

# Interview with Doug Simpkins



BY RAY HANKAMER  
rhankamer@gmail.com

**R** Doug, you have been in commercial real estate (CRE) for a long time. How did you first gravitate to the industry, and who were your early teachers/mentors?

I have been in commercial real estate for 51 years. Initially, my first job out of college was with a real estate appraisal firm and then I worked for two commercial mortgage banking firms for 12 years. In 1981 we started our development firm. The appraisal and mortgage banking experience was invaluable as I learned the economics and financial aspects of a wide variety of commercial properties.

**R** You began developing in the industrial sector. How did you choose this sector and what type of product did you

**build: spec, or build-to-suit?**

Initially we started developing spec multi-tenant light industrial projects in 1981 as my partner was an industrial broker and I had been arranging financing for industrial projects for a long time. Our timing was not fortuitous as the Houston recession was just starting, but we had good equity partners and we made it through this difficult time.

**R** How and why did you begin moving away from industrial only and into build-to-suit in other segments?

In 1985 we started focusing on build-to-suit projects for Federal Express and to date we have developed 18 projects for them in 15 cities and 6 states.

It is hard to get started in build-to-suit development but it is probably the most conservative type of real estate development. For the past 30 years we have specialized in single-tenant, net-lease, build-to-suit projects and have been involved with 101 separate buildings in 25 cities. We have also purchased, developed, or redeveloped another 20 projects which include several ground leases and multi-tenant office, retail, and industrial properties. In total we have developed or purchased 10.3 million square feet.

Additionally, we purchased the last remaining 150 acres in the Sugar Land Business Park and the remaining 213 acres in The Park of Katy Mills. We have sold all the sites we owned in Sugar Land Business Park and we are still marketing 75 acres left in The Park of Katy Mills.

**R** Doug, what role have relationships played growing your business over the years: with clients, lenders, national brands, etc.?

We have always worked with a small group of architects, brokers, mortgage bankers, banks, contractors, and other professional firms and have

established close business and personal relationships with same over the years. These relationships allow us to promptly and aggressively respond to build-to-suit proposals and to quickly start development to meet tight schedules.

**R** Financing should be a lot easier with a build-to-suit and a take-out from the client on completion. Can you tell us a little about how financing large projects has changed during your career in general, and for you specifically? How has structuring a deal evolved? Do you stick with the same lender/s or do you "go to market" each time you need to finance a new project?

It can take 6–12 months to finalize a lease agreement with a major tenant for a proposed build-to-suit project. However, pre-leasing eliminates most of the development risk and thus it is relatively easy to obtain favorable interim financing with a long-term lease finalized.

Interim financing for fully-leased projects has not changed much over the past 25–30 years.

The equity requirement has increased somewhat but most



Doug Simpkins



FedEx build-to-suit





British International School of Houston

banks will loan 80- 90% of cost when we have a major tenant. A typical bank loan is for 2 to 3 years which allows us to complete the project, and hold for 12-18 months or more before we sell or refinance the project. We only work with a few select banks and typically on new projects we receive loan proposals from 3 or 4 banks.

**R** Can you tell us about some of the build-to-suit projects you have done- what segments of CRE and what sort of clients, local or national?

We pride ourselves on repeat business and we have done 18 projects for Federal Express, 11 projects for Walgreens, 4 projects for Eckerd, 4 projects for Unisource Worldwide, and 2-3 projects for Yokohama, Academy, and Garden Ridge. We developed a 40,500 SF building for John Crane in 1990 and when they outgrew this building in 2013 we built them a 62,280 sq. ft. building.

Most of our tenants are regional or national tenants but we occasionally develop a building for local and smaller tenants if we feel comfortable with their financial condition.

**R** You have said that you are working now on your biggest project to date in your career. Can you tell us a little about what it is and how it came your way?

We entered into a development management agreement to coordinate the design and development of a new campus for the private British International School of Houston. Eventually 2,000 students (kindergarten through high school) will occupy this 275,000 sq. ft. building situated on 33 acres in west Houston. We were recommended by the architectural firm that had been selected to design the project.

**R** And last but not least, what are you doing these days for fun?

I have enjoyed being a founding director of the Bank of River Oaks. This successful 10-year old bank has grown steadily and presently has three locations with more to come .

Last year I purchased a 1973 XKE roadster and I enjoy driving that car when the weather

is good. I play golf 2-3 days a week in Houston and more in Aspen in the summer. We have a home in Aspen and spend a lot of time there in the summer. My wife and I also travel frequently and we go to Europe annually as well as Santa Fe and Palm Springs. ●

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**Contact: Ray Hankamer**



**HANKAMER  
& ASSOCIATES**  
BROKERS, L.L.C.

Hospitality Consulting Services

*40 Years Experience As  
Developer, Owner & Operator*

Brokers:  
Ray Hankamer, Jr.  
rhankamer@gmail.com

Pablo Szub  
szub@mail.com

Sergio Ortiz  
sortiz13@me.com

Sergio Pineda  
sergpineda@aol.com

(713) 922-8075 • [www.hankamer.com](http://www.hankamer.com)



Simpkins and his 1973 XKE Roadster