

Embracing Difference

An Interview with Deborah Harmon, Co-Founder and Chief Executive Officer, Artemis Real Estate Partners

EDITORS' NOTE *Deborah Harmon is an industry leader and entrepreneur with more than 30 years of experience in real estate. Harmon, along with Penny Pritzker, co-founded Artemis Real Estate Partners in 2009. She has oversight responsibility for the firm, establishing and managing the firm's strategic direction. Prior to co-founding Artemis, Harmon spent 17 years establishing and leading the principal investing business at JE Robert Companies, a global real estate investment firm where she was President and Chief Investment Officer from 1997 until 2007. She serves as Chairperson of the Pension Real Estate Association Foundation, as a key leader and former trustee of the Urban Land Institute, and as a member of the Advisory Board of Jasper Ridge Charitable Fund and the Advisory Board of the Blacklvy Group. Harmon also serves on the Board and Executive Committee for Women for Women International, on the Advisory Council for the NYU Stern Center for Business and Human Rights and is a member of the Council on Foreign Relations. Harmon was previously appointed by President Obama to serve as a Commissioner for the White House Fellows program and was a member of the Board of Directors for Forest City Enterprises and Avis Group Holdings. She previously served on the Advisory Board for the Johns Hopkins School of Advanced International Studies, and the Boards of Trustees for The Sidwell Friends School, The National Cathedral Elementary School, and The National Children's Research Center in Washington, D.C. Harmon was recognized in 2020 by Barron's on its inaugural list of the 100 Most Influential Women in U.S. Finance, and was recognized by EY as an Entrepreneur Of The Year® 2019 Mid-Atlantic Award winner and National Finalist. She was included in Real Estate Forum's Women of Influence Hall of Fame in 2018. She earned a BA from Johns Hopkins University and an MBA from the Wharton School of the University of Pennsylvania.*



Deborah Harmon

Artemis has raised approximately \$5.6 billion of committed equity capital across four primary business lines: value-add discretionary commingled funds, vehicles focused on core/core-plus investments with emerging managers, healthcare-specific core-plus funds, and debt separate accounts. Artemis invests in real estate across all product types in the United States.

Will you highlight the history and heritage of Artemis and how the firm has evolved?

In 2009, in the depths of the Great Recession, our founding team started from a blank sheet of paper with a vision to be a force multiplier of both performance and purpose for our investors, the real estate industry, and beyond. Our goal was to build a diverse organization that delivered attractive risk-adjusted returns across economic and real estate cycles. We set out to raise \$300 million for Artemis Fund I in 2010. We committed \$50 million of GP capital and were prepared to be the largest investor in our own fund. It took two years and 225 meetings to secure 11 limited partners, who went on to be stakeholders in our success. Raising our

\$436 million Fund I was undoubtedly the most challenging experience of my career.

Today, we have a team of nearly 60 people across four offices. Artemis has raised \$5.6 billion of equity capital across four primary business lines: value-add discretionary commingled funds, vehicles focused on core/core plus investments with emerging managers, healthcare-specific core plus funds, and debt separate accounts. Artemis has acquired over \$8.7 billion in gross purchase price in over 240 investments across ten vehicles. To date, we have realized aggregate outperformance relative to underwriting on more than half of these investments.

How critical is culture to the success of Artemis and how do you describe the Artemis culture?

I believe you must be intentional about culture, and that culture starts at the top. Culture is about shared values. Artemis has consistently been described by its employees as performance-driven, entrepreneurial, collaborative, and diverse. Our diversity is our strength. This is an important differentiator in a trillion-dollar industry where diverse firms manage less than 2 percent of the assets. At Artemis, 50 percent of our team is women and minorities, because we were intentional about building a diverse organization from inception.

“At Artemis, 50 percent of our team is women and minorities, because we were intentional about building a diverse organization from inception.”

FIRM BRIEF *Artemis Real Estate Partners' (artemisrep.com) mission is creating a successful and sustainable real estate investment management firm built on a foundation of performance, alignment of interest and transparency. Since 2011,*

“Embracing difference is an organizational strength. Diverse teams can be more challenging to create and lead but have the potential to outperform by identifying different business risks and opportunities and inoculating against groupthink.”

Building a culture focused on performance and purpose has been critical to our success. We have consistently invested our financial and human resources in widening the circle of opportunity for those typically underrepresented in the real estate industry. In turn, we have attracted and retained a diverse team that shares our mission. We believe our performance over the last decade suggests there are real benefits to having varied perspectives around the table.

The pandemic has taught us that organizations must heavily lean on culture to navigate through uncharted waters. When our team made the determination to turn the Artemis Summer Enrichment Program, which trains diverse talent for full-time job placement in the industry, virtual instead of cancelling – and to expand the program by 50 percent – I was reminded of the shared values and priorities that would keep us united in the face of uncertainty.

