

MORTGAGE OBSERVER WEEKLY

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Q+A

Ronald Dickerman

President and Founder, Madison International Realty



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Mortgage Observer Weekly: How did you get your start in the business?

Ronald Dickerman: I'm originally from Boston, and my father was in real estate, focused on old-fashioned value creation—buying fixer-uppers, putting in the work and financing against the equity buildup. My family's company owned a portfolio of apartment buildings and shopping centers in the Boston area. Growing up, I used to tour the properties with my father. He put me to work on the maintenance crews when I was a teenager.

Can you describe Madison International Realty's strategy?

Madison International focuses on acquiring partial and joint-venture interests in Class A, core, quality commercial real estate from existing investors seeking an exit strategy. We also provide JV equity to sponsors seeking to recap or monetize portions of their embedded equity. Our investment strategy allows owners, sponsors and investors alike to generate liquidity in their properties or portfolios without an outright sale. We concentrate on existing transactions and source deals primarily through our relationships with owners and sponsors. We've found that opportunities tend to arise when property sales are delayed or fail to occur, and we represent an alternative exit strategy in those situations. Madison International is purely a financial investor. We work very well with sponsors who actively manage real estate, because we partner with them and are not looking to manage properties.

With record-low interest rates and traditional lenders eager to fund, how is the market for private equity firms?

Traditional investors are struggling with ever-higher prices and bid competition. We are seeing a favorable investment environment for our strategy. Valuations have clearly recovered, but rental rates have not yet reached the high-water mark of 2006 and 2007, meaning many sponsors are not choosing to sell assets now. This opens opportunities for Madison to provide existing partners with an exit.

In what type of properties is Madison International investing at the moment?

We invest exclusively in Class A, core commercial assets. Our prime focus is CBD office buildings, and to some extent retail and multifamily residential, in major cities in the U.S, U.K. and Western Europe.

Can you mention some recent deals in New York?

We acquired an interest in 655 Madison Avenue from a prominent New York philanthropic foundation that was seeking to monetize its interest as part of divesting a larger portfolio. Madison acquired a 49 percent equity interest in a 2.5-million-square-foot portfolio of 15 prime retail properties owned by Forest City in New York City.

Who are the typical investors in your funds?

Investors in our funds are institutional investors, such as insurance companies, pension funds, sovereign wealth funds, foundations and endowments from all around the globe. Over the years, our investors have shown a great deal of loyalty.

What is Madison International's current strategy in Europe?

Europe is a keen area of interest. We invest in core, Class A properties that are leased long-term to investment-grade credit tenants in major cities, which we believe present excellent opportunities to harvest premium dividend yields and wait out a recovery. These properties have 6 to 8 percent dividend yields, so the current cash flows and discounted acquisition costs represent a perfect solution to the credit crisis. We acquired a 50 percent interest in the Trianon, an iconic 46-story office tower in Frankfurt, on this basis. [MOW](#)