

REAL 821, REAL 321, & ARCH 768
REAL ESTATE DEVELOPMENT – FALL 2013

COURSE DESCRIPTION AND OUTLINE

PROFESSOR: Alan F. Feldman
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**TEACHING
ASSISTANT:** TBD

OFFICE HOURS: By appointment

COURSE OBJECTIVES

To help prepare you for a job or career in real estate development, and/or to help you fully understand the practical aspects of real estate development to make you a more informed and intelligent real estate investor. In tackling this objective, this course will review and develop your skills in:

- A range of real estate development types and products
- How to successfully manage the development process
- Risk management and mitigation
- Understanding current real estate trends

COURSE TOPICS

This course focuses on “ground-up” development as well as re-hab, re-development, and acquisition investments. The following are topics that will be reviewed over the course of the semester:

Development Products:	Office, Retail, Entertainment, Industrial, Hospitality/Resorts, Single, Multifamily & Affordable Residential, Mixed-Use, Land, Adaptive Reuse;
Development Process:	Market Analysis, Site Acquisition, Due Diligence, Development Strategy, Zoning, Entitlements, Approvals, Site Planning, Building Design, Pre-Construction, Construction, Equity Financing, Debt Financing, Marketing, Sales & Leasing, Management, Disposition;
Specialty Topics:	Workouts and Bankruptcy, Deal Structuring and Joint Ventures, Sustainability, Suburban Infill, Brownfields, Infrastructure, Green Design, Public/Private Partnerships, Market Incentives, TIF's, PILOT's, Bonds, Condo & Homeowner Associations;

Development Companies:	Development Company Types (Private, Public or Institutional), Financial Sources/Partnerships, Managing a Development Company, Development Company Jobs, Consultants and Lawyer Selection/Management, Public/Government Relations;
Consultants:	Market Analyst, Architect, Lawyer, Financial Analyst, Surveyor, Civil, Environmental, Geotech Engineers, MEPS Engineers, Green/LEED Design, Traffic, Historic Preservation/Cultural Resources, Contractor, Construction Manager, Client Representative, Advertising, Public Relations, Government Relations, Mortgage Brokers, Accountants, Real Estate Brokers, Title Company, Insurance Brokers.

COURSE STRUCTURE

The overall structure will be as follows:

1. **Cases:** This course will make use of the case methodology, maximizing decision-making opportunities for you. You may be called upon (“Cold Call”) to begin a case or to answer questions pertaining to the case at any time. Class participation (and therefore preparation) is critical, as we will focus on the development process utilizing actual real estate projects. The class will compare and contrast many products and processes over the course of the semester. Selected developers and professionals will participate in active case analysis, underwriting and discussion as opposed to “war story recitations”.
2. **Lectures:** By reading, listening, and engaging in class lectures, we will study how to research and analyze real estate investments, determine macro-economic trends, evaluate demographic and market data and gather/review comparables (“Comps”).
3. **Guest Speakers:** Real Estate professionals/current practitioners will discuss various aspects of the development industry and review their personal lessons, mistakes, and success stories with the class.
4. **Site Visits:** Tour under construction and/or finished developments to reinforce classroom discussion and provide in-person/hands-on experience to what a development site/project looks and feels like.
5. **Group Final Project:** The class will split into groups of 3-5 and complete the work of a real estate developer. Each group is expected to select a site/product of their choice and put to work class teachings in the form of an investment memorandum and committee presentation. More details to follow.
6. **Attendance:** Students are expected to attend all classes and site visits. Unexcused absences will result in points deducted from the class participation component of your grade. Excused absences are reserved for serious illness, death in the family, etc.

Case Write-Ups

Each class in which a case study is assigned, there will be a portion of the students that are required to turn in a written memo or paper discussing/answering the case questions. Each student will be required to submit three case write-ups (worth 10% each) throughout the course of the semester.

Case write-ups will be graded on strength and conciseness of analysis, organization, clarity, grammar, punctuation, and spelling. Case grades will be based on answering the stated questions and minimizing unnecessary, irrelevant and unsupportive information. All papers must be typewritten. You may discuss cases in groups, but papers are expected to be individual efforts, unless otherwise noted in the assignment.

