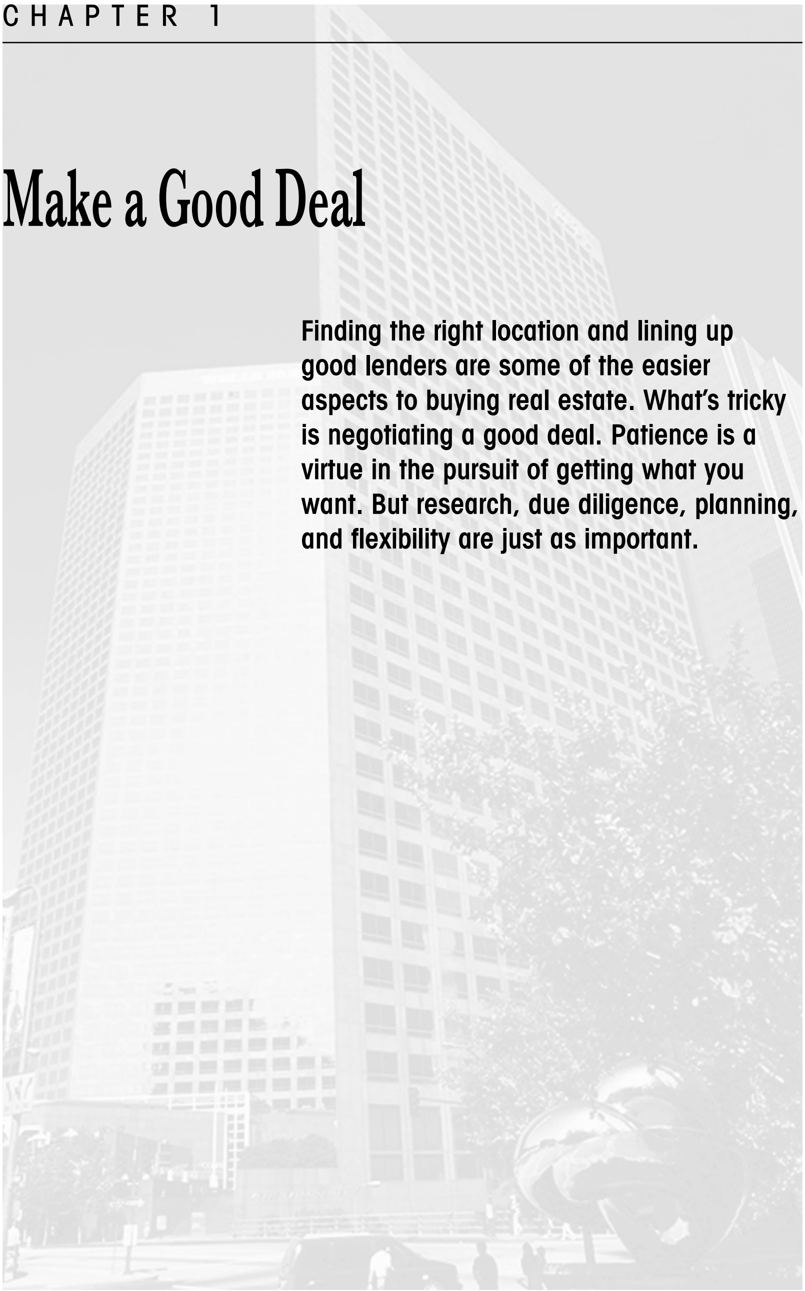
CHAPTER 1

Make a Good Deal



Finding the right location and lining up good lenders are some of the easier aspects to buying real estate. What's tricky is negotiating a good deal. Patience is a virtue in the pursuit of getting what you want. But research, due diligence, planning, and flexibility are just as important.

When it comes right down to it, the best advice for real estate investors is to practice *patience.* Though there are many instances when it is necessary to act quickly, patience is a virtue even in situations where time is of the essence.

