

**Lessons From the Real Estate Downturn
With Joe Valente of JPMorgan Asset Management**

David Snow, Privcap:

Today we're joined by Joe Valente of JP Morgan Asset Management. Joe, you are the head of research and strategy for the European real estate group. Welcome to Privcap today; thanks for being here.

Joe Valente, JPMorgan Asset Management:

Thank you very much. Good to be here.

Snow:

You were investing in real estate through the worst downturn in several generations, and I'm curious as to what perhaps even painful observations you made at the time and what you learned from that downturn as a real estate investor.

Valente:

Well it's between 2009 and 2008, 2010. You could literally walk the streets of London and basically point at any building that you wanted to buy. And there was no investor appetite for London or for Europe generally. During that time, JP Morgan actually invested \$3.5 billion buying some of the best assets in Europe because it made sense, because of that scarcity of capital. And I think that that's a real lesson. You go where capital is scarce. You don't go into markets which are highly liquid.

And move on several years, you're seeing exactly the same sort of dichotomy in Europe at the moment. There are markets which are highly liquid, which may be attractive to certain types of investors but which make very little sense in terms of a risk-adjusted return. Now the true lesson in all of that is, I suppose, the strategic walkabout that comes at a time when you have to decide if you can't afford that because all but the particular chunk of real estate in a prime market – how [00:15:00] far do you go up that spectrum in terms of risk to acquire something, to deploy capital. Too many investors will start straying away from that sort of core competency. And that's a quick and easy way of losing money as well.