

**REAL 821, REAL 321, & ARCH 768**  
**Real Estate Development**  
***Spring 2011***

**COURSE DESCRIPTION & OUTLINE**

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WebCafe: <http://webcafe.wharton.upenn.edu/eRoom/real/821-sp11-1>

**Course Objectives.** Four objectives will drive this course, helping you:

1. Become better decision-makers and real estate industry leaders.
2. Understand and assess the risks in real estate development and investments.
3. Be more productive in your first job.
4. Familiarize yourself with the real estate development process.

**Course Topics.** This course focuses on “ground-up” development as well as re-hab, re-development, and acquisition investments. We will examine the similarities and differences of traditional real estate product types including office, R&D, retail, warehouses, lodging, single family and multi-family residential, mixed use, and land. We will also analyze “specialty” uses like golf courses, resorts, and senior assisted living, and concepts like New Urbanism, sustainability, and timeshares. You will learn the development process from market analysis, site acquisition, zoning, entitlements, approvals, site planning, building design, construction, financing, and leasing to ongoing management and disposition. Special topics - workouts, leadership, and running a development company - will be discussed. Throughout the course, we will focus on risk management. In a business filled with uncertainties, minimizing risk results in maximizing long run profits and net worth accumulation.

**Course Structure.** Cases focused on products – office, industrial, and so forth – are intermixed with lectures and case studies focused on processes – market analysis, site acquisition, and the like. There will be frequent opportunities to review and contrast products and processes over the course of the semester. Expert guest speakers will give you a range of views on key development issues.

In addition to cases and lectures, we will utilize case studies, problem-solving exercises, field trips, student teams, and readings. You should assume that there would be one class held at night to accommodate a guest speaker and that 2 field visits will require private transportation and travel time outside of the normal 3 hour class session. *Students are expected to attend all classes*

*and field visits, which are scheduled outside of the normal class times, so please study the syllabus and your other class schedules before committing to this class.*

**Cases.** This course will make heavy use of the case method, maximizing decision-making opportunities for you. You may be called upon to begin a case or to answer questions pertaining to the case at any time. If you are unprepared to discuss a case, you should let me know before the session begins. Being unprepared will adversely affect your class participation grade. Long-windedness and low-value-add comments (a.k.a. BS) will be viewed as worse than not speaking at all. Please bring your name tents to each class. Cases will be available at least one week before class.

**Written Memos and Papers.** You will be required to write as many as 10 memos – an important skill throughout any career. You may also be required to write as many as 2 longer papers. Some assignments will be team efforts.

A few papers will be graded on a Pass/Fail basis, while many will follow an absolute, not curved, grading scale. Final written paper grades will be curved at the end of the term.

Neatness, organization, clarity, grammar, punctuation, spelling, and conciseness will matter and can make a difference of a grade. All papers must be typewritten. You may discuss cases in study groups, but written memos and papers are expected to be individual efforts, unless noted otherwise.

*Deadlines are firm.* Memos and papers are due in my mailbox in the Real Estate Department offices in Steinberg Hall – Dietrich Hall before 10:30 a.m. of the class day when the case will be discussed unless noted otherwise on the assignment sheet. Late papers for any reason are given a grade off if submitted after 10:30 a.m. of the class day but before 3:00 p.m. of the class day. After class begins at 3:00 p.m., a “No Credit” grade will be given. *There will be no exceptions.*

Memos and papers can also be e-mailed to me so long as: 1) the above deadlines are met for the posting time of the e-mail (date/time when you send, not date/time when I receive), and, 2) any excel spreadsheets print ‘automatically’ when I hit the print button on your e-mail message in a user-friendly format. I will only review spreadsheets that print (ie. I won’t dig into the workbooks and print each page separately) and I will not review spreadsheets that require cutting and pasting to read. Make sure they are ‘fit to one page’ in a font that is readable. Please don’t send me something that you wouldn’t feel comfortable sending to the CEO of your future employer.

### **Grading.**

- Class Participation 50%
- Papers 50%

**Exams.** There are no exams. There is no final exam.

**Attendance.** You are expected to prepare thoroughly for and attend each class and actively participate. *Punctuality is required.* If you arrive late, you will be directed to take seats at the

front and center of the classroom. If you need to leave before the end of class, please let me know before class. Be sure and sign the attendance sheets – if you do not sign in, you will be counted as absent. Again, please note that there are 2 mandatory field trips scheduled outside of class. Be sure and consider this before enrolling.

