Cover story

Barry Sternlicht and his successor, Jonathan Pollack, discuss the wide-ranging implications of the firm's new leadership structure with Evelyn Lee

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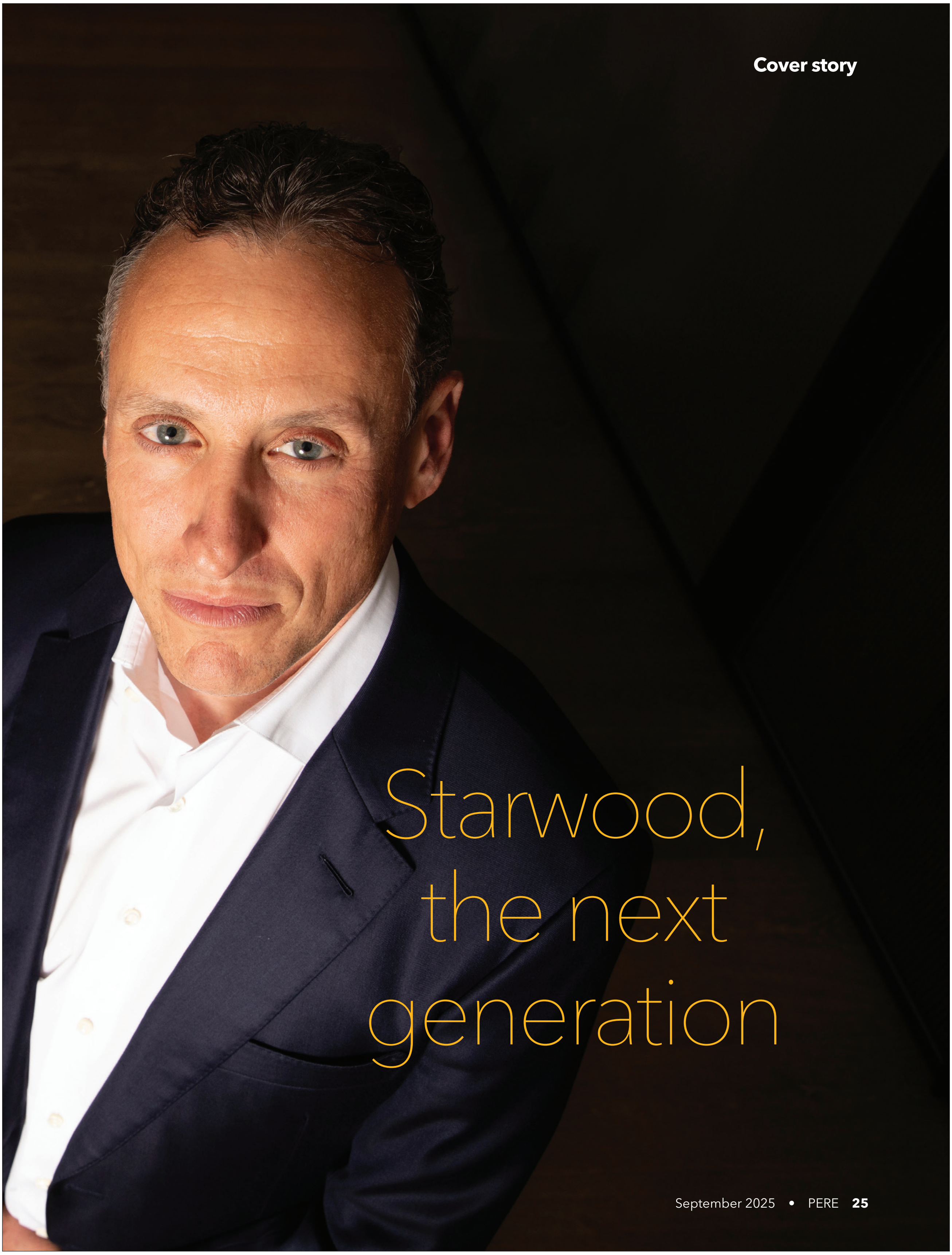
PHOTOGRAPHER: DAVID WOOLFALL


Cover story
Starwood, the next generation
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For real estate billionaire Barry Sternlicht, few decisions were as consequential as who would take over Starwood Capital Group, the firm he co-founded in 1991 and which today is one of the world's largest real estate managers.

