

# Teaming Up to Develop Your Own Real Estate Portfolio



Mark B. Goode, CCIM, SIOR, Venture One, Chicago, Illinois, has been involved in the commercial real estate industry since 1975. He specializes in the development and acquisition of industrial properties and parks and is the founding member of the I-39 Logistics Corridor Association, which spans a 10,000 square-mile area encompassing 14 counties in Illinois and Wisconsin.

Mark's achievements have been recognized with numerous industry awards. He was the recipient of SIOR's "Largest Dollar Volume Transaction Investment" Award in 2004, 2003, 2001, 1999, 1998, and 1997, as well as the Largest Dollar Volume Transaction Industrial in 1994.

By Mark B. Goode, CCIM, SIOR

There was a time when investing in your own account was considered a conflict of interest. The marketplace has matured significantly since roles were defined by boxes on a chart. Today, many real estate companies are not only thinking outside the box, but they are performing crossover services. When done in a professional manner, this practice has market acceptance. Certainly nobody wants to put his or her long-term brokerage practice in jeopardy by investing in a short-term acquisition or development project. On the other hand, developers and owners like to work with brokers who are experienced and understand the nuances of their business. What better way to demonstrate your experience and understanding than to develop a successful track record of your own investments in the trenches?

Over the years, my firm has been involved in the sale of more than \$2 billion worth of industrial real estate across the country, acting as investment brokers for sellers and buyers. Seeing investment sales from both sides of the transaction has changed our mindset; we apply this enhanced understanding when we acquire buildings and land for our own investment and development portfolio.

## Make the Time, Build a Team

Many brokers don't invest in their own accounts because they know it will take time. It's true that, once you have made the decision to invest, the next challenge is finding enough time to find the right opportunity, assemble the right team, manage the process, troubleshoot issues, and deal with tenants, municipalities, contractors, etc.

Although each project has unique team requirements, typically a team is comprised of a broker, a contractor, and other specialists as needed. Venture One partners with individuals who either bring deals or add value by contributing significant market or property knowledge, resulting in investment-equity growth. We strongly believe that working with other SIOR brokers creates the most effective teams.

Over the past 30 years, Venture One principals have closed investment sales with more than 50 other SIOR brokers across the country, selected for their expertise, their knowledge of local markets and communities, and their relationships with major industrial owners, sellers, and tenants. When the talents of local SIOR brokers have combined with Venture One's ability to creatively negotiate complex transactions, we have been successful at closing investment sales for our clients. This experience has given us a unique perspective on successful teaming. The key here is threefold: find a market niche, work with people you trust, and don't be greedy.

### **Find the Right Property—Recognize Possibilities**

A potential buyer may dismiss many properties as requiring too much time, effort, and skill to solve problems inherent in the project. At Venture One, we have learned that having a team mindset, a lot of flexibility, and the time to add value can make a borderline project a great project.

It might be useful to change your acquisition mentality. For example, thoroughly understand why an owner wants to sell a property from the beginning. Is there a problem with the asset? Does the seller want to maximize his/her return on investment? Does the seller have a short-term operational need for the building after the closing? Is there a problem that can be solved during the acquisition process?

### **Take a Flexible Approach**

Another important step is to develop a flexible approach to acquisition ownership structures. Over the years, we have shared ownership of real estate

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with sellers, tenants, brokers, banks, and other entities to create organizational structures in which everyone wins. One example is Park 88, our 565-acre industrial park, located in DeKalb, Illinois. The landowner was a sophisticated investor who tried to market this land for three years without success. Rather than buying the land outright, in 2003 we formed an incentive marketing partnership with the landowner and assembled

a project team, which included Clayco, a contractor and SIOR Associate member, to develop an industrial park that would accommodate seven million square feet of distribution, bulk-storage, warehouse, and manufacturing space when built out.

Two million square feet of industrial space has been developed on 140 acres of the land over the last three years. Our firm sold 119 acres of land at Park 88 for the development of Target's 1.5 million-square-foot, \$100 million, build-to-suit facility, completed in 2005. 3M Corporation's 410,400-square-foot warehouse/distribution facility was completed at Park 88 in 2007. Park 88 has been a win-win venture, because the landowner now earns a higher rate of return on the developed land, and we don't have to carry the land during development.

### **Create Benefits for All Parties**



At Peace Corporate Center, a 54-acre business park, submitted to us by DeKalb, Illinois-based Steve Milner, CCIM, SIOR, Milner & Associates, we encountered a different set of problems from Park 88.

The 305,000-square-foot building was formerly a Caterpillar tractor-manufacturing facility. When the tractor division was sold to another company, the real estate became surplus property. In 2004, we took an assignment of the purchase contract from one of Milner's existing clients and closed on the property. We assembled a broker/contractor team, which included Milner, to redevelop the single-tenant building into a multi-tenant facility, and we leased the entire building to 3M Corporation and a bank.

A second 3M building at Peace Corporate Center—a 202,000-square-foot, build-to-suit facility—was completed in 2006. This was a win-win-win, because the partnership sold the asset, 3M expanded its tenancy to accommodate its growth, and the broker earned commissions on the initial sale of the existing building and participated in the value created by the lease-up of that building, the sale of the 3M build-to-suit facility, and ultimately the sale of the existing building.

## **Strong Teams Tackle Complex Jobs—and Succeed**

A 323-acre land site, located in unimproved Winnebago County, had been farmland for decades. My firm assembled a project team to

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spearhead the annexation of the land into the Village of Cherry Valley, Illinois, and we signed a development agreement with the city and county stipulating that together we would bring all utilities to the site. In 2006, we completed the phased acquisition of the land. Now the land, known as Rock 39 Industrial Park, is master-planned to accommodate 4.3 million square feet of industrial space when built out. In 2007, we sold approximately 26 acres to Con-way Freight, Inc., for its new 55,000-square-foot truck terminal.

In another innovative project, **David M. Kirby, SIOR**, First Commercial Partners,

Charleston, South Carolina, approached Venture One in 2005 with a 65-acre, port-oriented site. We assembled a team of local experts, brokers, and **Clayco**, a national contractor, and then we went through the process of changing the property use. The property was primarily zoned residential, so the project required a zoning change, street dedications, additional home purchases and wetland remediation. Through the efforts of our two local SIOR partners—Kirby and **Eugene W. Blanton, CRE, SIOR**, Landmark Enterprises, Charleston, South Carolina—and Clayco, we were able to successfully resolve all of these complex issues prior to the land closing. In October of 2007, we broke ground for the \$90 million, 450,000-square-foot

Remount Business Park, a new office/flex park that is 45 percent pre-leased.

By creating innovative ownership structures and taking the time to build unique project teams that communicate effectively and efficiently, you can make tough deals successful ones while generating significant value for all team members. ➔