How has Artemis adapted its business to address the challenges caused by the pandemic and how proud are you to see the resilience of the Artemis team during this uncertain time?

The past year has been extraordinary in many ways – there is no contemporary model for a recession induced by a global pandemic. While the senior team has experienced weathering several economic cycles, this is the first we have experienced as the Artemis team. In 2009, we had the tenacity to create a firm knowing that the most rewarding investment opportunities can be found in the darkest times. What was unique to the pandemic, in addition to economic uncertainty and extreme volatility, was managing the health, safety, and culture of a remote and virtual team. That said – at every step of the way, I have been heartened by the Artemis team’s individual and collective will to persevere. There was never a day where Artemis was closed for business.

The Artemis team’s capacity to perform at an elevated level, adapt to new technology platforms, management tools, and operating rhythm while maintaining the highest standards of transparency and fiduciary standards defined resiliency. At the same time, the team captured opportunities that inevitably presented themselves in periods of distress and dislocation. The pandemic demanded extraordinary commitment and collaboration and at every corner our team rose to the challenge.

Will you elaborate on Artemis’ commitment to building a diverse and inclusive workforce?

Building a diverse and inclusive team is mission critical. When we founded Artemis in 2009, we confronted a dispiriting truth which is still the case today: women and minorities are dramatically underrepresented across the real estate industry. It took building Artemis for me to fully appreciate the barriers to entry and success in the industry. At that time, there was little data demonstrating that a diverse team investing with diverse, emerging and established operating partners could achieve competitive risk-adjusted returns. In fact, because this approach was different it was perceived by some as having greater risk. We have worked to debunk this myth that difference carries risk for over a decade and are confident Artemis’ track record demonstrates our ability to generate attractive risk-adjusted performance across cycles.

The realized performance of the diverse joint venture operating partners within the Artemis portfolio over the last ten years provides a powerful counternarrative to the belief that investing with diverse partners is riskier than the status quo. More than one-third of Artemis’ operating partners have diverse ownership and we have deployed \$1.5 billion of equity with these partners across core/core-plus and value-add/opportunistic strategies. In our core-plus investments to date, diverse firms have outperformed the target return by 900 bps compared to a 12 percent gross target return. In our value-add investments, diverse firms have outperformed the target return by 2,300 bps compared to a 20 percent gross target return.

Embracing difference is an organizational strength. Diverse teams can be more challenging to create and lead but have the potential to outperform by identifying different business risks and opportunities and inoculating against groupthink. Whether it be public pension employees whose retirement dollars we manage, foundations whose social justice missions are aligned with our own mission, or endowments committed to educating a diverse population, our own diversity aligns us more closely with our investors and their diverse constituencies.

Will you discuss Artemis’ commitment to the communities it serves and do you see it as a responsibility for leading companies to be a force of good in society?

I believe that CEOs, CIOs, and senior business leaders have a responsibility to help build

a more just world – to be a force for good in society. We have developed the Artemis Summer Enrichment Program to train diverse talent for full-time job placement in the industry. As of last summer, the program has 153 alumni, 83 percent of whom are women and minorities. Every summer, the Artemis team dedicates significant financial and human resources to different elements of the industry, including exposure to different commercial real estate product types, modeling training, and future career advice and personalized mentorship.

At Artemis, we offer to all team members the opportunity to engage with our purpose-driven work, and we believe it is a competitive advantage in recruiting and retaining top talent. In 2020, amid the pandemic and renewed calls for racial justice across the United States and around the world, we gave all employees the opportunity to contribute Artemis dollars to nonprofit causes of their choosing that were related to the pandemic and/or racial justice. This program empowered Artemis team members to tackle local challenges and support their communities, and we encouraged the team to match our contributions with their own funds or efforts.

The most impactful leaders demonstrate their commitment to purpose as well as performance, and I have found at Artemis that leaders can emerge at any level of an organization if they are given the opportunity to take responsibility for being a force multiplier of good in their communities.

What do you see as the keys to effective leadership and how do you describe your management style?

In my view, a leader’s vision comes from passion, not position. True leaders have the confidence to stand alone and the courage to make tough decisions. When you lead with purpose it encourages others to join you in your pursuit, where what you do matters in the context of an evolving world, not only improving on yesterday, but building for tomorrow.

Functionally, I have found that to be an effective leader you need to explain how and show why. This lifts your team and supports their individual and collective growth, better preparing them to lead through future challenges. I have always said that the best managers play to the strengths of their team. When you do this well, you develop a team where the whole is greater than the sum of its parts. ●