

Elizabeth “Liz” Raun Schlesinger

Founder and CEO of Merit Hill Capital

BY ERICA SHATZER

Within the self-storage industry, there is one rags-to-riches story that everyone should applaud. Unlike social-climb narratives that transpire overnight, this is a decades-long account of perseverance and hard work—a hill that has been ascended through merit.

Pushing Past Poverty

Elizabeth “Liz” Raun Schlesinger, founder and CEO of Brooklyn, N.Y.-based Merit Hill Capital, knows all about humble beginnings. She “grew up poor,” with an alcoholic father who never graduated from high school and a bipolar mother in a home they didn’t own (until she bought them one as an adult). Their health issues, coupled with the higher-than-average cost of city living, made making ends meet especially difficult.

The Rauns’ church’s generosity was essential to their survival. While her home had many moments of instability, and she always felt out of place as the “poor kid” on financial aid at wealthy private schools, she says that as she has grown older and had three children of her own, she realizes that her parents’ gift of unconditional love and support without a focus on financial success above all else was and is a greater gift than money could have ever provided. With her father only making \$80 per week as a pastor, she learned how to identify a “deal” by shopping with her mother and aunt through using coupons and price comparison. She recalls her mother studying the grocery store

circulars and planning out their shopping trips based on her grocery list and which store had the best deal that week.

“I wish more women were comfortable investing given so many of us are brilliant at identifying deals online or in the supermarket and yet so afraid to manage our own money and destiny through investing,” she says.

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But not being born with a silver spoon in her mouth simply fed her ambition to obtain an education and surmount that childhood struggle. Raun Schlesinger, who describes herself as “Type A,” a personality associated with high achievement, competitiveness, self-control, and motivation to achieve results, recalls always wanting to get straight As in school, so she studied hard and didn’t let her family’s economic situation hold her down.

When it was time to consider higher education, she opted to attend the University of Pennsylvania in Philadelphia for a degree in history and was able to attend due to scholarships and financial aid that recognized her academic achievement.

“I remember that there was an ATM machine in the Wawa below my dorm that allowed you to take out cash in increments as low as \$10 that I was so grateful for given I often only had that much to take out, even with the jobs I had throughout the school year and summers to help pay for books and my parents’ enormous sacrifice to help pay as much as they could towards my education.”

Her academic excellence was recognized in 1999, when she graduated Phi Beta Kappa and summa cum laude with a GPA of 3.94. Despite going to the University of Pennsylvania and Harvard Business School, she credits her father and mother with teaching her by their actions the most important things she has learned which she has relied on throughout her career:

- People matter more than things or keeping up with the “Jones,” so work



at a place for the people and not for the money or a stamp on the resume.

- Treat other people like you want to be treated.
- Honor your word and tell the truth, even when it is hard to do so.
- Doing the right thing is always the right thing.

Naturally, Raun Schlesinger's next step was to seek employment and put her degrees to work. She typed up a resume, printed a stack, and dropped them off at the recruitment office on campus. "I received nine Wall Street job offers," she says, acknowledging that it was a "great market" at the time of her graduation. "I think my resolve and energy along with the math classes I took that I got As in enabled them to be comfortable that I could do the math and, more importantly, was a thinker and a hard worker."

Building A Career

Of those offers right out of college, she accepted a position as an analyst in the private equity group of Brown Brothers Harriman; she was later promoted to associate. Throughout her four years with the private bank, Raun Schlesinger was responsible for sourcing, executing, and monitoring investments for the 1818 Funds, a series of buyout funds they managed. Given the more traditional industry focus of the partner she worked with at the firm, working on several deals such as railroad investments while the overall market was in the middle of the dot-com bubble, this is where she learned the value of stable, traditionally overlooked industries with strong, durable cash flow. She also worked for two partners there, Mike Long and Larry Tucker, who took her under their wings and directly taught her so much about investing and business generally—something she has always prided herself on doing throughout her own career. At Merit Hill, she has built a similar learning culture to mentor and train her team, explaining the bigger picture so they can learn as much as they possibly can.

In 2005, after earning her MBA, she joined W.P. Carey (WPC); about a year later, she was co-founding its self-storage investment platform as the firm's first independent investment

vertical outside of triple net lease and helped to raise the initial capital for the self-storage platform. "I had spent nine months studying storage and to this day have not met a business I love more." She credits her deep, detail-oriented data and analytical focus and time spent digging in and "really doing the work" with why she had the courage to jump into an industry that at the time was not at all the obvious sector to invest in like it has become more recently.

Raun Schlesinger devoted over 11 years to WPC, completing 76 self-storage transactions totaling 155 properties that represented investments of more than \$1 billion, before numerous management and strategic changes prompted her to

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leave WPC. Besides the financial implications of this change, Raun Schlesinger was saddened to depart the business that she had built and that the company was no longer the same as the one WPC's founder had built.

