

THE ENCYCLOPEDIA OF

# Commercial Real Estate Advice

How to Add Value When Buying, Selling,  
Repositioning, Developing, Financing,  
and Managing



TERRY PAINTER

WILEY

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# **THE ENCYCLOPEDIA OF Commercial Real Estate Advice**

**How to Add Value When Buying,  
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**TERRY PAINTER**

**WILEY**

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**Dedicated to Bruce Allen Painter**

1949-2019

My big brother, who stood by me through thick and thin.  
And to my wife Margie, who provided the ideal conditions  
for writing this book, and to Max, who insisted, "Father,  
you have to write a book."

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## Foreword

For over 20 years, I've invested in commercial real estate in nearly every section of the United States and have taught thousands of everyday people how to successfully invest in large apartment buildings, shopping centers, office buildings, self-storage facilities, and so on.

When I first met Terry Painter in 2004, my commercial real estate business was experiencing out-of-control growth. I needed to talk to him about a 140-unit apartment complex we were purchasing in Dallas, Texas. We had just been within days of getting our financing approved when the lender, without warning, backed out. On that day and until today, I still wonder how a guy who's so intelligent can have such a witty sense of humor. Typically, people as sharp as Terry aren't very funny.

Well, to make a long story short, Terry is the smartest finance guy I ever met. But not just book-smart; Terry had gleaned his wisdom from the most valuable school one could attend—the School of Hard Knocks. He could virtually read through our deal's financial statements and share with us what the numbers truly meant from not only a rate of return perspective, but a human and emotional perspective. It was at that time that I started learning the importance of closely working with people who were smarter than me. Just to let you know, Terry came to the rescue on that Dallas deal and closed on a loan for us in 38 days with zero issues. Since then, he is the first person we call when a commercial loan is needed.

Some of the best deals our group got involved in were the ones Terry advised us to pass on. Sometimes the greatest value is exiting at the beginning a deal that could be a time

bomb. And likewise, many deals that Terry advised us to move forward on were personally life-changing deals for us and many others. Terry was, and has always been, the smartest guy in the room. Period.

*The Encyclopedia of Commercial Real Estate Advice* is a serious, bottom-line book about making and modeling sound business decisions around buying and selling a commercial property. It covers raising money from investors, due diligence (most important in my opinion), developing from the ground up, repositioning a property to its highest and best use (my personal favorite), leasing and management, and of course, financing. It's probably the most useful, advanced real estate book I have ever read.

For Terry to pour his vast real-world knowledge and passion into this book is a true blessing to any reader or student of this great business called commercial real estate. Terry is more than just a great lender, though. His deep and practical command of the commercial lending world is more than just concepts. His advice is from years and years and hundreds of closed transactions all over the United States, helping investors (perhaps just like you!) reach lifetime financial targets and lifestyle goals. To me, and perhaps you, that's what life is about. My advice to readers is to get someone who's smarter than yourself on your team. That person is the author of this phenomenal book.

Peter Harris, best-selling author of *Commercial Real Estate Investing For Dummies*

[CommercialRealEstateInvestingForDummies.com](http://CommercialRealEstateInvestingForDummies.com)

# Introduction

Congratulations! If you are reading this book, you are a very lucky person. If you are already investing in commercial real estate, thinking about it, or working in this field, you are a member of a very exclusive group. According to the IRS, less than 8% of all Americans who file tax returns get to invest in income property and under 3% own commercial investment real estate. And if you work in this industry like I do (I do commercial mortgages), well, I hope you think it's fun, as I do, and, might I add, never boring.

As an investor in commercial property, you get to wake up in the morning and say to yourself, "What can I do to this property to add value?" Maybe you have found a Class C minus apartment complex in an up-and-coming neighborhood. Yes, get rid of the slow-paying and no-paying renters, and the ones who have rusty bikes and junk on their patios. Then do about \$4,500 per unit in cosmetic upgrades and the rents can be raised \$100 per month. Just with those ideas you can be on your way to increasing the property value by 20% or more in five years. I know of no other investment opportunity that is designed like commercial real estate—one where you can choose the right property, add value, and be rewarded with a pay raise, increased equity, and amazing tax benefits.

Remember when you just had a day job? You only had one source of income—the paycheck. With commercial real estate, you get to have *four* sources of income: rental income, rental increases, appreciation, and depreciation. (I know, how can something appreciate and depreciate at the same time? Only in America.) Oh, but wait! There is actually a fifth one—leveraging your equity tax free into a