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## SELL YOURSELF LIKE TRUMP

*Five Personal Qualities You Need to  
Succeed in Real Estate*

### KEY POINTS

- Use your enthusiasm for the project to inspire others.
- Build relationships with everyone involved in a deal.
- Showmanship is a real estate strategy.
- Be better prepared than anyone else.
- Be tenacious.



Grand Hyatt

**D**ONALD TRUMP BECAME a billionaire in real estate by making a series of incredibly creative and successful investments in New York City properties. He is now the largest real estate developer in New York and is widely acknowledged to be one of the most brilliant real estate investing minds anywhere. For example, in the early 1980s, with the building of Trump Tower on 5th Avenue, he single-handedly created the market for high-end luxury residences in New York City. He continued with a string of successes and in 2003, 9 of the 10 highest selling apartments were in Trump buildings—apartments that sold for millions of dollars each.

What can the small real estate investor learn from a billionaire developer like Trump? After advising Trump on many of his biggest investments over 25 years, I'm convinced that small investors can successfully use many of the same principles that earn him millions. It's not the scale of your real estate investment project that counts. Whether you are investing in a single-family rental, a four-unit rental, or a multimillion-dollar office building makes no difference to the financial success of your particular project, what's important are the real estate investing strategies used to acquire and develop the property, and how you design and market the property to buyers or tenants. Many of the same basic principles that work for one of Trump's \$300-million skyscrapers work just as well for smaller properties. Anyone interested in investing in real estate can benefit from a study of Trump's real estate investor strategies.

For example, you can't make big real estate investments—or really profitable small investments—without projecting certain personal qualities that inspire confidence in others, and make them want

## TRUMP STRATEGIES FOR REAL ESTATE

to help you or to see things your way. The key personal qualities you need are enthusiasm, relationship-building skills, showmanship, preparation, and tenacity. Donald Trump has these qualities in spades as he demonstrated on his first big real estate deal, the transformation of the dilapidated Commodore Hotel on 42nd Street in New York City into the magnificent Grand Hyatt. Remarkably, Trump used very little of his own money in this transaction, yet later sold his half interest to Hyatt for \$85 million.

This chapter will describe how these five key personal qualities helped Trump make the Commodore-Hyatt deal work, and how small investors can use these same qualities in their own real estate investments to negotiate better deals, sell properties for more money, and dramatically improve real estate profits.

## INVESTING CASE STUDY

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### TRUMP'S COMMODORE-HYATT PROJECT

This real estate investment was a monster as far as complexity was concerned. It was 1974, New York City was struggling to survive, and Trump decided that this was a great time to buy a huge, dilapidated, nearly empty building on 42nd Street next to Grand Central Station. Like many of the best real estate investors, he looks at problem properties and sees opportunities. Trump's plan was to convert this old building, the Commodore Hotel, into a 1,400-room first-class convention hotel—the largest since the New York Hilton was built 25 years earlier.

When 27-year-old Donald Trump explained his grandiose idea to me during our first meeting, I told him that based on existing conditions he was chasing an impossible dream that would never happen. I thought the idea was brilliant, but it was totally unrealistic given the

## SELL YOURSELF LIKE TRUMP

economic environment and the huge cast of characters who would have to embrace a set of entirely new concepts for the idea to work. Trump would have to win major financial concessions from:

1. Penn Central, a bankrupt railroad that owned the land on which the Commodore Hotel was built;
2. New York City, which was facing bankruptcy;
3. The State of New York, which had no money to contribute to any venture;
4. A lender who was holding many defaulted loans on New York real estate;
5. A major hotel chain that was not pursuing new facilities in New York City since tourism and occupancy rates were extremely low; and
6. Existing tenants occupying the building.

The deal involved successful negotiation of several treacherous interconnected transactions. If Trump failed to conclude any one of these transactions, it would sink the entire project. Using the five personal qualities outlined in this chapter he had to:

1. Obtain an option to buy the Commodore Hotel from the Penn Central Railroad for \$12 million dollars;
2. Convince the representatives of Penn Central Railroad to turn over the \$12 million purchase price to New York City, which was owed \$15 million in back taxes from the Penn Central;
3. Convince New York City to accept the \$12 million to cover \$15 million in back taxes and agree to the creation of a long-term lease that would give the city a share of profits in lieu of future real estate taxes;
4. Convince the Urban Development Corporation, a New York State Agency, to accept title to the property, then grant a long-term

## TRUMP STRATEGIES FOR REAL ESTATE

lease of the property to Trump and to use its right of eminent domain to obtain possession from existing tenants;

5. Find a major hotel operator willing to participate in the ownership and operation of the new hotel to give credibility to the creation of profits in which New York City would share; and
6. Find a bank willing to lend \$80 million to cover all of the costs involved in purchasing and developing the property.