As the private real estate world now knows, he decided on Jonathan Pollack, who joined the Miami Beach-based manager as president in April and is the calm, measured counterpart to the high-energy, voluble Sternlicht. In July, the two executives spoke with *PERE* – first over Zoom, then at the 1 Hotel Mayfair in London – about the implications of this pivotal leadership change. Although Sternlicht did much of the talking, he made it clear – from quickly getting quiet when Pollack spoke to deferring certain questions to his second-in-command – that Starwood is no longer a one-man show.

Succession was an issue that Sternlicht began thinking seriously about nearly a decade ago. At the time, investors in the firm's Starwood Opportunity Fund XI Global were starting to ask Sternlicht about his future successor. "I thought it was time that I actually do that and find someone who could potentially run the firm," he says.

"I wanted someone who could potentially run Starwood for a decade or more. That led me to look as broadly as possible given how big of a job it is."

In 2023, Starwood hired a search firm to find candidates who would meet several key criteria. Among them were the ability to manage scale and complexity and a proven ability to build businesses. "In the real estate private equity world, our clients are trying to narrow their focus among managers," Sternlicht explains. "I think we wanted to make sure we were one of the top three that they could go to."

Sternlicht interviewed about 15 candidates before eventually narrowing the pool to three or four finalists. Someone who was not on the list, however, was Pollack, an executive who had been on Sternlicht's radar for more than a decade.

"I heard he was sharp, that everyone liked him, that he was a very ethical guy that was known as a good manager," Sternlicht recalls, adding that he first tried to recruit Pollack for a senior role over a decade ago, when he was leaving his post as global head of commercial real estate at Deutsche Bank. But "we were significantly smaller, and he wasn't cheap, and he got an offer from Blackstone and went there instead. So I tracked him over the decade, and he did exceptionally well at Blackstone."

Indeed, Pollack, who joined the mega-manager as chief investment officer of its Real Estate Debt Strategies business in 2015, became global head of the platform a year later. In 2021, Blackstone formed its structured finance group comprising both BREDS and the firm's asset-backed finance business, elevating Pollack to global head of the group. After the latter business was subsequently combined with Blackstone's corporate credit and insurance groups in 2023, he continued to oversee the real estate credit business, which grew from $10 billion to $84 billion in assets under management under his leadership.

"Jonathan Pollack did a terrific job building and leading our debt business at Blackstone," president and chief operating officer Jon Gray tells *PERE*. "He is incredibly smart and cares a lot about others. We have no doubt that he and Barry will achieve great success together at Starwood Capital."

