

**Luis Belmonte, Principal, Seven Hills Properties
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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 ESTAE**

- 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 ESTE GET-RICH-QUICK SCHEMES, WHETHER PRESENTED IN A WINDOWLESS CONFERENCE ROOM IN A HOLIDAY IN, OR ON THE TOP FLOOR OF A MANHATTAN HAIGHRISE, 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**