

Motorola's founding family puts cash into self-storage

BY BECKY YERAK INSIDE FINANCIAL SERVICES

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The Reporters' Notebook on the financial-services sector now runs on Wednesday and the retailing sector on Friday.

The family that founded *MotorolaInc.* and ran it for three generations believes the self-storage industry is one of the next big things.

Chicago-based *Harrison Street Real Estate Capital*, a private-equity firm co-founded in 2005 by former Motorola Chief Executive *Christopher Galvin*, recently announced plans to develop two self-storage facilities in Chicago and Evanston for \$15.5 million.

Harrison focuses mostly on recession-resistant assets, including student housing at universities such as *Arizona State University*, the *University of Denver* and *Texas State University*. It has stakes in medical offices and senior housing properties in eight states, and a boat-storage facility in Florida.

Harrison recently raised \$430 million in equity for its second fund. *Arizona Public Safety Pension Retirement Systems* committed \$80 million. It raised \$208 million in its first fund.

The Evanston self-storage facility is near McCormick Boulevard and Oakton Street. The Chicago property at Harlem Avenue and 63rd Street is about two miles west of Midway Airport.

Both areas have relatively little self-storage and a high percentage, more than 40 percent, of rental housing, said *Christopher Merrill*, Harrison co-founder and managing principal.

Self-storage facilities have become increasingly in demand in recent years, thanks in part to the surge in home foreclosures and the growth of home-based businesses that necessitate extra storage space, Merrill said. Also, with tougher zoning regulations and barriers to entry, such as the inability of some prospective developers to get financing, construction of self-storage facilities has been at historically low levels.

The average industrywide occupancy rate for self-storage facilities is nearly 90 percent, Merrill said. Harrison has self-storage interests in 11 states besides Illinois.

Nationwide across real estate sectors, it has 110 properties valued at more than \$1.3 billion.

Foreclosure fallout: Renters are likely being hurt by a growing share of foreclosures ending up back in the laps of lenders and headed for auction.

A new *Woodstock Institute* study shows that number of foreclosure filings going to auction in Cook, DuPage, Will, Kane and McHenry Counties climbed 98 percent between 2006 and 2007. And by 2007, 94 percent of Chicago-area auctions went to the foreclosing lender, up from 70 percent in 2005, instead of outside investors.

A growing share of foreclosure auctions in the city of Chicago are for small, multiunit buildings. In 2007, these types of properties, with two to six units, accounted for 36.5 percent of foreclosure auctions in the city, up from less than 30 percent in 2005.

Those numbers are worrisome because many lender-owned properties are vacant.

"Lenders, investors and servicers have repeatedly stated that they have no interest in being landlords," said *Geoff Smith*, Woodstock vice president and study author. "It's safe to assume that these properties have been taken off the market, reducing the available rental housing stock."

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