**Class Website** address is <http://webcafe.wharton.upenn.edu/eRoom/real/821-sp11-1> . David and I will post any upcoming updates and important information here. Do not count on receiving an e-mail announcing class or assignment changes. Please make it a habit to check the website every day or 2. We will generally post presentations and guest speaker bios for upcoming classes to make note taking more convenient. Cases and readings will also be posted if available in electronic form.

**Other Administrative Matters.** Please treat our class room session as a board meeting - turn off all cell phones and PDAs - do not text, email, or visit websites during class. Laptops should only be used for note-taking. You will be asked to leave class for the day if you do not adhere to this request.

You will need a calculator that has the ability to compute present value and future values, periodic payments to amortize debt, net present value, and internal rate of return.

**Readings.** The primary textbook Professional Real Estate Development by Peiser should be considered as background information. We will not be following it specifically, but it does cover the areas we'll discuss. Other readings are interesting and helpful, but won't typically be discussed explicitly in class. Note that the reading load – reading list and casework - is “lumpy” so pacing is important.

The initial bulkpack contains additional reading material and the cases required through Spring Break. Subsequent bulkpacks will include handouts and cases required beyond Spring Break. All class reading materials would be charged to your bursar account. As noted earlier, we will post whatever we can on the web site for downloading or review.

The bulkpacks will be available electronically on Study.net (which also offers the option to have a copy printed by Wharton Reprographics). Please contact customerservice@study.net with any website related issues.

**Prerequisites.** Students are responsible for material covered in Real Estate Investments (REAL 721) and Real Estate Law, Financing, and Development (REAL 804). The class will be taught assuming you have mastered these topics.

**Fun & Worthwhile.** Real estate is a fun business and we will endeavor to enjoy ourselves. The fun will come from hard work, intense interaction, and the satisfaction of attaining the next level of learning. It is important that you leave this class feeling that it was well worth the effort and the investment of your valuable time. It is critical that you and your classmates provide great leadership to the real estate industry.

## Course Outline

1/12

Course Administration	Asuka Nakahara
Introduction	
• Kip Nicklaus (A)	Asuka Nakahara
<i>PROCESS:</i>	
Market Analysis	Scott Janzen, <i>President, Catalyst Real Estate LLC</i>

### *READINGS:*

#### Course Administration

- “It is Recommended That You Write Clearly” by Blake, Wall Street Journal<sup>BP</sup>

#### Introduction to Real Estate Development

- Case: Kip Nicklaus (A)<sup>BP</sup>
- “Looking for a Parcells player? Check special-teams roster first”, by Blackistone, DallasNews.com<sup>BP</sup>
- “Harnessing the Science of Persuasion”, by Cialdini, Harvard Business Review<sup>BP</sup>
- “Real Estate Test”<sup>BP</sup>
- Teaching Note: Financial Analysis of Real Property Investments<sup>BP</sup>
- *Professional Real Estate Development* by Peiser, Chapter 1: “Introduction”
- *The Real Estate Dictionary* by Talamo (optional)

#### Market Analysis

- Market Analysis Readings
- Materials posted on webCafé
- *Professional Real Estate Development* by Peiser, Chapter 3: “Land Development”, pages 62 – 64 & 69 – 71.
- *Real Estate Market Analysis* by Schmitz and Brett, Chapter 1: “Understanding Real Estate Market Analysis”
- *Real Estate Market Analysis* by Schmitz and Brett, Chapter 2: “Basic Approach to Real Estate Market Studies”
- *Real Estate Finance & Investments* by Linneman, Chapter 20: “There Are A lot of Right Ways To Do It”

1/19

<i>PRODUCT:</i>	
Industrial Development	Asuka Nakahara
• 201 Berkeley Drive (A)	Jim Mazzarelli, <i>Senior Vice President, Liberty Property Trust</i>
• 203 Berkeley Drive (A)	
• Zany Brainy Build-to-Suit (A)	

### *READINGS*

- Case: 201 Berkeley Drive (A)<sup>BP</sup>
- Case: 203 Berkeley Drive<sup>BP</sup>
- Case: Zany-Brainy Build-to-Suit (A)<sup>BP</sup>
- “Industrial Design Specifications Evolve in Push for Economy of Scale, Quick Turns”, Development Magazine<sup>BP</sup>
- *Professional Real Estate Development* by Peiser, Chapter 6: “Industrial Park and Building Development”

1/26

<i>PRODUCT:</i>	
Industrial Review	Asuka Nakahara
<i>PROCESS:</i>	
Site Acquisition & Due Diligence	Asuka Nakahara
<i>PRODUCT:</i>	
Entrepreneurial Multi-Family	Asuka Nakahara
• Revere Street	

#### READINGS

##### Industrial Review

- Materials posted on webCafé

##### Site Acquisition & Due Diligence

- Materials posted on webCafé
- *Professional Real Estate Development* by Peiser, Chapter 3: “Land Development”, pages 64 - 69.