A New Direction

Following that fray, Raun Schlesinger felt she had no choice but to leave and start her own company, in part because she didn't want to leave her team behind, despite the enormous risk financially and being the mother of a 6-year-old, 4-year-old, and 2-year-old. She quit in November 2016 to raise \$300 million and working capital to fund Merit Hill. Once she had set up shop and raised the money to be able to actually pay her team and provide more overall stability, she was able to bring over her entire prior team whom she hired, trained, and taught self-storage out of college in the same apprenticeship learning model her bosses, Long and Tucker, used to train her.

"We're a unique group in that we've been in the sector for a really long time,"

says Raun Schlesinger, who has served on its board of directors since its inception, "and have one of the best track records out there with a very strong reputation for doing what we're doing and honoring our word."

Since she had already worked so closely with them for many years, it was easy to simultaneously create a strong, supportive, family-like culture that promotes learning and growth. "I focused on building a company with good values," Raun Schlesinger says, adding that her core values are of utmost importance when hiring new team members. Raun Schlesinger prioritizes empathy above all else because she has treated and continues to treat everyone she has met in her career as a customer—an approach to which she attributes much of her success.

To ensure she hires empathetic people, she requires all candidates to complete a Caliper test, a talent assessment designed to measure an individual's personality and cognitive skills to predict future job performance. "When you are buying a facility, it is so critical to understand how emotionally charged it can be for someone who is selling you a facility that they have built with their hard work, blood, sweat, and tears and how important it is to them that you treat them fairly." That's something she can relate to quite a bit herself after building two of the biggest self-storage portfolios in the country by sleeping only four hours a night for many years.

Hiring for empathy is a strategy that is working so well for Merit Hill that the company has outgrown its office space for the second time; they recently moved to a larger floor within the same Brooklyn building. In addition to the Brooklyn office, Merit Hill has a Dallas office that was opened in 2017 as well as several team members located across the country for ease of travel across Merit Hill's national portfolio. Altogether, the team now totals more than 30 employees.

As for business transactions, throughout her career she has looked at more than 10,300 facilities, including 8,292 at Merit Hill alone, and purchased 564 facilities. Of those 564 facilities, 434 have been bought in 271

separate deals since she founded Merit Hill; she has 16 more under contract.

With a portfolio totaling more than 22 million net rentable square feet, Merit Hill is the eighth largest self-storage operator in the United States, but reaching that standing was never a priority for Raun Schlesinger, despite being a workaholic with very few boundaries. "Being big was never my goal," she says, mentioning that she's only ever been competing with herself. "I just love doing deals. I'm a head down, work hard kind of girl."

While many women avoid positions in finance (Raun Schlesinger was one of two analysts at her first job in a male-dominated field) and seem to be fearful of investing, she is enticed by "the puzzle" of deals and thoroughly enjoys figuring out how to make them work for everyone, the seller and her investors. More than anything she loves the people in the self-storage industry and says getting to work with so many hard-working entrepreneurs to create "win-win" deals is her favorite part. However, that doesn't mean she will piece something together just for the sake of making a deal. She is cautious with investors' money and would never risk losing their funds because she experienced the disappointment of a bad investment at a young age when she put \$1,000 of her own money into a tech internet fund and lost almost all of it.

"It was a life lesson," says Raun Schlesinger, who learned to always understand the fundamentals before making an investment. "I haven't been interested in investing directly in tech ever since." As a matter of fact, she doesn't even have a presence on social media beyond LinkedIn, which she barely ever checks.

For Raun Schlesinger, the fundamentals of self-storage investments are more clear-cut, and she has found a winning formula for Merit Hill by seeking value-add properties. Though she states that "the devil is in the details," she looks for facilities that have growth opportunity and a reasonable price per square foot. By identifying the "growth left in an asset," she can increase its value. Some improvements she and her team may make at a facility include utilizing

LED lights, expanding its net rentable square footage (if space permits), altering the unit mix, adjusting rental rates, and hiring Extra Space Storage or CubeSmart to manage the property. She credits Extra Space and CubeSmart and her desire to use them as third-party property managers before many people were doing so with so much of her success in the industry due to their ability to improve operations and help increase revenue at her facilities after she purchases them.

"This is incredibly important these days given how popular storage has become and how low initial cap rates can be, especially in such a high interest rate environment. I always say you are kidding yourself if you think 'mom-and-pop' owners are stupid given they are in self-storage, which is an incredible business, and also that they know just how valuable their facilities are and how low their rental rates are compared to the market now."

So, she buys properties by giving them a ton of credit for upside that she

absolutely needs to achieve to make the deals work for her and her investors. "It is basically sharing in the risk and value of the potential revenue growth of a self-storage facility."

Looking Forward

There's no telling what tomorrow will bring, but Raun Schlesinger is certain that she'll continue to focus on doing good deals, honoring her word, and selling when she feels like she has delivered a good return. To that end, she reveals that Merit Hill Capital may not be one of the top 10 largest self-storage operators in 2024.

"We will be selling some," says Raun Schlesinger. "We have to do right by our investors and think of their interests first above all else."

But no matter the size of Merit Hill's portfolio, she is certain that she won't be going anywhere. "I love the people in the industry. The people are the reason I stay." ■

Erica Shatzer is the editor of Modern Storage Media.



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