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Next Jen

The two Jens of King & Spalding,
Jen Recine and Jen Morgan,
have their hands full in today's real estate landscape

King’s Gambit

Jennifer Morgan and Jennifer Recine of King & Spalding have boardroom seats to the many — sometimes complex — issues industry players are navigating today

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PHOTOGRAPHS BY CHELSEA MARRIN

Aristotle once said, “The law is reason free from passion.” Well, try telling that to an industry notoriously scrappy about its commercial real estate when a coveted asset is up for grabs or at the center of a dispute.

Still, in tumultuous markets, cool heads prevail, and if you’re a savvy investor, lender or developer in this once-in-a-cycle environment, you’ll get yourself a law firm that can handle both the good and the bad—whether you’re leaning into brand-new opportunities to add to your portfolio, or fighting tooth and nail to keep your building after a default.

That firm might very well be King & Spalding, which leads complex business interests in more than 160 countries, via 1,300 lawyers across 24 offices. Of those 1,300 attorneys, the commercial real estate industry is likely familiar with two in particular who share the same first name, yet exhibit different skills, in New York City.

Jennifer Morgan (sometimes known as Jen) has spent more than two decades leading investment and financing deals on behalf of sponsors and investors. She advises on fund formations — including real estate investment trusts (REITs) — and represents private equity clients in joint venture partnerships, asset- and entity-level purchases, and sales. Over the years her team has worked on heavy-hitting transactions that included the formation of a $4.6 billion student housing fund, used to acquire EdR, a REIT; Clarion Partners’ $750 million partnership with asset management firm Legg Mason; and Cortland Partners’ $1.2 billion acquisition of Pure Multi-Family REIT along with the formation of a new investment vehicle for the combined company’s business operations.

Jennifer Recine (also known as Jen), on the other hand, is a first-chair trial lawyer focused on complex, high-stakes legal disputes running the gamut from distressed properties and CMBS to regulatory quarrels and malpractice lawsuits. She’s also defended publicly traded companies against short-selling accusations.

In April, Recine joined King & Spalding from Kasowitz Benson Torres, where she was real estate litigation co-chair and represented clients such as Crescent Heights and Maverick Real Estate Partners. There, she also represented the owners of the Hotel Chelsea in ending two years of litigation with New York City’s Department of Housing Preservation and Development.

Other matters included representing Don Peebles in actions against members of a condominium association who Peebles claims are interfering with the management of his Bath Club in Miami.

Morgan and Recine have different purviews but share the same end goal: to guide and protect their clients through markets — the good, the bad and the ugly. To use a party as an analogy, Morgan is the host making sure proper etiquette is maintained throughout the evening and shoes are left at the door, while Recine is the tenacious yet discreet cleanup crew when things start to get messy around midnight.

“We try not to have to use Jen Recine at the beginning of the matter,” Morgan said and laughed. “We bring her in later to make sure that we protect ourselves as much as possible.”

A busy wee window

Commercial real estate transaction activity has picked up dramatically in the past few months, something both Morgan and Recine agree on. As such, King & Spalding’s real estate industry practice group is “far busier” than it was a year ago, Morgan said. For her team, that means a mix of new, forward-looking work, including development deals, joint venture partnerships, and senior and mezzanine loan originations.

“We’re also seeing loan purchases — which are usually a sign of distress — and there’s a lot of activity in the note-on-note financing space, which I think is very different from the last time we all went through [a market dislocation],” Morgan said. “The market has evolved so much, and it’s driving a lot of outcomes if you’re a borrower today; you have a lot more sources of origination, and those sources have more sources of backup capital.”

For those running slightly lower on choices, the rush to shed any distress from their books today goes hand in hand with a desire to raise capital for new opportunities, and Morgan’s team is helping with that, too.

“It’s very difficult to raise capital if you have any sort of distressed loan on your books,” Morgan said. “The volume of activity today comes down to a combination of the fact that transactions have been pushed out to now, and people are starting to gear up again and need to clean up their books.”