As one case in point, right after the dust cleared from Equity Office Properties' initial public offering in 1997, the real estate investment trust's chairman, Sam Zell, began planning a major expansion. Caught in his crosshairs was another real estate investment trust (REIT), Cornerstone Properties, which he wanted to own.

Zell knew that although Cornerstone had managed to quickly grow its portfolio of properties, the New York–based REIT was smaller and would have trouble gaining access to the capital markets. It took three years, but Zell finally snared his prey, buying the company for $4.6 billion.

The key to this deal was persuading a Dutch pension fund, which owned about 30 percent of Cornerstone, to sell. Although Zell clearly coveted the company's 15 million square feet of office space, much of which was located in the same cities where Equity Office Properties already had a presence, he took his time with the pension fund. "After three years, the timing was right," Zell said.[1]

Convincing the fund to sell was only the first part of the deal. The bigger challenges were ahead. Zell wanted the transaction to take place on his terms, plus he had to convince a group of banks to do the funding. A notoriously tough bargainer, Zell eventually agreed to pay $18 per share in stock and cash in what amounted to adding a 20 percent premium to the stock price at that time.

Equity Office Properties assumed $1.83 billion in Cornerstone debt, but the total price tag amounted to the equivalent of Cornerstone's net asset value—no more, no less.

Since the investment banks were happy to finance the deal, Zell wrangled additional financing, including a $1 billion bridge loan, a $1 billion revolving credit facility, and a $500 million bond offering.

Patience and slow, deliberate negotiations produced for Equity Office Properties a huge addition to its portfolio, along with plenty of capital leeway for anything else Zell might stumble across.

If three years seems like a long time, in the real estate business, it's really not. Hamid Moghadam, president and chief executive officer of San Francisco–based AMB Property Corporation, tells of pursuing a deal for two Kennedy International Airport cargo facilities for two and a half years before nailing down the properties. For Moghadam, it was also a matter of slowly and deliberately convincing the seller to come to the table.

TAKE IT SLOW

There are generally three parts to a real estate deal of any magnitude: coming to a conclusion with the seller, arranging capital from lenders, and—if there are partners—making sure everyone is headed in the same direction. There is no trick to successful negotiating. What works best is knowledge, persistence, and a clear understanding of what everyone wants to accomplish before signing on the dotted line.

Where novices often trip up, even if they find the right real estate in the right location, is falling in love with the property. Pursuit becomes too ardent and clearheadedness disappears. As noted in the Sam Zell and Hamid Moghadam transactions, both were intent on getting their acquisition targets, but neither was compelled to rush into a transaction that was not in his favor.

Most real estate deals eventually collapse when investors spot a potential target—perhaps in a very good location—and feel the need to jump into negotiations under the assumption that someone else might come in to compete in the bidding.

"The worst thing you can possibly do in a deal is seem desperate to make it," says Donald Trump, one of the most celebrated and successful real estate deal makers of them all. "That makes the other guy smell blood, and then you're dead."[2]

This kind of situation puts the buyer entirely at the mercy of the seller, who has his or her own goals and price points in mind. Generally, the seller's goals will infringe on you attaining your goals. And if you don't have strategic goals other than ownership in mind, sometimes it is best to stay out of the market in the first place.

What's also interesting to note about the Zell and Moghadam examples is that the target portfolio and properties weren't for sale until the potential acquirers made inquiries. That is, there was no for-sale sign hung on the front window. In all likelihood, the sellers were not initially happy to see they were the targets of such aggressive buyers. But once they both agreed, everyone got what they wanted.

KNOWLEDGE IS POWER

The discovery of potential targets usually comes about through a combination of industry knowledge and careful due diligence on prospective properties. That is the first step in deal making—either you know the market, you have researched the market, you have performed due diligence on the individual property, or you have done all three.

