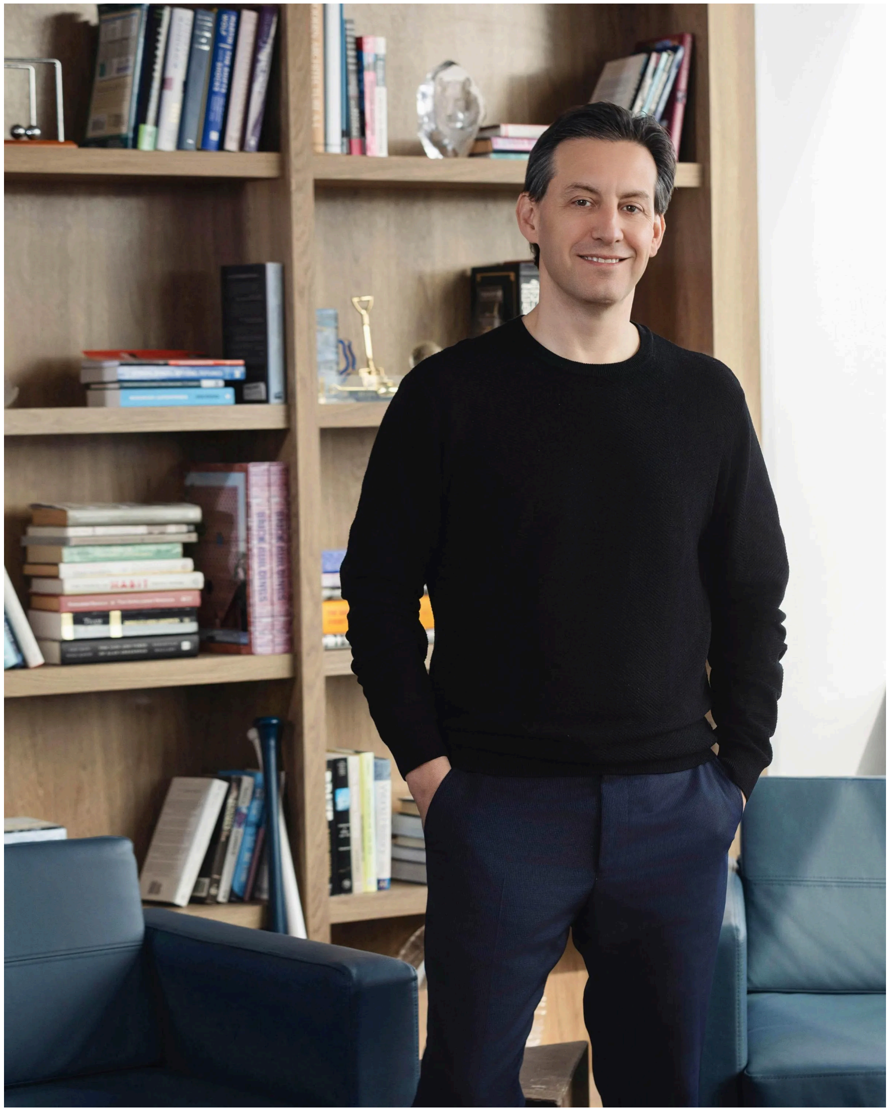

PREMIUM DAILY COVER

Immigrant Mentality Helped Turn This Mexican American Into A Billionaire

“Every industry has incumbents, and they’ve always made people believe that they are there for a reason—that they deserve their place,” says Fernando De Leon, the billionaire owner of Leon Capital Group. “ I’m looking for openings where they are getting a bit lazy or complacent."

Dec 29, 2024, 06:30am EST

Fernando De Leon is breaking boundaries as an immigrant billionaire—though he feels "prickly" about demographic labels: "The ethos that aligns with me the most is 'Texan.'"

By Monica Hunter-Hart, Forbes Staff

Decades before his holding company Leon Capital Group became a nearly $10 billion conglomerate, Fernando De Leon was a kid living in poverty in Mexico and crossing the border daily to go to school in Texas. The only one in his family born in a U.S. hospital—which guaranteed him citizenship and access to American schools—he'd finish classes in Brownsville, then commute back to his hometown of Matamoros where he yet again went to school at night with farmers' kids. His Mexican teachers sometimes covered the same material but earlier in the year, helping him stay ahead of his U.S. peers. When he was later accepted to Harvard, the first person to whom he showed his letter was the U.S. border agent "who had seen me growing up since I was five years old, every single day," says De Leon, now 46.

That daily trek led him beyond the Ivy League to a brief stint on Wall Street but ultimately steered him back to Texas, where he struck out on his own. “It’s company ownership that creates wealth,” says De Leon. “That is one of the most hidden secrets in American capitalism.” The other, for him, has been leaning into what he knows, starting with developing working- and middle-class home lots and apartment buildings, then building other businesses that provide consumer essentials, such as healthcare. Today his Leon Capital has 12 operating companies—over a third of which are worth nine figures—that span 11 industries.