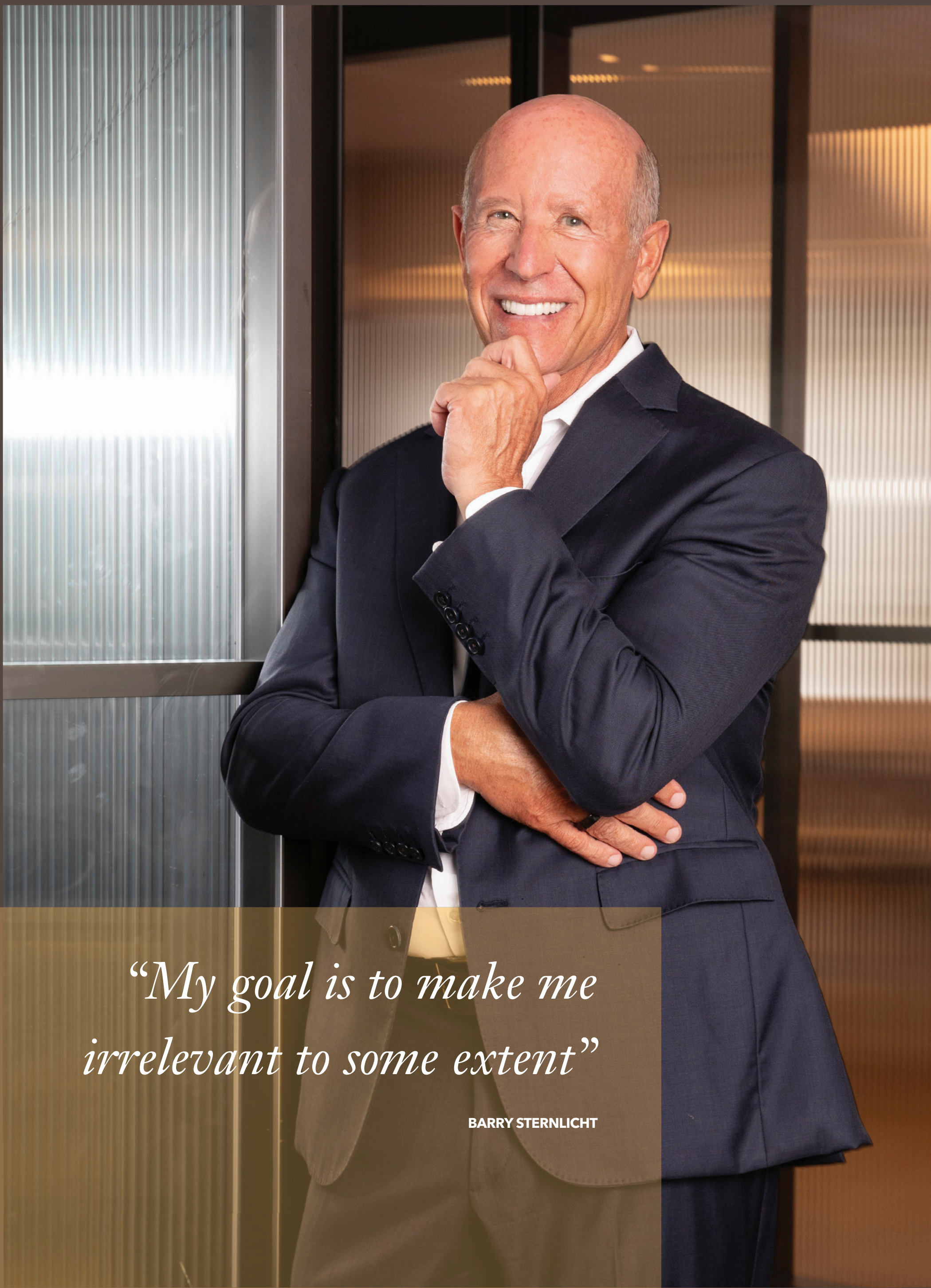
Long courtship

Sternlicht reached out to Pollack again when it came time to think seriously about the future leadership of Starwood. Although Sternlicht was advised internally to simultaneously conduct a search to consider other candidates, his first choice ultimately prevailed, partly because Pollack was "a known quantity." As Sternlicht explains, "it wasn't like we didn't know him. We were partners on several debt deals, and I've had a lot of friends at Blackstone too over the years."

However, "we spent quite a long time courting each other," he remarks, while Pollack adds that the discussions about what his role at Starwood would look like spanned a period of two to three years: "It takes a long time to really establish the connectivity."

Both executives also had shared values about key aspects of leading the firm. One was the importance of intellectual humility. "There's no problem in making a mistake. The problem's not learning from the mistake and not being self-aware and knowing the difference between when we get lucky and when we're good," Sternlicht says. "I think in investing it's really important that discipline stays in place. I think Jonathan and I were completely aligned on that."