Angling for the upper hand in any deal requires knowledge, because in real estate looks can be deceiving. Let's say a three-year-old office building that is 95 percent occupied comes on the market. The handsome property is located in a very hot, suburban real estate market. While it certainly fits a strategic goal, is it really as good as it looks? Suppose three new office buildings are scheduled to come online in the next year, or that one of the lead tenants is teetering on the edge of bankruptcy, or that the existing tenants have relatively low leases and, with higher vacancies in surrounding buildings, the likelihood of substantially raising rents remains low. Once you dig deeper and discover these factors, you might conclude that what seems like a good deal is really no bargain at all.

CAREFULLY CRUNCH THE NUMBERS

There is an old negotiating axiom that in a buy-and-sell situation, you shouldn't be the first to state a price. In reality, a workable price will be decided no matter who opens negotiations. The more important point is to decide what form the payment will take and over what period of time before entering into discussions about what you will pay for a property. In addition, if the price being offered is a number that is considerably lower than the seller expects, be able to back up your reasoning for the low bid (the property has serious maintenance issues, competition is rushing to build, etc.).

Donald Trump twists this important point to form a crucial corollary: "Protect the downside and the upside will take care of itself." As Trump notes, he always goes into a deal anticipating the worst. Then, if he can live with the worst-case scenario, the upside should become apparent.[3] That is especially true when calculating financial risk. You have to know whether you will be able to remain standing if the unexpected happens.

It is also important to have a good handle on your financing options before negotiations conclude. Once the seller accepts your bid, you don't want to be scrambling to find capital, which is time-consuming and could endanger the transaction. Although a deal might take weeks or even months to arrange, once everyone is in agreement, it needs to be concluded quickly.

Major deal makers in real estate are generally of like mind when it comes to "squeezing the deal," that is, getting as much as possible from either the seller or lenders. Their collective advice: Don't do it. If your general financial requirements are being met, there is no point in creating hard feelings by trying to get more, because at some point in the future, you could be working with the same folks again on another transaction. This is particularly true if you plan to invest in a number of properties, and especially applies to your dealings with banks (which have very good memories).

"You need to approach every deal as if it is your last," adds Douglas Shorenstein of the Shorenstein Company. "You shouldn't be looking to squeeze the lender, squeeze the broker, squeeze the seller. You may be dealing with most of those people again on another property. You must have a reputation for knowing what you are doing."

John Kukral, president and chief executive officer of Blackstone Real Estate Advisors, a New York–based real estate opportunity fund, claims he spends a lot of time keeping a very good relationship with lenders, trying to understand their business, and learning how he can make their business better for them.

"If I have a transaction that is going to be a clear moneymaker, I don't need to get the last 50 basis points [0.5 percent] out of a loan," he says. "I'm not going to beat up the lender. If this is a great deal, let's get it done quickly. I don't want to spend months negotiating with the lender."

ASK THE RIGHT QUESTIONS

What is interesting about the Zell and Moghadam deals we examined earlier in this chapter is that the sellers did not originally intend to unload their properties. But in most transactions, the seller is motivated, though the motivations are not always clear. Therefore, you should ask the following question: Why does the seller want to unload this particular property or portfolio? Generally, it's not anything sinister. It may be nothing more than the seller needing money to buy another property. Even in situations of desperation, properties for sale are rarely relinquished at highly discounted prices. That is why it's helpful to know the circumstances behind a willing sale. Often a little homework will reveal a bargaining chip that you can use to your advantage.

"What I try to do is work more than anybody so I can understand the asset better," says Blackstone's Kukral. "You have to dig deeper to find something that other people do not know about the asset."

Trump also espouses the concept of "knowing your market," but he claims he doesn't rely on number-crunching researchers. Instead he does his own research on the street because, as he likes to boast, he has the instinct and prefers to draw his own conclusions.[4]

PLAN AHEAD, YET REMAIN FLEXIBLE

After patience and research, the third important part of successful deal making is planning. Deals can be simple or very complicated with a lot of moving parts. The deal should be sketched out from start to finish, including what will happen to the property if your bid is accepted.

