



UpClose with

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Harrison's Chris Merrill

Chicago-based Harrison Street Real Estate Capital may be the poster child for the opportunistic alternative play, and the year-old private equity firm is already spreading its net wide. Not only did the company recently launch its inaugural \$75-million fund, but as GlobeSt.com revealed in an August exclusive, Harrison Street has entered into a \$300-million joint venture with United Stor-All Centers to develop and acquire eastern-seaboard assets. While the firm is new, the money behind it is not. Included in the pool of private investors is the Galvin family, the founders of Motorola. In fact, Harrison Street's co-founders are Christopher Merrill, and Chris and Michael Galvin. Chris Galvin was Motorola's former chairman and CEO and his brother was the US assistant commerce secretary for export administration under the first George Bush administration. Managing director Merrill sat down with GlobeSt.com recently in an exclusive interview to discuss the outlook for the firm.

GlobeSt.com: We know about the Galvins. Who else's money do you represent?

Merrill: The fund we just launched represented more than 16 different investment groups, both high net-worth families and institutional investors.

GlobeSt.com: Tell us about your focus on niches.

Merrill: Niche strategies are the reason Harrison Street was set up. Our focus is on areas that have real strong demand drivers from disciplines such as education and healthcare, so we'll target student housing, medical office and seniors housing. Obviously, we'll also target industries such as self-storage that are really fragmented. If you look at the market today, a lot of traditional asset classes are very expensive and have a lot of competition. The sectors we target we think will outperform traditional assets over the next five years.

GlobeSt.com: Do you target a specific niche in each fund?

Merrill: The funds will open up to all of them, and we'll offer investors a diversified portfolio of partners, product types and geographic locations.

GlobeSt.com: Is the revenue model based on a quick flip or longer term hold?

Merrill: It's very much a value-add and opportunistic strategy of finding properties where value can be added through development, redevelopment and lease-up, as well as through the accumulation of portfolios.

GlobeSt.com: What is your hold?

Merrill: We anticipate holding periods to be anywhere from three to five years.

GlobeSt.com: What does the overall portfolio look like now?

Merrill: We've closed or are closing more than \$200 million in real estate representing 13 properties in the student, senior, self-storage and medical-office sectors. Those properties are located throughout the nation.

GlobeSt.com: To what extent is Stor-All your typical MO?

Merrill: It's our standard mode of operation. We're looking for good operating partners, where we can provide them capital and allow them to build their portfolio. We go around the country finding good operating partners. This is our first storage venture on the East Coast, but it's not our first East Coast venture. We already have a student-housing venture in the Southeast.

GlobeSt.com: Your website says you promote contrarian thinking. How so?

Merrill: It is based in how our partners operate their business, the way they're using technology to differentiate themselves or the management techniques they use to promote their business plan. It's found in our emphasis on those sectors that may not have the same volume as traditional asset classes but will outperform traditional sectors. We're always looking for partners with different strategies and models that help them differentiate within their categories.