Attention to detail was another important commonality. Sternlicht still remembers the room count of nearly every hotel that Starwood Hotels & Resorts – the hospitality company that he led from 1995-2004 and which was



"My goal is to make me irrelevant to some extent"

BARRY STERNLICHT

Cover story

Jonathan's jobs

- **1998** Graduates from Northwestern University with a degree in economics
- **1998** Joins Nomura Group as analyst
- **1999** Joins Deutsche Bank as analyst
- **2009** Named global head of capital markets at Deutsche Bank
- **2011** Elevated to global head of commercial real estate at Deutsche Bank
- **2015** Joins Blackstone as chief investment officer of Blackstone Real Estate Debt Strategies
- **2016** Promoted to global head of BREDS
- **2021** Named global head of Blackstone's structured finance group
- **2024** Appointed president of Starwood Capital Group
- **2025** Joins Starwood Capital Group

"I think we will be a more scaled business in multiple verticals"

JONATHAN POLLACK

sold to Marriott International in 2016 – owned 20 years ago. Similarly, Pollack remembered key details, such as the size, equity commitment and returns, of deals he worked on over his career.

"You have to know the numbers," says Sternlicht. "It's not an option to have no memory."

For Pollack, moving to Starwood meant transitioning from leading a platform with $84 billion in AUM and more than 150 people to overseeing an entire company with more than $120 billion in AUM and a team of 7,000. "This is now the third time I've had the opportunity to lead a global business," he says. "I've learned different things at each phase… To take all those lessons and apply them across an entire firm like this was really exciting and attractive to me."

Sharing the stage

At 48, Pollack is "a generation younger," says the 64-year-old Sternlicht. Many of the firms in the industry "are led by people of my vintage."

There are two models of succession in private equity, according to Sternlicht. One is the Ares Management model, where executive chairman Antony Ressler is largely hands-off and leaves chief executive Michael Arougheti to run the firm. The other is the Blackstone model, where the very high-profile Gray is often believed to be its CEO. The role, however, actually belongs to founder and chairman Steve Schwarzman, who remains very involved with every aspect of the company, including fundraising.

"My view of our partnership is it is more like Steve than it is like Ressler," Sternlicht says.

In a 2017 *PERE* interview, Bob Faith, who co-founded Starwood with Sternlicht and went on to establish residential giant Greystar, explained his and Sternlicht's parting of ways at Starwood: "Barry and I are both A types, and it made a lot of sense for both of us to have our own show."

Hot topic

Succession planning is coming to pass with a lot of private real estate's key platforms

In underwriting managers, "there has been a heightened level of scrutiny" on succession planning and key-person risk in general as more founders approach retirement age, says Townsend Group's Zane Hemming.

This year alone, two other top 10 managers on the PERE 100 ranking also implemented succession plans for their top leadership. In April, BGO elevated five executives to key global and regional roles, including one to co-president, while Brookfield promoted Lowell Baron to CEO of its real estate group, succeeding Brian Kingston, who is now executive chair.

Managers vary in terms of the level of transparency with which they share succession plans with investors, but can be roughly split among three categories: the firm is not yet thinking about succession; the firm has a written succession plan; or the firm has an obvious succession plan despite not having it on paper, typically through promoting next-tier professionals, according to Hemming.

Historically, succession planning in private real estate was more driven by dialogue with investors, since such firms did not face the same scrutiny or shareholder pressure as their public counterparts did. But Mike Cordingley, managing director at executive search firm Ferguson Partners, thinks there is a trend toward more firms being proactive in the private space.

That said, the topic of succession is not an easy one to broach. "It's an uncomfortable conversation to have to address essentially your own mortality as a leader," he says. "For somebody who potentially has built that platform or has been either the CEO or the founder CEO for 30, 40, maybe 50 years, it's an identity."

While both BGO and Brookfield's succession plans both involved internal promotions, Starwood looked externally for Sternlicht's successor. Cordingley estimates that between half and two-thirds of private managers use internal candidates for succession planning. For Hemming, "it does make it easier on us when [the successor] is an internal person that we have a level of comfort with and have known over a number of years."