Obviously, there are many twists, turns, and bargaining ploys involved in a deal that cannot be planned in advance. Nevertheless, it is important to stay focused on the process and the outcome. There are some intuitive deal makers who can sense the next turn before it happens. The rest of us have to compensate for our lack of intuition by being organized, well planned, anticipatory, and focused.

One of Trump's axioms is to "think big" when approaching a deal. One of the keys to thinking big is "total focus."

By being focused and organized, it is more difficult to fall prey to that must-win-at-all-costs emotion, which generally leads to bad deals. One has to know going in that there are limits to any bid, mostly based on one's liquidity and—for income properties—the ability to recoup the cost through the asset's cash flow. No deal is worth taking on more risk than whatever limits you have initially established—either on paper or through your own intuitiveness.

It is also important to ready a flexible response to the odd twists that sometimes spring up unexpectedly. When Trump was shopping around for property to build his first casino in Atlantic City, he suddenly discovered that Holiday Inn was knocking at his door, wanting to be a partner. Trump didn't feel he needed the big hotel company, nor did he want a partner, but Holiday Inn offered him a deal that was too good to pass up. They would reimburse Trump for the money he had in the transaction, finance all construction, and guarantee him against loss for five years. Instead of owning 100 percent of the project and accepting all the risk, he opted to take 50 percent of the deal without any cost at all. As for the partnership, a few years later Trump bought out Holiday Inn's shares.

Trump, a serial deal maker, says he protects himself by being flexible. "I never get attached to one deal or one approach. I keep a lot of balls in the air because most deals fall out no matter how promising they seem at first."[5]

Trump is also not afraid to drop a deal that is not unfolding to his expectations.

One of his best transactions ever was one in which he seemingly ended up on the losing side. In 1987, Trump set his sights on acquiring Resorts International, an Atlantic City, New Jersey–based hotel and casino owner. His initial move was to acquire $96 million worth of Resorts International Class B stock for $80 million. While this netted him just 12 percent of the company's equity, it gave him 90 percent of the shareholder votes. His intention was to eventually buy the rest of shares and take the company private.[6]

Merv Griffin, the former singer and talk-show host, started playing entrepreneur after his fledging entertainment career cooled down. Seeing a chance to outtrump the Donald, Griffin bid $35 a share for Resorts International, a 60 percent premium over the $22 a share Trump was willing to spend.

Trump knew he couldn't outbid the interloper and negotiated the best bargain he could, selling his shares to Griffin. That netted Trump $12 million. He also got the then-unfinished Taj Mahal casino in Atlantic City as part of the deal.

As for Griffin, he overspent by a wide margin for Resorts International. By 1989, Resorts International's debt service was cruising along at $133 million, but the company's estimated cash flow was under $30 million. Resorts International quickly fell into Chapter 11.[7]

Even Trump knows his financial limitations. He initially let Griffin get the best of him on the Resorts International acquisition. But he was flexible enough to negotiate something out of the transaction, which turned out to be the winning hand in an eventually messy outcome.

It is also important to remember that sometimes you get a second chance. Many deals fall apart for one reason or another. When that happens, sellers and their brokers turn to the next buyer in line. Even deals that come to fruition sometimes go awry for the buyer, meaning the property could turn up on the market again at a better price point down the line.

TAKE CHARGE

While it is important to get good advice—financial, legal, and otherwise—if you really want a deal, you must take the lead in making it happen. As Trump notes, "I do my own negotiating. Generally speaking, it works out much better that way."

Budding real estate entrepreneurs get held back in early deals for a number of psychological reasons: fear of failure, fear of not bidding the appropriate price and terms (the other side of this psychosis is fear of insulting the seller with an inappropriate bid), inability to get the deal in motion, and self-doubt. With so much capital at stake, sudden weakness prevails, and the potential entrepreneur starts soliciting support from family and friends, who know very little about the details of the deal and offer the most conservative advice—often and inadvertently negative.