##### Entrepreneurial Multi-Family

- Case: Revere Street

2/2

<i>PROCESS:</i>	
Development Financing	Tom McNearney, <i>Executive Managing Director, Transwestern Commercial Services</i>
<i>PRODUCT:</i>	
Resort/Condo/Timeshare Development	Jeff Sussman, <i>President, Louis Dreyfus Property Group</i>
• Four Seasons Jackson Hole	

#### READINGS

##### Development Financing

- “Structuring Development Joint Ventures”, Development Magazine<sup>BP</sup>
- “Prospering in a Turbulent Economic Climate” by Rand, Development Magazine<sup>BP</sup>
- Other Materials to be distributed &/or posted on webCafé

##### Resort/Condo/Timeshare Development

- Case: Four Seasons Jackson Hole<sup>BP</sup>
- “Your Hybrid Home”, Conde Nast Traveler<sup>BP</sup>
- “The Future of Resort Development” by Kaufman & Ducker, Urban Land<sup>BP</sup>

2/9

<i>PROCESS:</i>	
Zoning, Entitlements & Approvals	Thomas “Buck” Riley, <i>Partner, Riley Riper Hollin &amp; Colagreco</i> Denise Yarnoff, <i>Partner, Riley Riper Hollin &amp; Colagreco</i>
<i>PRODUCT:</i>	
Multi-Family Residential Acquisition & Development	Chris Wheeler, <i>Partner, Triton Atlantic Partners; Former Chairman, CEO &amp; President, Gables Residential Trust</i>
• Acquisition Alternatives for an Open-ended Real Estate Fund	

#### READINGS

##### Zoning, Entitlements, & Approvals

- Materials will be distributed

##### Multi-Family Residential Acquisition & Development

- Case: Acquisition Alternatives for an Open-ended Real Estate Fund<sup>BP</sup>
- *Professional Real Estate Development* by Peiser, Chapter 4: “Multi-Family Residential Development”

2/16

<b>PROCESS:</b>	
Construction	Doug Carney, <i>Consultant; Former Program Director, University of Pennsylvania</i>
<ul style="list-style-type: none"> <li>Huntsman Hall Case Study</li> </ul>	
<b>PRODUCT:</b>	
Office Renovation	Asuka Nakahara
<ul style="list-style-type: none"> <li>17 Steel Street</li> </ul>	

#### READINGS

##### Construction

- “Gotcha: 10 Key Clauses in Construction Contracts” – Goldenberg, Rosenthal, LLP newsletter<sup>BP</sup>
- Additional materials posted on webCafé

##### Office Renovation

- Case: Steel Street<sup>BP</sup>

2/23

<b>PROCESS:</b>	
Site Planning & Building Design	Mitch Shiles, <i>Principal, Hooper Shiles Architects</i>
<ul style="list-style-type: none"> <li>Newtown Corporate Center</li> </ul>	
Site planning exercise	
<b>PRODUCT:</b>	
Single Family Housing Development	Joe Duckworth, <i>President, Arcadia Land Company</i>
<ul style="list-style-type: none"> <li>Oakview</li> </ul>	

#### READINGS

##### Site Planning & Design

- Case/Site planning exercise: Newtown Corporate Center<sup>BP</sup>
- Sustainability & Green Development – Selected Readings<sup>BP</sup>
- ABC of Architecture* by Gorman

##### Single Family Housing Development

- Case: Oakview<sup>BP</sup>
- “Their Own Acre – Why ‘walkable communities’ don’t fly here” by Mastrull, Philadelphia Inquirer 3-part series<sup>BP</sup>
- Professional Real Estate Development* by Peiser, Chapter 3: “Land Development”, remaining pages.

2/25\*\*\*

Friday  
9-10:30 am  
Location  
TBD

<b>SPECIAL TOPIC</b>	
Review Class (Optional)	Asuka Nakahara
Coffee, tea & water will be available.	