This was as complex as it sounds. Something like this had never been done before.

To jump ahead to the end of the story, Trump pulled it off, convincing all these parties to work with him, using his enthusiasm, relationship-building skills, showmanship, preparation, and tenacity. In September of 1980, the Grand Hyatt opened—and it was a great success from day one. The renovated Hyatt helped revitalize the whole Grand Central Station neighborhood in New York City, which in turn played a major role in reversing the failing, bankrupt image of the city in the 1970s. By 1987, gross operating profits at the Hyatt exceeded \$30 million annually. Years later, after recouping his modest cash investment in the property, Trump sold his half interest to Hyatt for \$85 million.

Here's how Donald Trump used critical personal qualities to clinch that monumental real estate deal. You can use the same qualities in your own dealings regardless of their size or complexity.

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## USE YOUR ENTHUSIASM FOR THE PROJECT TO INSPIRE OTHERS

Enthusiasm is a crucial element of the investment game because your success depends largely on capturing the imagination and securing

the cooperation of key players—buyers, sellers, lenders, tenants, contractors, and others. If you're not enthusiastic about your real estate investment idea, there's no way you can get someone else to sign on. Remember that people will initially be skeptical of whatever you say. So be like Trump, sell hard. If you can maintain your level of commitment and enthusiasm in the face of initial doubts, you've taken the first step toward getting the support you will need to succeed. Trump knows that *enthusiasm is contagious*.

For example, Trump's enthusiasm for the Commodore-Hyatt project and the way he envisioned it benefiting the entire city of New York were boundless. He communicated his vision over and over to all of the people who were involved in the various governmental agencies, including the mayor's office and the railroad. He argued that this one project could help turn around the entire blighted midtown Manhattan area. They all agreed that it was important to do something about this eyesore, the Commodore, because of its critical location next to Grand Central Station. Trump's enthusiasm convinced them that he was the only person capable of putting all the pieces together. For example, he told the city, "Forget real estate taxes and concentrate on the money you'll earn from room taxes, income taxes paid to the city on the salaries earned by the employees working in the new hotel, and the profits from the hotel operation." (Trump offered to make New York City a partner in the profits.) "Think about how the new construction will bring desperately needed jobs to New York and reestablish New York City as the capital of the world."

Trump's enthusiasm was the catalyst for getting key people, whose support he needed to achieve success, interested in the deal and to getting the city to embrace the idea. He prepared charts and graphics showing the dreary existing conditions of the area, the likelihood of an extended recession in property values leading to further erosion of the city's tax base. He explained, "This is what you've got now but here's what I can do for you." He would then display a

dramatic color rendering of the building as it would appear when renovated and sell this as the linchpin of revitalizing the Grand Central area—which in turn was the cornerstone of the reconstruction of the image of New York City. All he initially sought was the city's acknowledgment that this was a great idea coupled with a loose commitment to cooperate in bringing it to fruition, if they got everything they wanted. He never talked numbers with the key players in this deal until after he got an initial expression of interest and support for his plan. He knew that talking numbers too soon would give people a reason to say no to his plan. It's a valuable lesson for you to remember in any real estate investment of yours: Enthusiasm (and focusing initially on the large outlines of a deal rather than the financial details) can overcome many obstacles.

### *How Small Real Estate Investors Can Use Enthusiasm*

The Hotel Commodore conversion was a huge project that took over two years and 23 drafts of a complicated and intensely negotiated ground lease to finish. But no matter what the size or complexity of your real estate project, at various stages of the transaction you'll need to convince other people to help you, and do what you want them to do. This takes enthusiasm and perseverance. Share with the seller, your lenders, contractors, and others what you envision for the property you want to buy or renovate. Tell a great story about how you found it, what your inspiration was, and the difficulties you have already overcome. Play up what you see as its best or most unique features. Trump knows that people like to be excited. You just have to find creative ways to excite them.