“My psyche was always a poor man’s psyche,” De Leon says. “I never understood luxury as a consumer. Even entertainment and sports, it wasn’t something that I naturally gravitated to.” You won’t find him developing casinos or ultra high-end mansions. Instead, he makes lower-risk bets on the services that people always need, meaning their markets are less cyclical and have more predictable growth.

Roughly a quarter of his estimated $2.8 billion net worth, as estimated by Forbes, is now in residential and industrial real estate, mostly in swelling Sun Belt cities. Over a third is in healthcare: cardiology, dental and ophthalmology centers. The rest is a diverse mix that spans everything from hair salons to insurance to therapy centers.

nearly all of which expanded out of his original investments in real estate.

De Leon distinguishes himself from private equity because his investments have longer horizons and he builds companies either from scratch or out of just a handful of locations. He targets fast-growing areas like Dallas and Phoenix—where the Latino population has increased especially quickly. He aims to provide the series of basic services their new residents require.

“I would venture to say our model for investing understands those consumption patterns more intimately than your ivory tower, hedge fund guys,” he says, adding that he tries to, as a friend once advised him, “focus more on your Matamoros than on your Harvard.”

T**he youngest of six siblings**, English was his second language, and when his fourth grade teacher said that made him unsuitable for the National Spelling Bee and refused to give him the study material, he took it as a challenge. He convinced the principal to let him compete, got the book on his own and studied rigorously with the coaching of his father, who didn't speak English but sounded out the words phonetically. De Leon won his local competition, the regional round the following year and eventually advanced to represent South Texas in Washington, D.C. His father passed away at age 60 before he reached that final milestone. De Leon was 12.

The death of his father—an attorney who'd been struggling to work as he faced health problems—worsened their financial situation and pushed him to find creative ways to bring money home, starting with translating for American real estate developers who were building in Mexico under NAFTA. Once he used a union leader's longtime crush on his grandmother to convince him to grant labor permits for a project in return for an approximately 5% stake. A deft bit of bargaining for a teenager, to be sure, but as De Leon explains it: "You know what tells you to do that? Fear. 'I need to get something for my mom, who's crying at home because we don't have money for the electricity.' And so you just f***ing solve it."

> **"I got lucky. I'm an American citizen; my siblings were not. That changes the whole game. You have to start with that one seminal moment."**

After college, De Leon went to work as an analyst for Goldman Sachs. But he found he couldn't stand the structure and limits of a Wall Street job—and wasn't particularly good at it, either—so he headed back to Texas with about $80,000 in savings to start a business of his own in real estate, the trade he figured he knew best after working with developers in his youth. He spent those early days driving around Dallas, looking for potential development opportunities. There was just one problem: He didn't have enough capital to actually make an investment.

"Not everybody that builds something starts with resources," he says. "When you don't have anything, you have to get somebody to believe in you." For him, that person was Harold Pollman, an 80-something homebuilder who had owned an empty plot for decades, believing it was too difficult to develop because a creek ran through it. The two forged a friendship over afternoon coffee meetups. De Leon eventually convinced the developer to let him try to obtain zoning and permit rights in return for partnering on a homebuilding project there. He nabbed the necessary permissions and the pair developed about 50 homes on the lot. (At the 2004 groundbreaking ceremony, De Leon got emotional during a speech thanking Pollman, moving a woman in the crowd who would become his future wife.)

De Leon founded Leon Capital in 2006, a tricky era for the real estate industry: He says he started to notice a preponderance of subprime borrowers among new homeowners, became convinced that the market was headed in a bad direction and sold almost all of his assets for around $20 million between 2006 and 2007.

It was smart timing. When the financial crisis hit in 2007 and 2008, he was able to snatch up troubled properties and loans and reposition them: “It was like buying stocks at $2 that today would be $100.” De Leon used the new capital to expand, buying and renovating still more apartments, then developing real estate for quick-serve restaurants. “I would build Chick-fil-As, ‘cause the big guys thought it was beneath them,” he says. De Leon was soon expanding into places like Houston, Raleigh and Tampa, a decade before the Covid-era Sun Belt population and investment boom.

His real estate gave him a ringside seat to his tenants' businesses, leading him to pivot once more starting around 2014. After observing a thriving vet clinic, he bought equity in the business and opened a string of new clinics. ("Veterinary care *is* a discretionary item," he notes, "but people treat their animals like they're not, like they're family.") When a general dentist in one of his Dallas shopping centers was struggling in 2015, De Leon bought him out and later shifted the practice's focus to oral surgery and pediatric dentistry, which he thought would be more lucrative.

"Dentistry medicine is the next Wild West," says Academy of General Dentistry representative Tim Kosinski. Many dentists own their practices but know little about business, so they are increasingly selling stakes or cashing out entirely to bigger firms that run the administrative side. De Leon has partnered with over 270 physicians to grow Specialty Dental Brands into a network with more than 155 locations (he owns 70%; clinicians own the rest). Inspired by its success, he started a second dental business in 2022: Frontline Dental Implant Specialists, which already has 275 clinics (he owns 75%). Both are among the largest U.S. dental providers in their specific areas.

