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What Gavin de Becker's *The Gift of Fear* Can Teach Real Estate Investors

By Patrick Carroll

Gavin de Becker's *The Gift of Fear* is a book that saves lives. [De Becker](#) tells us that intuition is the most powerful tool in our personal arsenal. The book's message centers on safety but can act as a guiding force for professionals seeking success in the business world, too.

"Intuition is always right in at least two important ways," de Becker writes. "It is always in response to something. It always has your best interest at heart."

"What I'm trying to encourage people to do is to get back to their basic perceptions and intuitions and less in the process of horizontal thinking," he adds.

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business to my intuition.

Unfortunately, we are socially conditioned to rate logic over intuition, as though they were polar opposites. They're not.

There's science behind our gut instincts. "We've got 100 million neurons in our stomach lining, and these two brains in the gut and in the skull communicate with each other through the body," says de Becker.

I owe my success in business to my intuition. I founded my real estate investment firm, [CARROLL](#), in 2004, smack in the middle of one of history's [most exciting bull markets](#). After some intoxicating success, in March of 2008 my gut told me that it was time to divest our single-family investments and reallocate our capital instead into multifamily and rental properties. When home foreclosures skyrocketed and people needed options, we provided them.

“You have the gift of a brilliant internal guardian that stands ready to warn you of hazards and guide you through risky situations,” writes de Becker. I trusted my internal guardian. Many legendary financiers ignored theirs. Firms including [Bear Stearns](#) and [Goldman Sachs](#) infamously let the white noise of experience and education drown out the clanging alarm bells. Rational thought overrode intuition and became a barrier to productive action.

What could I see that my idols could not? Nothing. I did not see more; I simply

allowed myself to *understand* what I was seeing.

Business leaders must be adept at avoiding paralysis by analysis. In 2008, I harnessed my fears about the impending catastrophe to create a fresh opportunity. Rather than think it is possible to avoid damaging situations, businesses must instead focus on being well capitalized and prepared so that they can leverage fear to their financial advantage.

A key component of de Becker’s philosophy is the role of knowledge:

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“Intuition heeded is far more valuable than simple knowledge.” In other words, intuition *depends* on knowledge.

De Becker has created [MOSAIC](#), a threat assessment system that takes the measure of a situation by breaking it down into its salient components and then reassembling it piece by piece, treating the entire exercise as a puzzle.

Real estate investors can benefit by taking a similar approach.

In 2011, for example, [properties in the Sun Belt](#) were cheaper than they should have been. Lending rates in Dallas and Atlanta were comparable to those in New York and San Francisco. The difference was that in Dallas and Atlanta cap rates were 7%, as opposed to a mere 3% in New York and San Francisco. This was one piece of the puzzle I assembled.

The great migration of companies and their employees over the past decade to Sun Belt states, made attractive by low tax rates and other business-friendly attitudes, is another piece. The recognition that the pandemic presented an unprecedented opportunity for companies to consider moving location without losing staff, who could now work remotely, transformed the commercial real estate landscape and was one more piece in the puzzle.

Sometimes it is difficult to see what is in front of you. As Warren Buffett says, “[in the business world](#)”, unfortunately, the rearview

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mirror is always clearer than the windshield.” But with all these puzzle pieces now in place, the picture is clearer for real estate investors.

Today, inflation has investors concluding that real estate is a poor investment. Fear is in the air. But this is a good time to consider how real estate can diversify a portfolio dominated by stocks and bonds. While rising interest rates can have a negative impact on public markets, real estate can benefit, because as prices go up, so too do rents. In that respect, real estate can help investors hedge against inflation. My gut tells me that real estate remains a sound investment.

Only when enough information is accumulated can a firm react quickly and efficiently, especially if immediate action is required. To put it another way, success occurs when preparation meets opportunity.

Business deals are not actual life or death, and nothing is as important as personal safety. However, if we maintain a sense of proportion, we can appreciate the wisdom in de Becker’s assertion that intuition is “our most extraordinary mental and physical process.”

My advice for investors in these troubled times? Don’t be afraid of fear. Instead, make it work for you.

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