Again, the only solution is to take charge, stay focused on the deal, and avoid unnecessary distractions.

Failure to complete a deal might not make you rich, but it won't bankrupt you, either, if your only other choice is to conclude a completely unfavorable transaction.

Richard LeFrak is president and chief executive of the Lefrak Organization, one of the largest private real estate companies in New York and the biggest owner of multifamily units in the Big Apple's metro area. He modestly notes that deal making is not his forte. What he and his company do best, he often stresses, is development. Nevertheless, LeFrak has cut some amazing deals over the years.

Twenty years ago, the company made a huge bet on Jersey City, right across the Hudson River from Manhattan. At the time, the area was derelict and home mostly to railroad tracks and old industrial structures. LeFrak sensed that affordable housing and offices would attract residents and customers who were priced out of Manhattan's expensive real estate. LeFrak won't say how much it cost for the 600 acres of Jersey City property he acquired, but admits that with only half of the land developed, he has already recaptured the dollars he spent on land acquisition and construction.

BE TOUGH AND NEGOTIATE HARD

While LeFrak is demure about his deal-making skills, Trump revels in his, which is why he called his first autobiographical tome *The Art of the Deal.* He explains in the opening paragraph of his book, "I don't do it [real estate deals] for the money. I've got enough, much more than I'll ever need. I do it to do it. Deals are my art form."

Years later, as he spoke to me sitting in his opulent New York office, Trump gave new meaning to his term *art of the deal.* "It's having the vision to see where the world is going to be, so when the building is completed they are standing in line to get in."

While Trump emphasizes that he uses different tactics for every deal, the ambiance of his approach is always the same. He is patient, is extremely knowledgeable about the target property and immediate market conditions, can raise capital quickly if needed, and is not shy about ruffling feathers. His style combines equal measures of friendly determination and hovering threats. It is about as edgy as one can get.

"You've got to be tough. You've got to negotiate tough, and you cannot, at any time, let anyone take advantage of you," he says. "As bad as things got for me—and they got pretty bad—I never let anyone push me around. This saved my ass. I always sent out the message: 'Don't lie to me. Don't cheat me. Because I'll find out and I'll find you and it won't be pretty.' "[8]

Not every deal Trump completes works out in the end, but the ride is always thrilling. When he does score, it's generally a grand slam.

When the 72-story number 40 Wall Street was constructed in 1929, it was the tallest building in the world until the Chrysler

Building was erected in 1930. Still an architectural gem, the office tower suffered through decades of mismanagement and ownership uncertainty, all of which Trump observed with an uncanny eye for detail.

In the 1980s, Ferdinand Marcos acquired 40 Wall Street. At the time, Marcos was the Philippine dictator. His chaotic ownership ended when the leasehold interest was acquired by a private investor for a cost north of $100 million. At that point Trump became interested in the property, only to watch a Hong Kong firm, the Kinson Company, buy the building. Kinson poured money into renovating the property, but could not make it profitable. Plus, Kinson was having troubles with its contractors and an avalanche of liens were placed against the building.

In 1995, Kinson hoped to bail out and turned to Trump, asking only $5 million, or $4 a square foot, for a key Wall Street building.[9] Granted, the office market in New York had not fully recovered from the real estate recession of the early 1990s, but it was still an absurdly cheap price for the tower.

Trump determined there were at least $4.5 million in liens and trade payables against the building. If he paid Kinson $5 million, most of that would be used to pay off the problems. Trump figured he could do a better job himself of dealing with the problems, so he offered Kinson $1 million and agreed to assume and negotiate the liens—which he did at a fraction of the outstanding value.

After the ink was dry on the contract, Trump says he was "surprised" to learn that Kinson failed to disclose other claims against the building, which Trump satisfied by deleting those amounts from the postclosing price.

