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2015 Industry Leader Profile: John Grayken

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2015 Industry Leader Profile: John Grayken

Abstract

Mr. Grayken is the founder and Chairman of Lone Star. Since the establishment of its first fund in 1995, Lone Star has organized fourteen private equity funds with aggregate capital commitments totaling over \$54 billion. Mr. Grayken has served as a key participant in investor relations, sourcing, negotiating, and structuring investments and has been the primary individual responsible for formulating investment strategy for the Funds. In addition, Mr. Grayken is the owner of Hudson Advisors, a full-service asset management company with approximately 850 employees worldwide that provides due diligence and analysis, asset management and other support services to Lone Star. Hudson, a SEC Registered Investment Advisor, has advised the Funds with respect to approximately 859,000 assets with an aggregate purchase price of more than \$131 billion. Mr. Grayken holds a B.A. degree in Economics from the University of Pennsylvania and an M.B.A. degree from Harvard Business School.

Keywords

Cornell, real estate, Lone Star Funds, Industry Leaders Awards

Industry Leader Profile

John Grayken

Founder and Chairman, Lone Star Funds



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One of the great things that we as Editors get to do is present the distinguished Industry Leader Award on behalf of the Cornell Real Estate Review. Congratulations on receiving the award and thank you for participating in this interview.

Thank you for choosing me. It is a great honor to receive this award.

Can you give us a brief background of why you started Lone Star? What was your interest and inspiration for building the company?

Early in my career I was involved in buying distressed commercial mortgage debt during the savings and loan crises. In 1996 I then decided that I wanted to organize institutional capital to pursue the same strategy on my own, and formed Lone Star.

In your current role as Founder and Chairman of Lone Star, what are your primary responsibilities within the company?

I oversee and participate in all capital investment decisions, as well as am involved in the fund raising process.

Lone Star seeks investment opportunities in developed markets that have suffered an economic and/or banking crisis, resulting in a dislocation in asset pricing and value opportunities. Can you talk a little bit more about the firm's investment strategy?

We are a countercyclical investor and generally enter markets as the banking

system is trying to de-risk and de-lever. This usually occurs in the aftermath of a pro-growth investment cycle that for one reason or another has come to an end. We engage in both equity and debt investments around the world. Currently we are most active in Europe.

Since its founding Lone Star has organized fourteen private equity funds with aggregate capital commitments totaling over \$54 billion. What is the make-up of your investors?

Our investors are mostly institutional; consisting of pension funds, endowments, and sovereign wealth funds. We raise money globally; including Asia, Middle East, Europe, and North America.

In the competitive world of private equity, how does Lone Star distinguish itself from other private equity firms?

We try to focus on what we think are the right things to do for our investors. Unlike most real estate private equity funds we are generally not a growth investor and have our own servicer, Hudson Advisors. We also distinguish ourselves by having a global platform, scale, large fundraising capability, and important relationships with banks.

If you can think over your career, what is one principle that you have always tried to follow?

I have observed over the years that the best money managers care about having interest alignment with their

investors. When interests are aligned, everybody has one agenda.

Do you have any advice for students graduating and entering the real estate world today?

It's a great business. Real estate will always be cyclical, allowing for opportunities to be taken at any point along the spectrum. It is important to find the right entry point in the industry, as your career will build off of where you begin.

What gets you up in the morning? Where do you find inspiration?

I like what I do. Working at Lone Star is intellectually challenging and competitive. The efficient allocation and management of capital is an important thing and it needs to be done well.

Outside of your involvement at Lone Star, what are some things that you like to do in your free time? Any favorite books?

I enjoy spending time with my family, reading history and biographies, and spending time at the ocean.

How would you describe your leadership style? What advice can you give to young professionals hoping to improve their leadership skills?

As a leader I like to be direct and honest about my expectations. I also try to be pragmatic so that everyone understands that Lone Star is a commercial operation and that our objective is to make objective rates of returns for our investors. In leading my team I express a clear and simple mission.

Industry Leader Award Winners

Each year, the Baker Program in Real Estate, in conjunction with the Cornell Real Estate Review (CRER), awards the Industry Leader Award which recognizes transformational leadership in the real estate industry. Formerly known as the “Executive Profile” appearing in the Cornell Real Estate Review, this award is a top honor given to those with the influence and integrity to have created a lasting legacy within the industry. Past recipients include: Gearld D. Hines, Chairman and founder of the Hines Organization, one of the world’s largest privately held real estate development, investment, and management firms; Robert Duncan, chairman, co-founder, and managing principal of Transwestern Investment Company, a privately held real estate firm specializing in agency leasing, property and facilities management, tenant advisory, capital markets, development, research and sustainability; Art Gensler, founder and CEO, Gensler, a global architecture firm; Andrew Florance, founder and CEO, CoStar, the commercial real estate information company; Samuel Zell, chairman and president, Equity Group Investments, a major Chicago-based private real estate investment firm; and William Sanders, chairman, Verde Realty, a leading developer, owner and operator of corporate facilities on the U.S.-Mexico border.

INDUSTRY LEADER AWARD WINNERS

2014

Jorge M. Pérez
The Related Group



2013

Gearld D. Hines
Hines Organization



2012

Larry A. Silverstein
Silverstein Properties



2011

Robert Duncan
Transwestern Investment Company



2010

Art Gensler
Gensler



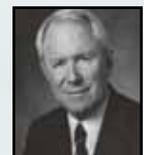
2009

Andrew Florance
CoStar



2008

Samuel Zell
Equity Group Investments



2007

William D. Sanders
Verde Group, LLC

