

Site search

Search

Press

Newsletter, articles,  
and books

And now, my life is on display....

Kahr Notes Vol. 4, No. 9 \* November 8, 2006 \*  
Issue #29 \* 2,600 active subscribers

In "Kahr Notes" this month:

- And Now, My Life is on Display....
- Top Five Ways to Boost an Argus Run
- Argus and Excel Class Schedule

---

#### 1. And now, my life is on display....

In non-company related news, I was recently appointed to the Board of Directors of Monmouth Capital Corporation, a publicly listed REIT. They are listed on NASDAQ under the ticker symbol MONM. I'm happy to be joining them and I'm looking forward to it.

Of course, this now means that every share of their stock that I buy or sell is public to the world. Then again, if I really minded being in the public eye, I probably wouldn't have a newsletter, now would I?

---

#### 2. Top Five Ways to Boost an Argus Run

Whenever I teach an Argus class, someone always asks, "What are the most common assumptions that brokers change when they want to boost the value of the building?"

I've said for years that I would write down my favorite top ten list of "broker cheats". Here's the first five, and the other five will appear in the next issue.

1. Grow market rent inflation faster than the general inflation rate - If raising rent growth to 6% per year and leaving general inflation at 2% doesn't make you a lot of money over ten years, you're doing something wrong. It's one thing to say that the local market will experience 3-5 years of above average

rent growth, but ten? Have you ever seen market rents grow for ten years faster than inflation? This is the first thing I fix.

2. Adjust the Market Leasing Assumptions - Don't like that tenant improvements are going to run \$40/SF for new space? Make it \$10/SF. If you're really lucky, the buyer won't have any solid construction or development experience and won't understand the difference. While you're at it, increase the renewal probability for all leases to 85%.

In short, in any Argus run you're predicting the future, and it's been my experience that commission driven brokers tend to have a very different vision about what the future may bring. There's a reason why Argus uses a crystal ball as the toolbar icon for the Market Leasing Assumptions.

3. Grow rent faster than normal, Part II - As long as you're growing the market rent inflation rate faster than normal, you might as well also grow the base at the same time. In other words, instead of simply growing a \$35 rent in 2006 dollars at 6% per year, grow the rent from \$35 to \$40 in 2006 dollars over the life of the analysis while at the same time factoring in the (unrealistic) 6% growth.

4. Eliminate all capital reserves - When you're really desperate, simply eliminate capital reserves and capital improvements of any kind. This is the same as saying that the roof will never leak, the boiler will never need replacement, and the façade will never age. If only the same were true with humans....

5. Reduce or eliminate expenses - Who needs to pay a management fee? Don't buildings just manage themselves? While we're at it, could we assume that other expenses will drop over the long term due to our (possibly unrealistic) assumption that we'll be much better managers? In high rise buildings, it is often assumed by sellers that the elevators are self-maintaining and do not require any expense; I personally find this last omission somewhat unnerving, especially when I'm conducting a building tour.

In short, Argus is a tool; it's not a panacea. If you want to double the perceived value of the building, all it will take are a few quick changes.

---

3. Argus and Excel classes - The next Argus class is in Chicago

We continue to offer Argus classes in NYC, Boston

, Chicago , and LA. We also have a financial modeling in Excel class in NYC.

The Argus class covers in only two days how to use the software to finance, invest in, and develop real estate. All attendees also receive a copy of my 230 page training manual that is the product of over four years of teaching Argus at leading universities and corporations. It is the only manual of its kind that covers both the software and provides real world examples.

The Excel class is a two day course in how to use Excel for real estate investment, finance, construction, and partnership modeling. We used to offer it in only one day, but we've accumulated so much material that we've expanded it to two days.

The class assumes minimal Excel knowledge, but it rapidly progresses to a high level of discussion. We show attendees how to build financial models that include the various bells and whistles that impress partners and investors in addition to the more practical matters of showing the impact of leverage and taxation. We also spend a lot of time on partnership modeling. Partnerships are one of the most complex pieces of building a financial model, and the class spends significant time hammering those issues out. We also cover development and construction models.

The schedule for both classes is:

- Argus, Chicago, 11/18/06 and 11/19/06
- Argus, New York , 12/16/07 and 12/17/06
- Argus, Boston , 1/13/07 and 1/14/07
- Argus, Los Angeles , 2/10/07 and 2/11/07
- Excel, New York , 12/2/06 and 12/3/06
- Excel, New York , 2/17/07 and 2/18/07

All classes are taught by Joshua Kahr, Principal of Kahr Real Estate Services. They run from 9:00 am to 5:00 pm. All classes run on the weekend.

Weekday classes are only available for companies and universities that require on-site group training (and yes, we do travel... 30 roundtrips via plane so far this year).

The fee is \$625 each for the Argus and Excel class. The materials are included in the price. If you'd like to register 3 or more people from your organization, please contact us in advance and you will receive a 15% discount off the total fee. We also offer a 15% discount if you register for both classes.

To sign up for an Argus class or read more, go to:  
<http://www.kahrrealestate.com/argustraining.shtml>

To sign up for an Excel class or read more, go to:  
<http://www.kahrrealestate.com/exceltraining.shtml>

If you're interested in customized on-site training, contact Joshua Kahr directly at [josh@kahrrealestate.com](mailto:josh@kahrrealestate.com) for more information.

---

#### ABOUT THE PUBLISHER:

Kahr Real Estate Services LLC is a consulting company that provides financial training, market and feasibility studies, financial modeling, and portfolio management for the real estate industry. "Kahr Notes" is the company's newsletter.

We welcome story suggestions, quotations from industry events, trend news, and feedback. Submit via e-mail to [josh@kahrrealestate.com](mailto:josh@kahrrealestate.com). We will contact you before using any item.

Kahr Real Estate Services LLC, 139 Fulton Street, Suite 417, New York, NY 10038. Tel: (212) 566-4085; Fax: (646) 365-3211; E-mail: [josh@kahrrealestate.com](mailto:josh@kahrrealestate.com); Web site: <http://www.kahrrealestate.com>.

Copyright 2006 Kahr Real Estate Services LLC. Material may not be reproduced in whole or in part without the express written permission of the publisher.

#### **"Kahr Notes" SUBSCRIPTION INFORMATION:**

To subscribe to "Kahr Notes", go to <http://www.kahrrealestate.com/Publications.shtml>. You can also send your e-mail address to [kahrnotes@kahrrealestate.com](mailto:kahrnotes@kahrrealestate.com) and place the word "subscribe" in the subject field. Subscriptions are free.