As the market ebbs and flows, there’s also a wave of pivoting taking place, Morgan said, with some clients flipping their focus from equity to credit investments — or vice versa — to take advantage of the temporary market environment.

For traditional equity players switching to the credit side today, “It’s going to be more mezzanine or preferred equity — which may or may not also be called credit,” Morgan said. (Indeed, some say that pref equity is simply mezzanine debt in a cuter outfit.)

Subordinate debt is not only a more natural move for those who historically invest in, and manage, properties, but it’s also a space in which those groups can better compete for deals, Morgan explained. “They can’t really differentiate themselves against someone who’s been at Morgan Stanley originating senior loans for 20 years, but they can do so in the subordinate debt space.”

As for new names entering the industry, “Certainly, we’re seeing people spinning out,” Morgan said. “There have been some big names, like Tyler Henritze, who left Blackstone and then raised $1 billion for his first fund [focused on industrial and multifamily opportunities in the Sun Belt]. I don’t think that’s any more prevalent now than it has been in the past, although I haven’t done an analysis of it recently.”

Then, of course, there are the disputes, which is where Recine comes in. Although seemingly dramatic at times, those cases typically hit her desk somewhat reluctantly.

“Where I’m seeing disputes today are places where everybody had the very best intentions for the transaction, and things played out very differently than anyone could have expected because the facts on the ground changed dramatically,” Recine said. “Most industry participants have no desire to engage in disputes with people who they’ve partnered with, and who they hoped to make money with — but sometimes you cannot work through issues, as much as you try and as good faith as you may have. That’s when I get the phone call saying, ‘Hey, I’ve tried all of the business ways in dealing with this — what are my legal rights and remedies?’ ”

A lot of Recine’s workload is, unsurprisingly, office-related today.

“The story where it’s not office-related tends to be a little rosier — even if there’s a dispute underway,” she said. “In those other cases, there’s still an asset that somebody thinks will be very valuable if it’s repositioned, or people are fighting over its upside, and those

Jennifer Recine, left, and Jennifer Morgan at King & Spalding's 1185 Avenue of the Americas.

are good things to fight over. But, mostly, we're seeing participants getting to the point where they've now exhausted all other options."

In the case of truly distressed office properties, though, time is close to being up. "People are getting toward the end of the line and figuring out that they're going to have to do something," Recine said "We've started to see the analysis that they're going through and how complicated it is — even outside of New York City."

And a lot goes into that calibration.

"When you think about it, if you want to repurpose a piece of office property, you have to leave time to run off the leases, and in a situation where you want to redevelop a residential piece of property, you can have [tenant] holdout problems," Recine said. "I think it's going to take a while for us to see it all unfold. It's not going to happen overnight, but rather over a period of time — and only when it absolutely has to."

Then, there's the big question of funding a repositioning, at a time when nothing comes cheap.

"One of the issues is that, in order to do the things that you might have to do to take a property where you want it to be, you've got to put money into that property — somebody has to pay to reposition it," Recine said. "The overarching question here is how are they going to get the property to that place, and who's going to pay for it."

For Recine's team it's very much a case of solving that conundrum on a property-by-property basis, depending on the parties to the transaction or the deal itself.

"I think it's going to play out in a lot of different ways over time, and I don't see any one particular way that all underperforming office gets transformed the same way," Recine said.

Morgan said while she's hearing continued chatter about creative strategies for office and the possibility of discounted selloffs, "I haven't really seen that happen yet," she said. "I think it certainly is going to have to happen, but I feel like the dominoes haven't started falling quite yet."

Throughout the market's ups and downs, clear segmentation continues, the haves and have-nots clear to identify. Some asset classes ,such as multifamily and industrial, continue to be money magnets, although Morgan described a slight slowdown in industrial acquisitions and capital raising starting a year or so ago — buoyed by the general feeling that pricing was too high and needed resetting.

Across the board, any asset distress today is compounded by the elevated interest rate environment, and, when it comes to crunch time, the increasing sophistication of the commercial real estate industry adds an extra layer of complexity at the negotiation table.

