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THE PATH TO REAL ESTATE WEALTH
WITH DON PEEBLES

From the grandson of a hotel doorman to owning a substantial lot of luxury hotels, Don Peebles understands the meaning of building wealth in real estate. Peebles left Rutgers University to learn hands-on the craft of real estate. He became an appraiser and agent in the District of Columbia and interned on Capitol Hill. By the age of twenty-three, Peebles established his own residential and commercial real estate appraisal and tax assessment firm. His big break was when he developed a 100,000 square-foot office building at 2100 Martin Luther King Avenue SE. The building was the first new major commercial building built in the Anacostia section of Washington, DC in decades.

Today, Peebles now runs one of the country's largest minority-owned real estate development companies. The Peebles Corp. has a portfolio that includes hotels, apartments and office space throughout the United States. With an estimated net worth of \$350 million, Peebles has successfully garnered a spot on the list of the twenty wealthiest African Americans, an ultra exclusive list that includes the likes of Oprah Winfrey, Michael Jordan and Robert Johnson. Author of two books, *The Peebles Principles* and *The Peebles Path to Real Estate Wealth*, Peebles sat down with *Monarch* to discuss his principles and his path to prosperity in real estate.

When thinking of building personal wealth, is this a good time to invest in real estate?

Absolutely! The reason why you want to invest in real estate now is to avoid following the herd; you want to invest when fewer people are buying and you want to sell when fewer people are selling.

What are the biggest myths and misconceptions about investing in real estate?

I think some of the misconceptions are that one has to invest in a good market and when the market is good, as oppose to when it's difficult, you know. If it were as easy of course as investing and following the herd, then everybody would be very successful in real estate, but that's just not the case. So a good investor in real estate needs to go against the herd and buy when fewer people are buying and sell when fewer people are selling. In the development business, develop when fewer people are developing and that way you end up on the right side of the market cycle.



So in simple terms what does it mean to be a developer?
Visualizing a project and making that vision a reality.

You run the largest African American real estate development/ownership company in the US. How can an investor go from residential real estate ownership to a multi-billion dollar commercial portfolio?

Building brick by brick. I think building one building and one project at a time. One of the key characteristics of successful entrepreneurs and successful developers as well, is that we are goal-oriented and not money-oriented. We're goal-oriented so we want to build a successful project. Beyond being a successful project financially, we want it to be successful in other

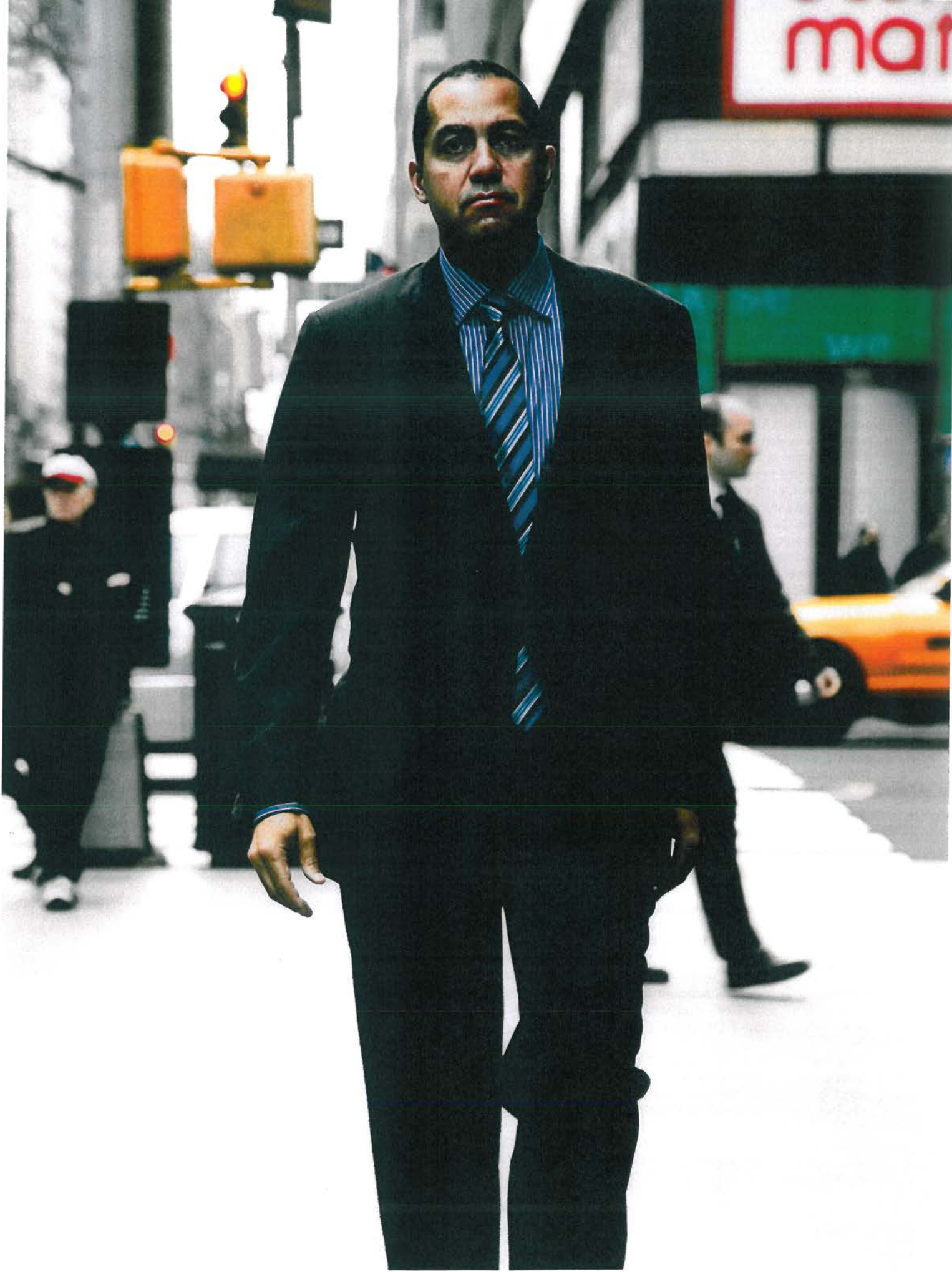
ways: economically stimulating in an area, creating jobs and opportunities, aesthetically pleasing, unique, different and fulfilling. Those are all goals and those goals can't be to just make money. The goal has to be building something special and with that comes the financial reward.