However, "the reality is many private platforms, and depending on size and scale, may not be as far along in their talent mechanisms to have a robust succession plan in place," Cordingley explains. "So then potentially the best alternative is to look externally."

However, Faith does not believe sharing the stage would present the same challenge for Sternlicht today. "As our businesses get to the size and scale that they are, as opposed to Starwood in the early days, when you can be a bit of a one-man band, it takes a team of talented people to keep things going," he says.

That said, shared leadership would need to "allow Barry's magic to continue to be in play," Faith points out.

"Barry has great investment instincts," he explains. "I think he also is incredibly charismatic and builds relationships with investors and counterparties of deals. Those are some of the many areas where he really shines."

Faith predicts Sternlicht will still play "a super important role" at

Starwood for a long time to come. "I think for at least 10 years it's going to be Barry and Jonathan on the stage and Jonathan's presence growing on the stage."

Most of Starwood's teams now report to Pollack. While Sternlicht retains final decision-making authority, both are involved in all investment decisions as well as strategy development, hiring and restructuring of businesses.

"I'm trying to do the things I can uniquely do for the firm over time," Sternlicht says. "I think I'm known for my eye, my physical eye, whether it's creating W Hotels, 1 Hotels, Baccarat Hotels or just fixing lobbies of apartment buildings that we have. That's the part of real estate I love."

With Pollack now in place as president, Sternlicht hopes to move into more of a coaching role over time. "My goal is to make me irrelevant to some extent," he jokes.

"I have four decades of real estate investing experience, making lots of great investments and a few not so great," he says. "I'm fond of saying the only benefit of getting older is experience and a shame on our team if they don't use it to make better decisions."

Hiring and firing

Looking ahead, one focus for Starwood is to build – or in some cases, rebuild – its teams after weathering a challenging market environment. In general, managers have been hit by "elevated levels of turnover" over the past few years as both management and mid- and junior-level employees sought more lucrative opportunities elsewhere, notes Zane Hemming, a principal within the fund underwriting team at multi-manager Townsend Group.

"People were taking that as an opportunity to reshuffle," he says. "And what that's done in some firms is hollowed out the bench, where some of the longer-term, second-tier employees that would have been heir apparent in some of these platforms found it a bit more difficult to see the next level of continuity."

Also, the liquidity challenges affecting Starwood Real Estate Income Trust since 2022 are understood to have put additional pressure on Starwood's team. "Starwood has been through a pretty harrowing couple of years," remarks another industry insider.

Staff departures or changes during that period include Christopher Graham, who was the firm's longtime head of Americas acquisitions before becoming a senior adviser this year; Garret Overlock, who most recently was a managing director of US acquisitions before leaving in April 2024 after 11 years at the firm; and Chip Saltz, who was head of distribution and departed in October 2023 after a five-year tenure.

In hiring Pollack, "I think one of the key bets I was making was that he would find he would know what his own weaknesses were, and hire the best people, which I knew he could attract, to fill them," Sternlicht says. "A company doesn't work with a great trombonist and then nobody to play the violin. So, we need to have a complete orchestra."

Since Pollack's arrival, Starwood has brought on multiple senior hires to help complete the orchestra. They include former Rothesay Asset Management executive Rob Allard as chief investment officer for Starwood Insurance Strategies, a new extension of Starwood Capital's $30 billion global real assets credit platform, in May; Brendan Costello, who joined from Amherst Holdings in June and heads up Starwood's US single-family rental business; and Nora Creedon, who joined in July as president and CEO of SREIT after holding a similar position at Goldman Sachs.

"It's been exciting since I joined," Pollack says. "We've gotten a lot of inbound calls from people who are interested in the firm. But you have to measure that too. The firm has to have a really clear, positive cultural environment. And you can't just randomly hire the best talent into the roles. You also need to be hiring people who are the right fit for the culture."

Sternlicht views Pollack's arrival as ushering in a cultural shift at Starwood.