If you're not enthusiastic, the people you're trying to convince to lend you money, sell you a property, or invest in your partnership are not going to stick their necks out. But if you can tell a great story



## SELL YOURSELF LIKE TRUMP

about your investment idea, if you are articulate and enthusiastic about the opportunity you are offering others, you are on your way to developing the requisite rapport with buyers, sellers, lenders, or other decision makers.

## BUILD RELATIONSHIPS WITH EVERYONE INVOLVED IN A DEAL

The success of any real estate investment or any business deal, for that matter, is not strictly a matter of dollars-and-cents. A lot of it comes down to personal relationships—your ability to forge strong cooperative relationships with all parties, whether they are directly or even tangentially involved. Trump does this by taking the time necessary to gain insight into the people he is dealing with—who they are, what they do, how they do business, who are their family members or friends, and if appropriate, what their hobbies are. If you can establish a rapport and a feeling of mutual trust it invariably makes for an easier negotiation and a faster, more amicable conclusion to any problems that arise. The principle here is, “No one intends to buy a bucket of trust but they will pay for it if it’s delivered.” Give people reasons to trust you by building a relationship with them, and you will be laying the foundation for long-term real estate investing success.

The reason you have to build relationships, especially at the beginning of a real estate transaction, is that people are naturally suspicious of others. Until you have built up a level of trust, it is likely that what you say will be somewhat discounted.

One way to build a good relationship is to assume that the present transaction you’re working on is only the beginning of negotiating many deals with your counterparts. Work hard to create the

impression of being “a nice person to deal with.” Some of Trump’s best deals were the result of recommendations from adversaries with whom he had past dealings. Leaving pleasant memories is the best personal advertisement in any real estate transaction.

Here’s a great example of Trump’s relationship-building skill in action from the Commodore-Hyatt deal. Trump had never met Victor Palmieri, an executive with Penn Central Railroad, which owned the Commodore Hotel, but Trump knew Palmieri would have to play a key role if Trump’s idea were to become reality. With full confidence in his project and his salesmanship, Donald Trump called Palmieri, introduced himself, and said, “Give me 15 minutes of your time and we can reverse the decline of the City of New York and increase the value of your Penn Central holdings.” In the meeting, Trump got Palmieri’s attention and a solid working relationship was created. Without Trump building a strong cooperative relationship with Victor Palmieri, the decision maker for Penn Central, he would have never had the opportunity to purchase the Commodore from Penn Central, let alone get Palmieri’s help in pressuring the city for its cooperation, which became critical later on.

Small investors tend to think that they have no basis for building a personal relationship, and therefore no negotiating power. Negative thoughts create their own problems. You may be dealing with someone who’s much more successful, or who works for a large, impersonal bank. You may think they can’t (or won’t) relate to you, but that’s not true. You can relate to each other as human beings. Look for anything at all you may have in common.

If you’re going into a meeting with someone, learn as much about them beforehand as you can. Ask someone else about them, find out what they know. If you’re going to meet with an owner of a rental property, speak to one of his tenants beforehand. Ask questions, such as, Is it a good property? What do you think about the landlord?

## SELL YOURSELF LIKE TRUMP

Now you have information that may help you establish rapport with the owner, and probably some ammunition that will be useful when you enter into negotiations.

### SHOWMANSHIP IS A REAL ESTATE STRATEGY

Once you have conviction about how your real estate investment can benefit not just you but the other people whose help you need, and you've started to build relationships, the next step is to find concrete ways to communicate your vision to your potential real estate partners. Anyone who is involved with a real estate transaction, especially a fixer-upper project or new construction, has undoubtedly spent a lot of time and effort thinking about the details of it: how it will work, why it will be good for everyone involved, how it will be successful, and what the end reward will be. The challenge now is to condense everything that you've done and thought into something that you can show or tell other people so that they get the same degree of enthusiasm. It's difficult, but that's your challenge. Keep in mind that other people whose help you need are starting off cold. They haven't spent the weeks or the months living with this project that you have. To get them to share in your dream, you have to come up with a way of making it interesting to them. This is called *showmanship*—and it is one of Trump's signature traits.

