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1. DO ALL OF YOUR RETURN CALCULATIONS IN REAL, AFTER TAX DOLLARS; OTHERWISE YOU’RE FOOLING YOURSELF

2. IN GENERAL, THERE ARE ONLY TWO FACTORS THAT INCREASE THE REAL VALUE OF ANY PIECE OF REAL ESTATE—MORE PEOPLE AND/OR MORE MONEY

   A. MORE PEOPLE MEANS MORE DEMAND
   B. MORE $ MEANS EACH PERSON USES MORE REAL ESTATE

3. MOST IRR CALCULATIONS ARE SEMI-USELESS

   A. RENT GROWTH AND EXIT CAP ASSUMPTIONS ARE WILD ASS GUESSES
   B. EXPENSES AREN’T FULLY ACCOUNTED FOR
   C. IRR IS USEFUL AS A COMPARISON TOOL IF DONE RIGHT

4. MARKETS TEND TO COLLAPSE FROM THE PERIPHERY INWARD AND REBUILD FROM THE CENTER OUT

5. ALL REAL ESTATE GET-RICH-QUICK SCHEMES, WHETHER PRESENTED IN A WINDOWLESS CONFERENCE ROOM IN A HOLIDAY IN, OR ON THE TOP FLOOR OF A MANHATTAN HIGHRISE, INVOLVE HIGH LEVERAGE

   A. LEVERAGE WORKS WELL IN RISING MARKETS; KICKS YOUR ASS IN FALLING MARKETS
   B. POSITIVE LEVERAGE AT MODERATE LEVELS WORKS MOST OF THE TIME

6. BALANCE YOUR BALANCE SHEET; MOST BUBBLES INVOLVE BORROWING SHORT AND LENDING LONG

7. THE BEST PLAYERS IN THE GAME SPEND A LOT OF TIME THINKING ABOUT THE NEXT MARKET AND THE BLACK SWAN