“Put aside other real estate textbooks! John McNellis is a Picasso of storytelling, bringing the real estate process to life through humorous and compelling anecdotes and insights. With material as eclectic as the times in which we live, McNellis captures the fascinating odyssey of real estate investment, ownership, and development. Newbies and wily, cantankerous veterans alike will find this gripping primer on the real estate deal process to be a catalyst in turning creative ideas and big dreams into tomorrow’s built environment.”
—Jim Curtis, Managing Partner, Bristol Group

“John McNellis has a talent few other developers possess: he can swiftly cut to the chase to make a deal that works for both sides. He is among the best at knowing when a deal makes sense to pursue, or when to walk away and wait for the next one. If you want to learn what it takes to be successful in real estate, read this book.”
—James S. Fassio, President and Chief Development Officer, Ross Stores Inc.

“John McNellis’s book on real estate development and investment is extraordinarily insightful and full of wisdom. His wit makes it an easy read. I would highly recommend this book to both experienced and beginning real estate developers and investors.”
—George M. Marcus, Chairman of the Board, Marcus & Millichap Inc. and Essex Property Trust Inc.

“John McNellis fills his book with rich insight, great advice, humor, and inspiration—sharing his deep experience and wisdom, helping us think more clearly about real estate and assorted business issues. A must-read.”
—Mark L. Myers, Head of Commercial Real Estate, Wells Fargo & Company

About the Author

John McNellis is a principal with McNellis Partners, a commercial development firm he cofounded in the mid-1980s in northern California.
Making it in Real Estate:

Making it Big

John McNellis
Washington DC
September 2019
McNellis YouTube Videos

• Starting Your Company
  • Sell vs. Hold
  • Buying it Right
• No Partners, No Problems
• 1031: Panacea or Placebo
The Big Leagues

- The Majors
- Triple A
- Double A
- Single A
They all throw 90 miles an hour
The Difference?

Control
The Strike Zone

The intersection of growth and supply constraint
Growth

• Current job and population growth
• Long-term prospects with strong economic engine—tech, finance, medicine, universities, etc.
• Climate
Workers Flee Big Cities—and Take Jobs With Them

People who do their jobs from home, freelance or frequently travel for work are fueling a renaissance in American cities that lie outside the major job hubs.
Supply Constraint

• Physical barriers: oceans, rivers, mountains
• Political challenges: restrictive zoning, NIMBY’s, anti-growth forces
The Spot within the Strike Zone
Worst House on the Best Block
Product Type not Critical

Reduce risk by selecting asset class with lowest long-term vacancy rate
Who?
Motivated Seller
True Seller Motivation

- Death
- Divorce
- Dissolution
- Disaster
Worth Repeating

Supply Constraint & Motivated Seller
When?
Now
How
Brokers, Partners and Bankers
Brokers most Important

• You won’t find deals yourself
• Sell yourself to the broker
• Pay full commissions
• Offer participation in deal
Partners

- Typical deal: Money gets a preferred return of 7%, then 50-50 split with developer
- Easiest way to raise money is to take no fees until partners’ capital is repaid
Bankers

• Start with a small local bank
  • Progress reports
  • No surprises
  • Sign the guaranty
The Deal
Put it all together

- Grand Rapids, Michigan
- Decrepit building in great industrial park
- Industrial has zero vacancy
- Seller’s heirs need to pay estate taxes
All together #2

- Your new best friend is #1 broker in industrial sales
- Partners are family and friends
- Local community bank is your lender
$3 Million Project
$1 million equity/$2 million debt

Financial Partner:
90% of equity: $900K
7% preferred return +
65% of profits

Developer:
10% of equity: $100K
Fees: ($50K)
Net equity: $50K
Completion guaranty
35% of profits
$3 Million Project
sells for $4 million

Financial Partner:
$650,000 profit

Developer:
$350,000 profit +
$50,000 fees

Total: $400,000
$400,000 Profit

Repeat twice a year for 20 years

Make the Hall of Fame
Unanswered Questions

• Debt vs. Equity

Use both on every deal
Unanswered Questions

- Right debt/equity balance?

60-65% debt
Unanswered Questions

• When to drop financial partners and go it alone?

• As soon as you can
James J. Curtis III
1953-2019
Q & A