One great example of Trump's showmanship was his hiring of Henry Pearce, a dignified, New York City banker with decades of experience, to assist him in obtaining the financing for the Commodore. Trump was only 27 and he knew bankers would be skeptical of lending so much money to someone so young. Showmanship, in this case, meant conveying a powerful symbol of reliability and

safety to the conservative bankers, and this is exactly what Trump did when he sat down at the table with Pearce at his side. Instead of seeing a 27-year-old asking for millions of dollars, the bankers saw Trump with someone they had been dealing with for years—even though the reality was that he was just a temporary hired gun for Trump.

An even better example of Trump's showmanship is the way he used flashy architecture to get people excited about the Commodore-Hyatt deal. Using eye-catching, conversation-starting architecture is one of Trump's signature tactics, and it's something every real estate investor, no matter how small, should consider doing. A good design and some flashy ideas from an architect can easily add far more value to a project than the cost of the architect's fee. If you can create something impressive and distinctive, you will be able to get premium rents or a premium selling price for your property.

Trump felt that the Commodore was going down hill because it looked so dark and dingy. His plan was to build a new façade directly over the building's old skeletal structure in glass, or bronze if that was feasible, otherwise he would demolish the existing building and build a new one. It had to embody "showmanship"—a building with sparkle and excitement that would make people stop and notice. He hired a young, talented architect named Der Scutt, to help him realize this vision.

Next, Trump used showmanship to get New York City to agree to a massive 40-year tax abatement in order to make this deal work, and instead, take a share of the profits. This was a critical piece of his plan. But Trump knew that convincing the politicians and bureaucrats in New York City government to go along with this plan would be extremely difficult. To imagine that the run-down Commodore Hotel, mostly vacant and mired in unpaid property taxes, could evolve into one of the busiest and most luxurious hotels in

Manhattan was a tough proposition for anyone to believe. He had to give the Board of Estimate something physical to look at, to touch, in order to make his vision real.

Trump had the architect come up with sketches and renderings that he could use in his presentations to the city and the lenders. He told Der to make it appear that he had spent a huge sum of money on the drawings. A beautiful presentation can be very impressive. It worked. People began to believe in the idea.

### *How Small Investors Can Use Showmanship*

There are plenty of inexpensive ways to use showmanship in small real estate investments. For example, instead of showing prospective buyers a vacant piece of land, show them a rendering of what the project will look like after it is built. Hire an artist if necessary. It may be worth investing in a scale model of your property so that buyers can visualize the final product.

Also, how you dress, your appearance, says something to the people you're trying to influence. Donald Trump always dresses in a way that will make a good impression on the people whose help he needs. To spearhead a luxury hotel deal in the heart of Manhattan, a pinstripe suit and silk tie are the safest bet. But because appearance communicates adaptability as well as respectability, Trump knows that khakis and a polo shirt are appropriate for golf course negotiations, or a hard hat for on-site construction projects. Your dress should be chosen to give people confidence that you can do what you say you're going to do.

Think about the people whose help you need to make your investment successful. When meeting with a bank you may want to wear a suit—but very high heels or excessive makeup might compromise the impression you want to make. If you're meeting with a contractor, try to keep it casual, don't overdress, but try to wear a

## TRUMP STRATEGIES FOR REAL ESTATE

casual outfit that still looks impressive. First impressions make a powerful statement.

### BE BETTER PREPARED THAN ANYONE ELSE

Most people don't realize that there's a lot of preparation involved in getting people to respond in the way you want them to respond. The key is anticipating problems and questions that other people will ask about your proposal and having answers ready. Donald Trump spends significant amounts of time preparing for important meetings in which he needs to persuade a key person or group.

Here's an example for small investors: You want to sell a home to a potential buyer. The buyer says that he wants to buy the house, but his purchase will be subject to getting a mortgage. Here is where your planning pays off. If you have already done your homework and contacted a bank, which has agreed to make a mortgage on the house for x amount of dollars, you anticipated this potential problem. Now you can tell the buyer, "I already have the ideal bank for you to go to." I have now directed you to one source, instead of you going to ten sources and getting confused.

You could be selling a house with a very old refrigerator, and you don't want to buy a new one. You anticipate a buyer's objection by saying (if the objection comes up), "I'll guarantee that if the refrigerator doesn't last a year, I'll buy you a new one." You have anticipated a potential problem. So instead of the buyer asking for a discount because he wants a new refrigerator, you simply give him a one-year warranty. Whatever the situation, whether you are buying or selling, try to anticipate any likely potential problem.