The final purchase price, as Trump loves to boast, was less than $1 million for 1.3 million square feet of Wall Street space. Even with an additional $35 million in renovation costs, 40 Wall Street was one of the best real estate deals in Manhattan since the Dutch bought the island for $25 worth of beads.

MEET THE MAVERICKS

Donald Trump

Birth Date: 1946
Occupation: Chairman and President, The Trump Organization, New York, NY
Education: BS, Wharton School of Finance, University of Pennsylvania

Career Highlights:

- Develops glamorous Trump Tower in New York, which becomes a tourist attraction
- Builds Trump World Tower in New York, the tallest residential building in the world
- Creates Trump Hotels & Casino Resorts
- Buys General Motors Building and 40 Wall Street in New York
- Publishes two best sellers, *The Art of the Deal* and *The Art of the Comeback*

BREAK THE RULES

Trump remains the most unusual of all real estate investors, a true Maverick even as his real estate empire—won then lost then won again—spirals into the billions. At last count, revenues for The Trump Organization jumped past the $10 billion mark.[10] Trump probably has used and abused each rule about real estate investing mentioned in this book more than once. While most other developers specialize in one asset class, Trump seemingly invests in everything, often on a whim. Gathered through storms, his portfolio is stuffed with casinos, apartment buildings, huge mixed-use developments, hotels, golf courses, and country clubs.

A peek into Trump's holdings (including his publicly traded Trump Hotels & Casino Resorts) reveals a hodgepodge of amazing properties and businesses. In New York alone, there are 11 different buildings and projects: Trump Tower (residential and retail), General Motors Building (offices), Trump Place (residential and commercial), Trump International Hotel & Tower (hotel and residential), Trump Parc (residential), Trump Park Avenue (residential), Trump Plaza (residential), Trump Place (residential), 610 Park Avenue (residential), Trump World Tower (residential), and 40 Wall Street (offices). Then there are five casinos, six golf clubs, six resorts and country clubs, and odd items like the Trump Grande Ocean Resort and Residences in Miami, Trump Pageants, and management of the Wollman Skating Rink in New York.

If other wheeler-dealers forge close ties with partners and banks, Trump will do the same. But he is also known to force out partners who disappoint him and squeeze financial sources at crunch time.

Where others play it safe, he prefers to be out on the edge. He's a tough negotiator, who drafts smart, tight contracts and wields attorneys about like army divisions. All the while, he portrays innocence. "My deals are not contentious," he pleads. But somehow they often end up with lawsuits and threats.

Trump lines up partners and frequently finds they do not meet his expectations. After realizing Holiday Inn was not a very good casino manager, he forced a showdown until the company sold out. He then began buying Holiday Inn shares, sending a message that he was flirting with the idea of taking over the entire company.

In 2002, he fought with Conseco, his partner on the 50-story GM building in New York.[11] While Trump got the management contract and his name on the building, Conseco put up all but

$11 million of the $222 million equity in the deal. The squabble became so intense, Trump filed a $1 billion lawsuit against his partner, allegedly for blocking an attempt to buy it out.

A year later, he and American International Group, the huge New York–based insurance company, went at it, with Trump telling the press he was shopping around for a new insurer for his portfolio because AIG's prices were too high. AIG returned the fire, claiming Trump was just acting out because AIG did not buy into a junk-bond deal Trump issued. Eventually, AIG decided it wouldn't offer to renew property coverage on the portfolio anyway.

PLAY THE PRESS

Trump probably was using the press to beat down AIG on pricing, a technique no one does better. Many real estate investors hide from the media, feeling the less the public knows about their deals, the better. Trump, as is his manner, takes the opposite approach. He is always willing to talk. Sure, he loves the limelight, but there is usually a method to his madness. No one plays the press better to make a deal. Getting the word out is one of his key rules in the art of the deal.

