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Paul Fisher: People are what get you through the down times

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Paul Fisher

Paul Fisher, president of Oak Brook, Ill.-based [CenterPoint Properties](#), recently spoke with Midwest Real Estate News about the company's success even in a down commercial real estate market. Fisher said that it's the people at CenterPoint who have made the commercial development company such a success.

Midwest Real Estate News: I know this is a broad question, but what are some of the reasons for CenterPoint's success over the years?

Paul Fisher: We have a terrific collection of not just entrepreneurs, but also of support staff. Our finance, accounting and human resources people are all amazingly talented. A great company always starts with great people.

MWREN: How have you managed to fill your company with such talented workers?

Fisher: We've over the years evolved an exceptional culture. I like to think of it as controlled entrepreneurship. We look at deals very creatively and we make sure that our creativity is also responsible. I think that attracts a lot of skilled people to our company.

MWREN: What are some of the other factors that have helped CenterPoint succeed all these years?

Fisher: Another factor is our investment discipline. Since the beginning of the firm, we've always pursued a well-thought-out and defined strategy appropriate to the business environment. When we were public, we focused on the acquisition of industrial real estate, which then evolved into the development of industrial real estate. We always have targeted property that we could improve and sell, recycling our investment and profits into new investment. Over the years, we observed the growing importance of containerized freight and moved into developing intermodal facilities and ancillary industrial space. As a private firm, we've intensified and expanded this effort in Chicago and nationally in other portal markets with excellent rail connectivity to Chicago. We've concluded that the most valuable property is located proximate to rail and port infrastructure. Our core business has become building a portfolio of these properties through acquisition or development, while continuing

our value added recycling business for less strategic properties in the same markets. We are always careful to protect and diversify our capital. We want to make sure that we have the firepower at all times to take advantage of opportunities in the marketplace.

MWREN: From what I understand, CenterPoint isn't big on bureaucracy or red tape.

Fisher: We have a very horizontal culture. We all see ourselves as participants in transacting business, as teammates bringing our respective skills to get a job done. I'm the President, but there isn't a real hierarchy here. We benefit from tremendous collaboration from everyone. It's been one of our philosophies from the beginning: Have two sets of eyes on everything. Today, we put a lot of sets of eyes on the deals that we make to earn the greatest possible risk-adjusted return on our capital.

MWREN: You talked earlier about controlled entrepreneurship. How do you make that balance between allowing your employees to be creative and making sure that the deals they are proposing make sense?

Fisher. We have an independent due-diligence team that looks at every deal. The dealmakers put together the transaction, and the members of the team take a long look at it. Every dealmaker is an expert on their proposed transactions, but we concluded we would benefit from an independent set of eyes to confirm the economics, examine the creditworthiness of the tenant, and look at the physical characteristics of the property. It all started 16 years ago when we asked an administrative assistant to coordinate physical and environmental inspections to make sure the required work was completed. She now is a Senior Vice President that leads a team of experts that do this work. The team reports to my business partner, CEO Michael Mullen, who leads the real estate half of the business. The team can sometimes create heartburn for the transaction guys. But if we see problems, we won't proceed without adjusting the transaction. We always know what we are getting into and have to feel good about the potential for profit. It's better to make money knowing that you really made it instead of just making a deal and hoping it goes well. I've worked with companies that made a lot of money and lost it all. We don't want to be like that.

MWREN: CenterPoint also creates and assigns a credit score to potential tenants at its properties. This seems like something most commercial real estate companies don't take the time to do.

Fisher: We do have a credit-review process. Our credit manager independently has to approve the credit behind a lease. One in three tenants gets rejected through this process. This is a system that we have had in place for years now. We have developed our own credit score and it's proved to be highly effective. It's an important layer of review and has kept our bad debt expense low. Our tenants are manufacturers and other businesses. They have credit departments. Businesses check credit. Why shouldn't we? This sometimes creates tension among our transactors, of course, but all understand it's a good thing.

MWREN: It sounds like you have a lot of safeguards in place to protect you from potentially negative deals.

Fisher: We also have a Management Committee comprised of all our senior officers from all disciplines. Deals are submitted to this committee and dealmakers have to identify the risks, possible returns, and the range of results. We then go in a room where everyone can comment on the transaction. All have an equal vote. If there are any dissenting votes on the committee, we have to report it to the board. That's only happened two times in 20 years, because the rule incentivizes consensus. Harmony is important in an entrepreneurial firm. You get it when everyone is assured of a say.

MWREN: How important is this constant back-and-forth communication to the success of CenterPoint?

Fisher: If you came to our offices, you'd see that we have glass partitions between our offices. The executive staff sits on what we call "Main Street", the hallway that connects the cafeteria to the rest of

the office. Visibility and open doors promote dialogue. During a typical day, people spend most of their time talking about deals, about the business. Communication underlies the successful collaboration that we value here.

MWREN: You believe in the value of forecasting, too, right?

Fisher: We have a very elaborate forecasting model. We re-forecast the company continuously. We want to look at the implications of what we are doing will affect us in the coming years. The sharing of information that gets incorporated into our forecasts has allowed us to stay out of trouble during this downturn, as well as exploit opportunities.

MWREN: What other steps has CenterPoint taken to succeed?

Fisher: We were one of the first real estate firms to hire a Chief Information Officer. The way you best control a company is by keeping the staff small, but very talented. By hiring a CIO and investing in systems, we've achieved this. We have created very detailed processes and systems. And we have also adopted the policy of outsourcing everything we can to best-in-class vendors. Being small and supported by top notch outside consultants has allowed us to be very nimble.

MWREN: Are there any developments that CenterPoint is now working on of which you are especially proud?

Fisher: The biggest project we have going on now, and probably most emblematic of our business strategy, is in Joliet. It's an intermodal center that we're calling the "Port of Illinois". It encompasses 36 square miles and, when finished, will include the two largest intermodal yards in the country and will have about 30 million square feet of buildings. This inland port will move about 4 million to 6 million containers a year, ranking it with the combined ports of New York and New Jersey. We have eight or nine similar projects on a smaller scale going on now around the country.

We are expecting to thrive now that recovery has begun. As survivors with capital, we are ready to move forward aggressively. Our acquisition and development activity is accelerating. This will still be a slow-growth year, but we are bullish on our intermediate and long-term prospects.

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