"Folks aren't just representing themselves anymore. They often have a fund behind them, and somebody might be a lender but also an investor," Recine said. "In the calculus of what you can give and what you can't give at a negotiating table — and I remember this from the last cycle — you often aren't speaking only for yourself. You have a whole network of business relationships behind you, where you might not be able to get everyone on the same page. It's usually in those types of circumstances that it's most complicated."

Recine was at Kasowitz during the Global Financial Crisis, while Morgan was at King & Spalding. A lot has since changed in commercial real estate deal structures, and bad behavior in deals back then has helped craft protections today.

"You wouldn't see a mortgage loan now without a nonrecourse carveout for declaring bankruptcy," Morgan said as an example. "That's a big change."

"The real estate industry has hugely professionalized since the last cycle," Recine said. "The people that we deal with as clients, both on the transactional side and where there are disputes around the edges, are industry participants who have much higher levels of sophistication and expectation from their counsel today. Their expectation is that we understand the market, we understand what's going on, we understand why they're in a situation they're in, and where they're trying to go."

As such, the expectation of excellence in their counsel doesn't just apply to Recine and Morgan and King & Spalding's senior team members, but for the most junior, too.

"Their expectation is that from our entry level to the person leading the deal or the litigation, all of us are of the same quality," Morgan said. "So part of the challenge that we have is to make sure that we as an organization are focused on developing that talent."

America's got talent

Speaking of talent, Morgan was pretty psyched about adding Recine, whose work she'd previously admired from afar, to her team.

"From the moment I met her I was so excited about Jen coming to join us," Morgan said. "It was the commonality of interests in approach to business development, in the way that we see what we do as it relates to our clients and prospective clients. In the 30 minutes we spent together we just had this connection."

Recine said she was drawn to the quality of the firm's relationships with clients, and its focus on doing work for them in a way that ensures those relationships continue to grow. "King & Spalding's focus on developing the next generation of leadership in this industry was another absolutely enormous selling point," she said.

Further, the firm's real estate transactional practice has a "really meaningful impact on the bottom line for this firm," Recine said. "It's doing tremendously well, and to have the next generation of leadership in place and have it include incredibly talented women in its transactional partners was too good of an opportunity for me to pass up."

Indeed, Morgan is a long-standing member of networking and mentoring group WX Women Executives in Real Estate, and a champion in general of women in the commercial real estate industry. Over the years, she's helped build a practice with several prominent women at the top, including Christine O'Connell, another leading partner who represents some of the industry's biggest powerhouse lenders today.

"I often end up with all-women deal teams on my matters," Morgan said. "I wouldn't say I'm setting out to have an all-women deal team, but I think that shows that we're getting to a place where how we're building our team is intentional. Right now, we're picking our class to start in the fall, and I said 'I want women' because you need to be intentional in order to keep that pipeline."

The two Jens and their team may be assisting some of New York's most key real estate players in high-stakes deals today, but they aren't New Yorkers. Rather, Morgan hails from Atlanta and Recine from Connecticut.

Morgan majored in government in college. She took constitutional law and comparative law classes at Columbia Business School and found law intellectually interesting but wasn't sure she'd like being a lawyer. To make sure, she worked for a year for a firm in between college and law school, and — thankfully, for the commercial real estate industry—found that she did indeed like that environment.

Recine, on the other hand, knew she'd be a lawyer from a very young age. She said she's fascinated with real estate and envisioned herself as a certain type of lawyer, specifically, perhaps inspired by a television show. "Not that I'm Perry Mason, but I am a lawyer that goes to court in that traditional way," she said.

Her very first inclination as a child was toward nursing, but "I realized that I didn't do well with blood … or injections," she said and laughed.

Now, of course, Recine is dealing with a different kind of blood in the water, and helping the industry continue to swim through it.

In addition to a busier transaction pipeline in general, Morgan and Recine were up against the Fourth of July holiday as Commercial Observer was going to press.

"This time of the year, it always gets a little bit nutty," Morgan said. "It's the end of a quarter, plus a holiday week. So people are hustling, trying to get deals done beforehand in case people are out for vacation. We'll be here, though."