3/2

<i>PROCESS:</i>	
Management & Disposition	Asuka Nakahara
<i>PRODUCT:</i>	
Mixed Use/Renovation	Ron Caplan, <i>President, Philadelphia Management Corporation</i>
• Victory Building	

*READINGS*

Management & Disposition

- Materials posted on webCafé

Mixed Use/Renovation

- Case: Victory Building<sup>BP</sup>

3/9

Spring Break – No Class

3/16

<i>PROCESS:</i>	
Marketing & Leasing	Asuka Nakahara Neil Jones, <i>Senior Vice President, Hines Interests</i>
<i>PRODUCT:</i>	
Office Development	Asuka Nakahara
• Bayside	Neil Jones, <i>Senior Vice President, Hines Interests</i>

*READINGS*

Marketing & Leasing

- “Seven Simple Ways to Become a Better Negotiator” by Delee Fromm, *CREW Newsletter*<sup>BP</sup>
- Case: ExxonMobil (A)<sup>BP</sup>

Office Development

- Case: Bayside<sup>BP</sup>
- “What Office Tenants Want” by Guilford-Blake, CCIM Institute<sup>BP</sup>
- *Professional Real Estate Development* by Peiser, Chapter 5: “Office Development”
- *Office Development* by Bob Short

3/23\*

<i>PROJECT TOUR:</i>	
New Urbanism/Mixed Use	Bob Hankin, <i>President &amp; CEO, Hankin Group</i>
• Eagleview (A) & (B)	Jim Fuller, <i>Vice President - Planning &amp; Design, Hankin Group</i>

*READINGS*

- Cases: Eagleview (A) & (B)<sup>BP</sup>
- New Urbanism/Traditional Neighborhood Design/Lifestyle Center Readings<sup>BP</sup>
- *The New Urbanism* by Katz, “Preface”, “The Region”, “The Neighborhood, the District, and the Corridor”, “The Street, the Block and Building”, and “Planning the American Dream”

3/25\*\*  
Friday

<i>PROJECT TOUR:</i>	
Land Development/Mixed Use	Brad Klatt, <i>Partner, Roseland Property Company</i>
• Port Imperial, New Jersey	

*READINGS*

- Case: Port Imperial (A)<sup>BP</sup>
- *Edge City* by Garreau, Chapter 1: “The Search for the Future Inside Ourselves”, Chapter 2: “New Jersey - Tomorrowland”

3/30

No Class

4/6

<b>PRODUCT:</b>	
Senior Assisted Living Facilities	Chip Douglas, <i>Managing Director, BayNorth Capital LLC</i>
<ul style="list-style-type: none"> <li>Crossings Assisted Living Portfolio</li> </ul>	
<b>PRODUCT:</b>	
Golf Course Development	Steve Braley, <i>President, Cascade Properties; Former Director of Golf Properties Professional Golfers' Association of America (PGA)</i>
<ul style="list-style-type: none"> <li>PGA Village San Antonio</li> </ul>	

**READINGS**

Senior Assisted Living Facilities

- Case: Crossings Assisted Living Portfolio <sup>BP</sup>
- Senior Assisted Living Readings <sup>BP</sup>

Golf Course Development

- Case: PGA Village San Antonio <sup>BP</sup>
- Overview: The U.S. Golf Course Development and Ownership Industry <sup>BP</sup>

4/8\*\*\*^

Friday  
10-11:30  
Location  
TBD

<b>PRODUCT:</b>	
Golf Course Acquisition	Tim Schantz, <i>Executive Vice-President – Acquisitions, Troon Golf</i>
<ul style="list-style-type: none"> <li>Revere at Anthem</li> </ul>	

**READINGS**

- Case: Revere at Anthem (A) <sup>BP</sup>

4/13

<b>SPECIAL TOPIC:</b>	
Debt	Tony Dona, <i>Partner, Thackeray Partners</i>
<b>PRODUCT:</b>	
Retail Development	Tony Dona, <i>Partner, Thackeray Partners</i>
<ul style="list-style-type: none"> <li>Festival at Waldorf (A)</li> </ul>	
<b>SPECIAL TOPIC:</b>	
Workouts	Tony Dona, <i>Partner, Thackeray Partners</i>

**READINGS**

Debt

- Materials posted on webCafé

Retail Development

- Case: Festival at Waldorf (A) <sup>BP</sup>
- “Redeveloping the Mall” by Katz & Green, Shopping Center Business <sup>BP</sup>
- Professional Real Estate Development* by Peiser, Chapter 7: “Retail Development”
- Variations on a Theme Park* by Sorkin, “Introduction” and “The World in a Shopping Mall”