"Sometimes organizations do get stale," he says. "And you hit group think, and everyone's thinking the same way, or people don't speak up. And I think what Jonathan and I are trying to do is reset that."

The desire is to create a culture where "the exchange of ideas is exciting, like asking your peers, 'what's wrong with my deal?'" he continues. "We have to flip a little bit of the mentality I think we got into, which was, if you had somebody criticize things, they were not a team player."

Sternlicht points to various ways Pollack will be a different leader than him. For example, he recalls being advised in the past to "hire slow and fire fast." But "I'm not sure I've always done that in my career," he says.

Pollack, he believes, will be able to more quickly recognize when a recruit is not a good fit, Sternlicht adds.

He also "would be a better manager than I have been. He probably has more patience than I do, and I think he can be a little more direct than I am in providing clear, quick feedback."

Growth areas

Although Starwood has raised successively larger funds in its real estate opportunistic fund series, the firm has faced stiffer competition from its fundraising rivals, some of which have overtaken it in terms of organic or inorganic growth. After remaining a top five fixture from 2016 through 2023 in *PERE*'s manager ranking, Starwood tumbled to position 15 in 2024 but rebounded to 7 this year.

Both types of growth will be a focus for Pollack. In 10 years, "I think we will be a more scaled business in multiple verticals," he says.

"To me, growth is about doing things that are smart, that you have expertise in, where you see the thing next to you that you can scale and you add that to your arsenal."

The most immediate growth opportunities will be in private credit, for which the firm raised \$2.86 billion across three private credit-focused vehicles and related sidecars in June. The firm anticipates launching its next credit opportunity fund by the end of the year.

"Growing our credit business in the private capital space, both in real estate and in infrastructure and asset-backed finance related to infrastructure, are great opportunities for us that are just totally organic and don't require a lot of extra teams," Pollack notes. "They don't require a new track record. We have the track record." Similarly, insurance is "really plug and play for what we already do," he adds.

Pollack says "there are a lot of different ways to build," including expanding into core-plus strategies such as real estate secondaries. There are also inorganic growth opportunities involving smaller corporate credit or infrastructure managers that have approached Starwood to help them bolster their capital raising or overall business, he adds.

In terms of existing strategies, Sternlicht says that with SREIT, Starwood remains committed to the retail channel and "our job is to expand in that channel."

He also expects continued growth in the data center space, following the launch of Starwood Digital Ventures, an \$8 billion AUM global platform dedicated to the sector, last year.

That said, "our core business remains the equity opportunity fund business," Sternlicht says. "That is really the engine that drives the whole caboose."

As *PERE* previously reported, the manager is currently raising its latest opportunistic fund, Starwood Distressed Opportunity Fund XIII Global, which has a \$10 billion target and is expected to close by year-end or early 2026. The firm's flagship fund series has generated returns ranging from 8.89 percent to 18.97 percent over the past decade, according to *PERE* data.

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Fund	Vintage	Fund size ($bn)	DPI (x)	TVPI (x)	IRR (%)
Starwood Distressed Opportunity Fund XII Global	2020	10.0	0	1.15	10.28
Starwood Opportunity Fund XI Global	2018	7.6	0.36	1.30	8.89
Starwood Global Opportunity Fund X	2015	5.6	1.28	1.42	14.14
Starwood Distressed Opportunity Fund IX	2013	4.2	1.76	1.86	18.97

Source: PERE, as of December 31, 2024

'Best place to work'

Starwood's future growth, however, will be tied to successfully attracting and retaining staff. "I think at our scale you have to be a good manager," Sternlicht notes.

"People have to be convinced that the boss is interested in helping their careers."

Indeed, Pollack believes the firm's expansion will create more career growth opportunities by elevating professionals to more senior roles in new business lines, as well as scaling up compensation and hiring as those new businesses grow.

"All these things provide a positive flywheel effect," he says. "A few years from now, I want this to be the best place to work in the industry. I don't think it's rocket science. I think it's pretty straightforward." ■