You do this by taking an objective look at what it is you're trying to accomplish. You say, "If I were the buyer, what would I find objectionable?" Put yourself in the shoes of the other party and

raise the questions they would raise, then find the answers to the questions. There's always some wrinkle in the transaction, something that you will need to address so that you can quickly move on so the other party doesn't dwell on it. Keep your goal in mind and think through any potential obstacles and have possible solutions ready.

If you are preparing for a meeting, you need to think about how you can use the meeting to build rapport, but also focus on what your objective is. Perhaps you want others to invest; maybe you want them to accept your capabilities, whatever the case you must prepare for that meeting: What you're going to say; what you're going to do; and who the audience is; who you'll be playing to. This way you can have the maximum effect. If you don't prepare, you'll fall flat.

There was a researcher named Ziff who made a study of negotiation. He expanded a concept called *Ziff's principle of least effort*, which proved that most people will put the least amount of effort in a transaction that they can in order to proceed. When I read about the theory, I immediately realized it was true in real estate. Most people are not willing to put in a lot of time to prepare before making big real estate decisions, and you can make this work to your advantage if you are willing to do what most other people won't. Knowing that others want to put in very little effort, successful people like Trump take the role of filling the gap and doing all of the effort that's required in a transaction. They do it on behalf of the other people involved in the transaction who don't want to do it. Trump always does more preparation than other people are willing to because it gives him greater control in a fluid situation.

For example, if Trump is creating a plan to attract investors in a property, knowing what he does about human nature, he's not going to expect you to spend a lot of time and effort reading the details. He'll do all the mathematics for you in the plan and at the bottom he'll write, in big type, "Return on your money: 20% a year." Most

people are going to go right to that “20% a year.” They’re not going to delve into the details. They’re enamored with the 20%.

When Trump has a person interested in a transaction, he will do everything he can to make his involvement in that transaction easy. For example, “I’ll do this so you don’t have to; I’ll send you this; I’ll take care of that phone call.” You want to keep other people, as much as possible, *out* of the nitty gritty of the actual transaction, so you can control the details. Take advantage of the fact that most people are not willing to spend time on preparation.

Trump spent huge amounts of time preparing for the New York City Board of Estimate, which first met to approve his entire Commodore transaction in late December 1975. One of the things he did a week beforehand, was to go to Victor Palmieri, the executive from Penn Central Railroad who owned the Commodore Hotel and explain to him that if he wanted the city to take our abatement case seriously, we needed to get out the message that the Commodore was going downhill fast and that it was not going to survive much longer. Palmieri agreed with him. On December 12, Palmieri made a public announcement to the media that the Commodore Hotel had lost another \$1.2 million during 1975, was anticipating worse losses in 1976, and as a result intended to shut down the hotel permanently no later than June 30, 1976. This announcement by itself didn’t change the Board of Estimate’s mind, but they agreed to hold several more meetings with Trump. However, from the beginning of negotiations, the single event that nobody in city government wanted to see was the Commodore closed down and boarded up. So the news release prior to the December meeting helped get the Board of Estimates worried about a closing of the Commodore. Then, next spring, on May 12, 1976, one week before the Board of Estimate, for the fourth time, was to vote on Trump’s tax abatement, Trump got Palmieri to announce that Penn Central would permanently close the Commodore in six days. Palmieri explained to the media that the occupancy had de-



creased from 46 percent the previous year to 33 percent, and that operational losses for 1976 were projected at \$4.6 million.

Adding fuel to the fire, on May 19, was the front-page news in all the local newspapers about the remaining tenants being forced out of the Commodore. The news featured stories about the hundreds of employees who were now looking for work, and the dismay the local retailers were feeling in anticipation of a boarded-up Commodore Hotel.

On May 20, thanks in part to Trump's strategic preparations for his four meetings with the Board of Estimate, the Board finally voted unanimously to give Trump the full tax abatement deal he had sought. Over the 40-year term, the tax abatement saved him tens of millions of dollars. This is typical of how Trump thinks strategically about preparing for critical meetings. He will go to great lengths to create conditions that will work to his favor during the meeting.

