy, and has typically constituted around 75 percent of ACORE's lending activity as a transitional or bridge lender.

The credit manager will continue to invest across real estate sectors, but anticipates opportunities will emerge for multifamily and industrial assets in particular.

"The investment sales volume that you saw, specifically in multifamily in 2021 and the early part of 2022, had some of the tightest cap rates in history," said Drummond. "[It] was the highest year for investment sales ever, and something like 70 percent, 75 percent of that was finances, floating rate debt... So that's certainly going to be an area of focus."

The firm has made a spate of recent executive hires, recruiting Michael Wilkinson as CFO from Wells Fargo in June and Brian Abbott as head of asset management from Pacshore Partners in May.

"The fact that they've been able to position Acore to be able to invest in human capital the way that they are right now... is really a contrast to what you're seeing out there where [other] companies are paring back," said Drummond. "And so that was another reason that I was excited to come over."