

3 THINGS POKER CAN TEACH YOU ABOUT REAL ESTATE

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ViaWest Group founding partner **Steven Schwarz** is an avid poker player and a pro at real estate investment. So we trust him when he says both require **risk versus reward**, **probabilities**, and an understanding of **human nature**.

1. Weigh Rewards vs. Risks



"Every property we decide to acquire or develop is determined by analyzing our anticipated leveraged **IRR** versus the amount of **capital and/or debt** we're placing, and the **risks** associated with the deal," Steven says—the exact same thought process that goes into a **poker hand**. "I always consider my **pot odds**, that is, the probability of winning a hand with a future card. In other words, what are **my odds of winning** versus how much do I have to bet and how much could I ultimately win?"

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2. Know the Odds



Since one never knows with 100% certainty how an investment will play out, look at the **probabilities** of different results, Steve says. "Do we believe there's a **70% chance** to achieve a **15% leveraged return** on a specific deal, for instance? **How bad does the worst case look** and what's the probability of it occurring? Once again, the **same exact analysis** goes into **poker**. There's the probability of winning the hand, what happens if you don't win the hand, and how much could you potentially win or lose." (Doesn't everyone just use the "undo" button when playing poker games?)

3. The Human Factor



"In real estate, you have to **understand what's in the head** of your tenant, buyer, prospective tenant, brokers and others," Steve says. "Sometimes you even have to know what they want when *they* don't necessarily know yet. In poker, you have to also get in the **head of your opponents** to understand their betting strategies, likelihood of their next move—when they may not have even decided what that is." ViaWest's most recent **big bet** in real estate was this summer, when it acquired the **Biltmore Financial Center** for \$163M: three Class-A office buildings in Phoenix, the largest multi-tenant office sale in the market since '07.