When you approach a project, what should be considered in putting together your team?

One of the goals is to put together a team that has good chemistry, where the team compliments one another and each member of the team brings something that another member does not bring. When I went down to Miami from Washington DC, I went there to vacation in a vacation home, then started to look at doing business there. Initially my instincts were that I would build the kind of building that I built in Washington DC. That meant aesthetically pleasing as well as functional and of quality. Well, the one thing of those three that I could transport was quality. But aesthetics in terms of design itself and in terms of functionality, I could not bring those down to Florida because: one, people lived differently in Florida and what's appealing, what's attractive architecturally and what's fitting in that market is totally different than DC. So I went out and hired a world class architect that has done projects all over the globe, but is based in Miami. Its signature projects started in Miami so our team was able to design a building that reflected that community. So our design team was world class, based in Miami, had experience in Miami, however, each person brought a different discipline.

I hired a historic preservation architect to help preserve elements of the building. There would be lots of tug of war between the architect and the historical architect, so bringing the right team, where they complement each other, and bring unique elements to the team was important. But also everyone has to





have a vision and a goal to build a great product. While there would be debates, it's not conflict necessarily, so having a team where people are solid in term of skill set, vision and are comfortable debating and critiquing, but are ultimately able work together as a team.

You talk a great deal about the importance of building relationships, especially political ones; can you elaborate on this idea for us?

First of all, business is relationship. Relationship, especially in the real estate business, is to have banking relations, to have relations with the various contractors, to have relations with architects, engineers and other professionals. Those relationships are very important when it comes to project execution and of course real estate is also a highly regulated industry in terms of land use, entitlements, building codes and the like, and those regulations are generally authored and approved and put in to law by the political process. So it is important to understand the political process and have relationship and knowledge of that political process because it helps navigate those waters that can sometimes be treacherous.

You also talk about always looking for opportunities, what strategies do you typically employ? Or is there a specific return of investment target to look for?

I'm looking at deal flow. One of the biggest things I would consider myself is the rain maker or tree shaker. So basically my number one role in our company is to shake the trees where a lot of leaves fall and those leaves are deals; or, like playing baseball getting a lot of pitches. So when I see the perfect pitch coming over the plate, I swing at it. The number one thing for finding a good deal is to be able to see a lot of it and that allows you to be selective and then the more selective you are, then generally the better the deal opportunities.

So when you talk about learning your craft, which you discussed a bit in your book, is it imperative that you start from the bottom up?

No, but I think it's helpful to have an understanding of the basic fundamentals of any business, and that generally is starting at the bottom by the definition of a foundation. So I believe that you go through the same exercise of building a \$1 million building as you do building a \$100 million building. Identifying a site, hire a design team, designing the building, getting it permitted, finding the financing, hiring the contractors, supervising the constructions, all of those exercises apply to \$100 million and \$1 million.

Now I don't want to expose all of your Peebles Principles, people need to read your book, but you mention that you must be essential to every deal you make. Can you tell readers how that could be translated into every arena in life?

If you are participating in a meeting your presence should be essential. If you're a business person and you were out looking for partners for financial support your role needs to be key,



otherwise if your role is not important or not critical you can be replaced and opportunities can be taken from you. So it's important that you as the entrepreneur are essential to getting the deal done. If you are not essential then you are dispensable. That is the same thing with employees in tough economic times. If you are an employee who is essential to the company's continued survivability or success, you don't get fired or downsized. It's the ones who are expendable that do.

In your book you walk the reader through several of your deals. I know each deal represents one or more of your principles, but which deal was the most personally satisfying for you?

The first one! The one on Martin Luther King Avenue. It was the first building and it was done in my hometown in an economically neglected area, an area that was predominantly African American. It had the greatest single impact economically and psychologically of any community that I've build in. I built a Class A building in a market that financially didn't justify it initially, but it uplifted the market and it won significant awards for design and creativity. So that would be the one I'm most proud of.

What's the greatest piece of advice you like to give to people when you speak in public or just to a potential entrepreneur?

Each setback is an opportunity in disguise. In life and in business we all are going to be confronted with challenges and obstacles and we're going to have setbacks. That could be from someone losing their job, someone having to close their business and failed in business, someone who had a deal go bad, someone having a personal tragedy and a person suffering from illness. Everybody's life is going to have a challenge or a setback. In business we need to look at those as opportunities and try to put ourselves in a recovery mode when have a setback; be offensive and look for the opportunity within that setback.