

10 TO WATCH

The recession is not quite flashing in the rear-view mirror, but intrepid executives across the commercial real estate spectrum are charging ahead, creating new companies, forming joint ventures and buying properties — and not just at distressed prices.

Many of *National Real Estate Investor's* Ten to Watch leaders for 2011 are taking risks as they steer their companies toward major purchases, and coming out ahead.

Take Andrew Mathias, for instance. The president of SL Green Realty Corp., a real estate investment trust (REIT), initiated an office property transaction that enriched the company by \$75 million in just one year.

According to New York research firm Reis, the recovering economy is boosting commercial real estate fundamentals across the country. For instance, the fourth quarter vacancy for multifamily was 6.6%, down from 7.1% in the prior quarter, while occupied stock increased by nearly 58,000 units.

"This is a dramatic reversal from late 2008 and 2009," says Victor Calanog, vice president of research and economics at Reis.

Michael Tompkins, managing partner of Atlanta-based TriBridge Residential LLC, which owns, develops and manages multifamily communities, including student housing, remembers that dismal period. "We

didn't even attempt to do anything new in 2009," he says. "We just finished what was in place."

Today, however, it's a different story. His company is acquiring and developing properties and has nearly quadrupled the number of units in its portfolio.

Where others see continuing distress, the Ten to Watch not only see opportunity, but act on their instincts and diligent research. Bill Pettit, president of Seattle-based Merrill Gardens, a seniors housing owner and operator, undertook an historic partnership with Health Care REIT that maximizes the operating and financial strengths of both companies.

Few of the executives, however, face a task as daunting as the responsibility with which Sandeep Mathrani is charged. Named CEO of General Growth Properties last October, Mathrani took the helm when the mall owner was still in Chapter 11, trying to complete a restructuring of its finances and operations.

With the close of each quarter, investors and analysts scrutinize the retail company's performance, including its ability to retain tenants and convince lenders that it is able to repay loans.

Each of the 10 has made a bold move, and over the coming year time will tell whether their instincts and the risks they have taken pay off.

— Denise Kalette

Wise Decisions, Timing Pay Off for Private Equity Fund

When Christopher Merrill was starting his own private equity real estate fund in Chicago about five years ago, he was fortunate enough to make wise choices. He brought in Chris Galvin as his financial partner in Harrison Street Real Estate Capital LLC. Galvin was the former CEO of Motorola with a family net worth that ran into the hundreds of millions. He was eager to invest beyond electronics.

Merrill's first fund, with \$210 million in equity, invested in a \$15 million apartment building near the University of North Carolina at Charlotte. More investments in student housing followed, along with self-storage, medical offices and senior care centers.

"I was lucky to have as a partner Chris Galvin, who took a global view of the economy and was concerned about rising debt levels," says Merrill, who at

39 is president and CEO of Harrison, while Galvin is chairman. "We decided back then that it would be a real liability to be invested in asset classes tied to the economy. We wanted to be invested in need-based categories of real estate that we felt would hold up better if the economy turned down."

The formula has worked like a charm. Now into its third fund, Harrison Street has raised \$1 billion so far from a variety of institutions and endowments and leveraged that into some \$2.5 billion in profitable investments overall. The company poured \$600 million into acquisitions last year and expects to invest another \$700 million this year.

"We continued to grow and move forward during the recession and Harrison was right there at our side willing to back us," says Ted Rollins, CEO of Campus Crest Communities



of Charlotte, which co-ventured nine student housing projects with Harrison. "Harrison takes a long-term view on investing, just as we do."

A Chicago native, Merrill got an MBA at London City University while working for Heitmann LLC, a real estate investment firm. In his 20s, he played a key role, setting up a London office and orchestrating investments in emerging markets such as Poland and Hungary when land was still cheap. He learned a powerful lesson, says Merrill.

"Timing can be everything in real estate investing."

— H. Lee Murphy