In 1974, when Trump was trying to get the city of New York to approve his acquisition of the Commodore Hotel on East 42nd Street, he persuaded the hotel's owners to say they were planning to close the property. Trump then hit the airwaves, arguing that a boarded-up hotel would be a disaster for the Grand Central area of the city.[12]

While Trump can be difficult and contentious, even his adversaries say he is a genius when it comes to making a real estate deal happen. Although it can be a rough ride to be on Trump's team, his banks have been unexpectedly loyal.

Trump's most unique accomplishment is not the glitz, the glamour, and the fact that his name is in the media somewhere in the world almost every day. It is that he is one of the few—if not the only—real estate Mavericks to create a brand name. The fact that the word *Trump* appears on almost all of his properties is not just an ego statement. A Trump building is a product representing a very high-end piece of real estate. The name, he says, means considerable price points above a similar product—and that is especially true for his residential buildings.

"I just try to stay ahead of the curve," he says with uncharacteristic modesty.

Then he adds, "I have the best locations. I have the best buildings, I get great zoning. I get really good financing. I build, sell, and rent. And I get more per square foot than other people."

The Trump Tower has become a tourist attraction in and of itself, with 2.5 million visitors annually, according to Trump's people. How does the company describe the property? As a "Mecca of style and high fashion and an elite sanctuary to some of society's most famous and influential people."

With his comb-over hair, critics often lament Trump's lack of personal style. The same cannot be said for his buildings, which are well designed, handsomely appointed, and carry a host of luxury amenities. His 90-story Trump World Tower across from the United Nations, designed by Costas Kondylis & Associates, received a glowing review from Herbert Mushcamp of the *New York Times,* who proclaimed "it punches through the morbid notion that the Midtown skyline should be forever dominated by two Art Deco skyscrapers."[13]

Like many of today's major real estate mavens, Trump experienced the industry firsthand through his father. Fred Trump built middle-class residential buildings in the New York boroughs of Queens and Brooklyn.

Donald Trump was born in Queens in 1946. After graduating from the New York Military Academy, he attended Fordham University, located in another borough—the Bronx. He then transferred to the Wharton School of Finance at the University of Pennsylvania.

Many get-rich-quick real estate schemes are built around the difficult-to-execute concept of buying foreclosed homes. That is not the way most successful real estate investors operate. But Trump usually goes against the tide. His very first deal involved an FHA-foreclosed property in Cincinnati. Called Swifton Village, the 1,200-unit apartment project originally cost about $12 million to build. Trump and his father placed a minimal bid of $6 million. There wasn't much competition because the project looked like a disaster, with almost 40 percent vacancy, bad tenants, and a scarred appearance.

After winning the bid for the property, the Trumps secured a mortgage for their entire purchase price plus another $100,000 for renovations—meaning they got the property without putting up any of their own money. Fixing the place up ultimately cost $800,000, but it was a great investment. The Trumps were able to make the property attractive, bring in better tenants, and take occupancy to 100 percent.[14] And, oh yes, a few years later they unloaded it for $12 million.

LOOK FOR UNUSUAL OPPORTUNITIES

Trump's name is often linked to Manhattan, and for good reason, given all of his high-profile projects there. But he really didn't arrive in the Big Apple until 1971, after graduating from college. His first significant opportunity came two years later when he noticed that Penn Central Railroad, then in the middle of bankruptcy, wanted to sell its two rail yards on West 30th and West 60th Streets in Manhattan.

The latter was especially attractive because Trump thought he could build middle-income housing on the site, yet it was the former property that turned out to be the gem. The city of New York was looking to build a convention center and Trump was convinced the West 30th yard was a perfect location.

By 1974, Trump says he secured an option to purchase the sites for $62 million with no money down.[15] Four years later, the city decided Trump was right and bought the site from Penn Central, with Trump's compensation being based on his original option to purchase.

It was a mixed triumph, though. Instead of choosing Trump to develop the site, the city and state decided to oversee the work itself. Trump pocketed less than $1 million from the deal. Not a lot, he laments, given all the time and work he put in, but the deal did put his name on the map of Manhattan.