The shared ownership model is one De Leon has employed at many of his other companies. He owns 100% of Leon Capital, but as little as 70% of the individual businesses, with the people who run them taking the remaining stakes. Among his other big bets: 41 beauty salons that grew out of the hair salon company Mattison Avenue, originally a tenant that had five locations in 2016; 20-plus ophthalmology clinics called Physician Directed Partners, up from 11 in 2022; and 62 cosmetic treatment centers in Advanced MedAesthetic Partners, up from four in 2022. He says he invested in the latter "almost reluctantly" since it seemed like a luxury service. "Aesthetics, how people feel about themselves; these are things that were not essential" where he grew up. "But in high-income, Western economies where prosperity has taken root, it's right under housing and food."

He says his team has built every new business from the ground up and that he's bankrolled most of his dozen operating companies with billions earned from selling other subsidiaries and real estate assets.

"You don't see a lot of real estate people go do that," says Michael Mallick, CEO of El Paso-based real estate firm Mallick Group and a friend of De Leon's. "We tend to stick in our lane, where we're comfortable."

"This was part of my defense," De Leon explains. "It was to have different positions in different industries so they would be uncorrelated to the market. That was my way of building my little mini Berkshire Hathaway."

One of his best investments to date is the real estate data platform Crexi. He and CEO Mike DeGiorgio launched it nearly nine years ago with a simple concept: Zillow, but for commercial real estate. Crexi now hosts about three billion leasable square feet and $600 billion in properties for sale at any given time, and its users can buy, sell and bid on real estate, or use its 55 million sales comparables and 160 million property records to help decide on pricing for buildings they're putting up for rent or purchase.

Crexi's team started in 2015 by phoning every industry professional they could find to offer a demo—hundreds of thousands of calls—while De Leon convinced all his brokers to give the platform a try. Crexi has managed to stand out by offering a relatively cheap, user-friendly interface and a particularly granular level of detail on properties nationwide. "It's grown in an amazingly short period of time and become a resource for even the top global firms," says CBRE Capital Markets senior vice president Karly Iacono, who notes that CoStar still has a broader dataset that goes back further, but adds that for Crexi to catch up it's "just a matter of time and building out the data set."

De Leon believes its data is worth more than any single building he could own. Valued at $500 million in a 2022 funding round, Crexi is one of the biggest commercial real estate data platforms in the U.S., behind the $29.6 billion (market cap) site CoStar, which was founded in 1987. Crexi has about three million monthly users; CoStar's competing LoopNet platform has 13 million.

T**oday, Leon Capital Group** has more than 4,000 employees and brings in over $800 million in annual revenue, with annual returns on its exits at roughly 35% since its inception, according to the firm. De Leon says a handful of family offices have bought into specific real estate projects. For his industrial real estate developments in Europe, he partners with billionaire Ross Perot's Hillwood.

Since the start of 2024, De Leon has begun soliciting capital from institutional investors and registered investment advisors through iCapital Marketplace. The firm recently launched three real estate investment funds that will develop healthcare, industrial and multifamily properties, and has raised about $250 million of the $500 million it seeks from undisclosed investors; De Leon says he'll put up another roughly $150 million for 30%, and that having a wider range of investors will help the firm stay competitive.

It could be a winning strategy. In recent years, real estate companies around the country have responded to high interest rates by slowing or halting construction. Ironically, that means it's a great time to build: Developers who can unveil properties in a couple of years will find that they can ask high prices thanks to a shrunken supply. "Contrarian thinkers, companies like Leon Capital that can be creative, are going to win," says Pat Jones, a Newmark analyst based in Texas. "What you're seeing Leon do is look for non-conventional capital to get projects off the ground at a time when most people can't get projects off the ground."

Now one of the richest Mexican Americans in the nation, De Leon is a world away from the poverty he experienced as a kid in Matamoros—but he says it sticks with him. "When you grow up like that, you have a very healthy fear of being back there that diffuses arrogance," he adds. "This idea of 'don't lose money' is very much ingrained in my DNA and that of all of our businesses." These days, the huge disparity that used to exist between him and his brother and sisters is narrowing somewhat, particularly as they become naturalized American citizens. But his siblings still live humbler lives. One's a mechanic; another's a bus driver.

"I got lucky," he says. "I'm an American citizen; they were not. That changes the whole game. Speaking English at a young age... the things I saw, did. You have to start with that one seminal moment: A pregnant mother driving over the border." De Leon still crosses into Mexico regularly to visit relatives and says the border is more chaotic now than when he was a kid. He believes immigration judges should be stationed at entry points and adjudicate cases within hours of asylum seekers' arrival. (Right now the process typically takes years.)

As for his goals for Leon Capital, De Leon is currently working to establish new beachheads for his industrial real estate business in Mexico and also plans to invest more heavily in his lending and insurance companies. In the longer term, his aims are even higher.

"I'm a competitive guy. I'd love to beat Warren Buffett over the next 30 or 50 years," De Leon says. Along the way, he hopes to be a model for young Latinos coming from disadvantaged backgrounds. "There are people that provide some reference point for inspiration. Warren Buffett looks like post-World War II America—apple pie. America's a bit different today, demographically. So can I be a conduit like that for a new face in America?"

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