Workouts

- A Man in Full* by Wolfe, Chapter 2: “The Saddlebags” <sup>BP</sup>



<i>SPECIAL TOPIC:</i>	
Running a Development Company	Asuka Nakahara
• Stevens Property Company	
Course Review	Asuka Nakahara

*READINGS*

## Running a Development Company

- Case: Stevens Property Company (A)<sup>BP</sup>
- “It’s All Up to You” by Trammell Crow<sup>BP</sup>
- “Hail Emmitt”, NFL Insider
- “Vanguard – Do the Right Thing”, Money magazine<sup>BP</sup>
- “Canary in a gold mine” by Rehfeld, Institutional Investor<sup>BP</sup>
- “A Real-Estate King Sees Legacy Unravel As Creditors Move In” by Martinez, Wall Street Journal<sup>BP</sup>
- “First Fix, Then Grow”, Wall Street Journal<sup>BP</sup>
- Leadership Speeches<sup>BP</sup>
- “Handling Disappointment” by Bassham<sup>BP</sup>
- *Professional Real Estate Development* by Peiser, Chapter 2: “Organizing for Development”

## Review Session II – The Numbers

- Materials to be distributed

## Course Review

- Materials to be distributed in class and/or posted on WebCafe

Notes on Classes:

- \* Class to be held at Eagleview development near Exton, PA. Bus will leave campus at 3:00 pm and will return by 10:00 pm following on site discussion, project tour, and dinner. Mandatory class.
- \*\* Class to be held in North Jersey with field visit to Port Imperial. Bus will leave campus at 8:00 am and will return by 4:00 pm. Roseland Property Company will host a lunch discussion. Mandatory class.
- \*\*\* Optional classes will require minimal prep work and will count as additional “points” towards class participation/attendance grade.
- ^ Optional class with members of the Wharton Golf Club invited.

Cases, speakers, and certain dates are subject to change. Updates will be given periodically in class and posted on the class website.

Notes on Readings:

Books will be on reserve in the library.

<sup>BP</sup> - indicates that selected readings are included in bulkpacks.

Readings available in electronic form will be posted on the class web page

<https://webcafe.wharton.upenn.edu/eRoom/real/821-sp11-1>

Peiser’s *Professional Real Estate Development* is the only required text. Other books referenced are optional.

## Schedule of Writing Assignments

### **DUE DATE      CASE**

1/19	201 Berkeley (A) - All
1/26	Revere Street - Mauve
2/2	Four Seasons Jackson Hole*** - Red
2/9	Acquisition Alternatives for an Open-ended Real Estate Fund*** – White
2/16	17 Steel Street – Blue
2/16	Newtown Corporate Center^*** – Team
2/23	Oakview* - Team (Aqua, Mauve)
3/2	Victory Building*** – Mauve
3/9	Spring Break – No Assignment Due
3/16	Bayside – White
3/23	Eagleview*** - Aqua
3/24^^^	Port Imperial (A)* - Team (Red, White, Blue)
3/30	No Class – No Assignment Due
4/6	Crossings Assisted Living Portfolio - Aqua
4/6	PGA Village San Antonio - Red
4/7^^^	Revere at Anthem – Optional – Team^^ or Individual
4/13	Festival at Waldorf*** - Blue
4/20	Stevens Property Company^ - Team^^

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#### Notes:

Individual Assignments. All assignments are individual (not team), one-page papers with exhibits unless designated otherwise. For individual assignments, students will be designated as either “Red”, “White”, “Blue”, “Aqua”, or “Mauve”, and will prepare papers as designated. All students will prepare the first paper 201 Berkeley (A). Students must prepare assigned papers and may not ‘switch’.

Team Assignments. Teams will be assigned at least one week prior to assignment due date. If color groups designated, teams will be formed with students from just those groups.

Schedule and assignments are subject to change; changes will be announced in class and posted on the class website <http://webcafe.wharton.upenn.edu/eRoom/real /821-sp11-1>

Assignments should be submitted well before the deadline. It is advisable not to cut the deadline too closely.

- \* 3-page limit (all other papers are 1 or 2 pages as noted on the applicable assignment sheet)
- ^ Pass/Fail grading format
- \*\* Site planning exercise/case will be due on February 9<sup>th</sup> and discussed in the February 16<sup>th</sup> class.
- \*\*\* Powerpoint format – see assignment sheet
- ^^ Select your own team
- ^^^ The assignment will be due on the day before the class session.