Without question, 1974 was a busy year for young Donald. While he was doing the deal for the Penn Central rail yards, he noticed the company also owned several old hotels in the city that it wanted to unload. The one in the worst condition was the Commodore Hotel, adjacent to Grand Central Station.

While the hotel and the neighboring area were in decline, Trump guessed that its proximity to one of Manhattan's two great rail stations made it a perfect location for a convention hotel. But there were a lot of moving parts to this deal, including financing, arranging tax abatements from the city, and finding a prestigious hotel chain to attach its name to the property.

Trump learned an interesting lesson in deal making during this early transaction. He had his mind set on making the Commodore into a Hyatt, since he knew the hotel chain was interested in establishing a presence in the city. Yet he had a hard time getting the company to come on board. Finally, someone told Trump that if you want to get something done, you have to call the top person in the organization. At Hyatt, that was Jay Pritzger. Trump phoned Pritzger, they met, and Hyatt signed on. As Trump notes, "If you are going to make a deal of any significance, you have to go to the top."[16]

There were two very important features about this deal. First, the location was right. Although it seemed at the time the neighborhood was going downhill, Trump correctly figured that with so much foot traffic emptying out from Grand Central and walking past the site, if he could erect something brilliant, the hotel would sell itself. The second attractive feature was the numbers. In 1974, the hotel's room rate was $20.80 a night. Even at a 40 percent occupancy rate, Trump knew he could break even. Trump figured that after renovations, nightly rates would rise to $48 and he could push occupancy up to the 60 percent range. In reality, when the hotel reopened in 1980, room rates were pegged at $115 a night—and the hotel was quickly able to gain occupancy of 80 percent.[17]

Throughout the 1970s and 1980s, Trump continued to erect great buildings in New York and casinos in Atlantic City while throwing money at odd ventures such as the Trump Shuttle Airline and the New Jersey Generals football team. He was at the top of his game when the real estate recession of the late 1980s hit and took down his empire. By 1990, Trump was facing bankruptcy. He couldn't meet payments on more than $2 billion in loans. In fact, he was $975 million in debt, which he personally had to guarantee.

Trump was able to extricate himself from the financial apocalypse through timely negotiations with his banks to secure emergency financing. Eventually, however, he had to give up much of his empire to get more favorable terms. According to *Forbes,* he lost more than two-thirds of his net worth.

With another boom in real estate in the 1990s, Trump returned to triumph, although his company is still plagued with high debt loads, especially his Trump Hotels & Casino Resorts division. In early 2003, the *Wall Street Journal* reported that Trump's auditors had substantial doubt about the ability of Trump Castle Associates LP, a unit of Trump Hotels & Casino Resorts, to continue as an ongoing concern.

Is Trump concerned about losing his empire for a second time? When I asked him that question, he responded, "Heck no. I'm having a lot of fun."

First-rate real estate Mavericks like Trump truly know how to make great deals. Once they have learned from their mistakes and have nailed down the formula for success, they use it over and over again to keep adding to their holdings.

THE MAVERICK APPROACH TO MAKING A GOOD DEAL

1. Take your time negotiating.
2. Don't fall in love with the property.
3. Never appear to be desperate.
4. Realize that knowledge will give you the upper hand in deal making.
5. Work out the numbers before beginning negotiations.
6. Have your financing all lined up in advance.
7. Don't try to squeeze every last penny out of the deal. It could come back to haunt you later, especially if you deal with the same people in your next transaction.
8. Determine the seller's motivations and use that to your advantage.
9. Sketch out your deal from start to finish.
10. Plan for all eventualities.
11. Stay focused on your goals.
12. Remain flexible and open to unexpected opportunities.
13. Accept responsibility for making deals happen.
14. Be willing to take chances.
15. Have a thick skin.
16. Don't take it personally.