### *How Small Investors Can Use Preparation to Their Advantage*

Suppose, for example, you need a temporary construction loan for a fixer-upper. Before you ever ask for a loan, talk to other people who have received construction loans. What did they have to do to qualify? What kind of fees and rates did the lender charge? Were they happy with the lender? Do as much networking as you can to find people who have direct experience and are knowledgeable about the kind of loan you want, and who can give you the inside story on what it takes to get that kind of a loan with favorable terms. Getting information from insiders or people who know more than you is the best kind of preparation you can do for an important meeting or negotiation.

Preparation is important in all phases of a real estate investment. It shows up in how well conceived your plan for fixing up and selling a property is, and how many contingencies you have prepared for; it's in how you present yourself to a lender and if you have properly

## TRUMP STRATEGIES FOR REAL ESTATE

anticipated answering the wide range of questions a lender might ask; it's in how you talk about your property in different ways, to the different people you're trying to sell (the banker, the investors, the building department, etc.). You need to plan for how to emphasize different elements of the project to each constituency, depending on what is important to them. Preparation means finding out what they are likely to want from the deal and figuring out how you can give it to them, while still getting what you want.

Preparation could involve taking a real estate agent out to lunch. Or showing him another property that you've bought and sold that reflects what you want to accomplish. You can prepare for answering questions about the costs of your project by looking hard until you find another building that was recently renovated and reflects what you want to accomplish. Show it to your contractor, and tell him, "Look, I have this in mind." You will learn a great deal about the risks, expenses, and feasibility of your idea. But in order to do that, you have to prepare by finding a comparable building to look at.

You can't spend too much time preparing. If you go into a meeting without preparing, you will have no advantage over the people you are dealing with, and you will not be in control of the situation. The more planning and preparation that you have, the greater the degree of success.

## BE TENACIOUS

Anytime you are dealing with the huge investments of time and money that real estate represents, you are also dealing with people who believe in maintaining the status quo for the property, or who just don't have any particular interest in helping you improve the property. You are going to have to be tenacious to get anything done. If it's easy, there's probably not a lot of profit in it. Trump's most

profitable projects have been those such as 40 Wall Street (to be discussed later in the book) where he picked up a property for very little because a string of earlier investors had failed with the property—and only he had the tenacity and vision to make it work. Everything that is really successful was the result of hard work that nobody else wanted to do. The only thing that held the whole Commodore-Hyatt deal together was Trump's tenacity—he was like a hungry pit bull.

For example, during early negotiations with New York City over the Commodore Hotel, one of the city's key concerns was who would run this new hotel. They said, "You say you're going to pay us rent, and that you're going to give us a share of the profits, but what do you, Donald Trump, know about running a first-class hotel?" And at first, he didn't have an answer. But he said, "All right, I'll go out and get a major player to run it." And the city responded with, "Okay, if you bring in a major hotel operator, we'll go along with it." That tentative commitment from the city gave him a strong position from which to negotiate with a hotel company, and he ended up bringing in Hyatt as a partner. Once again his tenacity helped him turn a roadblock into an additional benefit for this investment.

One of the biggest roadblocks the small investor will encounter is the mortgage lender. Tenacity can help a lot here. If the first lender you approach denies you a loan, keep trying with other lenders. Make inquiries with friends and neighbors about who is making mortgage loans in your neighborhood. If you look hard enough, you will find a lender, though you may have to pay a premium for the loan.

Another potential roadblock could be a stubborn seller. Here you have to find out exactly why he or she does not want to sell, then in a determined way, answer each issue.

Other possible roadblocks could be denial of a zoning variance or a building permit. Again, you have to approach the problem tenaciously. Find out what the bureaucrats' specific concerns with your plans are, then address these issues.

## TRUMP STRATEGIES FOR REAL ESTATE

Everything worth doing is difficult, and in order to accomplish it, you have to be tenacious.

### SUMMARY

I deliberately started this book with a chapter on personal qualities because most people don't realize the role that people skills play in real estate investing success. It is not just a matter of financing, buying the right property, getting tenants, and so on. All these elements are built on a foundation of having the right personal qualities. Great real estate investors like Trump are also great entrepreneurs. They know that they know how to get people excited about their bold ideas, and they are undaunted by the setbacks, problems, and disappointments that cause most people to give up.