Group Project

This assignment will serve as a final deliverable for the course. The class will self-divide into groups of three to five people, ideally with a mix of business and design students in each group. The goal of this project is to take course learning and apply it to a real-world situation. The project can be as “extensive” as a ground-up development, or as “simple” as a rehab of an older asset. In either situation, groups are expected to write a five to ten page investment memorandum detailing their development proposal – Market Analysis, Development Strategy (Zoning, Entitlements, Approvals, Site Planning), Design, Construction, Financing (Equity, Debt, Joint-Venture), Investment Model, and Sales/Leasing – as well as prepare a ten minute class presentation and slide deck. This presentation should be structured as though the group is “presenting” the idea to the investment committee at their firm.

To make this assignment as “real life” as possible, actual practitioners and peers will sit in the class and act as the investment committee for the presentation. Groups should be prepared for up to five minutes of question and answers both during and/or after their presentation.

Projects will be judged on the following criteria:

1. Clarity of presented information;
2. Strength of analysis;
3. Salesmanship during presentation;
4. Thoroughness of research;
5. Ability to answer questions
6. Feasibility of proposed strategy;

Grading

Class Participation	30%
Case Assignments	30%
Group Project (written)	20%
(presentation)	20%

Exams

There are no exams in this course.

Deadlines

Deadlines are firm. Case Write-Ups are due 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. *Inasmuch as this class helps prepare a student for “real world” investments and “investment committee” presentations, deadlines must be met and there will be no exceptions.*

Submitting Assignments

All assignments must be submitted by uploading to the course site on Canvas. They must be formatted such that the PPT/Word/Excel documents open and print when the print button is clicked. The instructor will not spend additional time trying to open worksheets or to format documents to print. Said differently, the instructor will open your submission and click the print icon. What gets printed will be graded so please make sure that everything prints as you plan. Spreadsheets that require cutting and pasting to read will not be graded so please make sure they are ‘fit to one page’ in a font that is readable. Group assignments only need to be submitted once, but please clearly state group members on the coversheet. Please don’t submit a memo that you wouldn’t feel comfortable sending to the CEO of your future employer.

Attendance

You are expected to prepare thoroughly for and attend each class and actively participate. *Punctuality is required.*

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.

Class Website

Log in: <http://wharton.instructure.com/>. Select REAL 321/821 & ARCH 768 - Fall 2013 in the "Courses" menu. The Teaching Assistant 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 two. We will generally post presentations and guest speaker bios for upcoming classes to make note taking more convenient. Projects and readings will also be posted if available in electronic form.

Readings

The primary textbook is Professional Real Estate Development by Peiser and a reference textbook is Real Estate Finance and Investments by Linneman. These texts will be used for general background information. Other readings will be assigned and provided at least one week before they are covered in class.

Prerequisites

Students are responsible for having completed Corporate Finance (FIN601), or an equivalent. Students are expected to have taken, or are taking concurrently with this course, Real Estate Investments (REAL 721) and Real Estate Law (REAL 804). The class will be taught assuming you a working knowledge and understanding of basic real estate law and valuation techniques.

Other Administrative Matters

Please treat our class room session as a board meeting - turn off all cell phones, tablets, and PDAs - do not text, email, or visit websites during class or otherwise distract others. Electronic devices should only be used for note-taking.

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.

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COURSE OUTLINE

SEPT 9 CLASS 1: INTRODUCTION

Course Administration
What is Real Estate Development?
Review of Real Estate Finance and Law
Investment Returns and Risk
Real Estate Market Analysis

READINGS:

- Professional Real Estate Development by Peiser, Chapter 1: “Introduction”
- Professional Real Estate Development by Peiser, Chapter 2: “Organizing for Development”
- Nine Abuses Common in Pro Forma Cash Flow Projections by Vernon Martin III
- “It’s Recommended That You Write Clearly” by Blake, Wall Street Journal
- “Why Can’t MBA Students Write?” by Middleton, Wall Street Journal
- “Financial Analysis of Real Property Investments” by William Poorvu, HBS

SEPT 16 CLASS 2: OFFICE REDEVELOPMENT

Review Development Introduction
Market Analysis, Due Diligence & Underwriting
Office Marketing and Leasing

CASE 1: Office Value Add

Jim Paterno, President Stockton Advisors
Case: 1515 Market Street

READINGS:

- Real Estate Market Analysis by Schmitz and Brett, Chapter 1: “Understanding Real Estate Market Analysis”
- Professional Real Estate Development by Peiser, Chapter 5: “Office Development”
- “What Office Tenants Want.... Crucial in Office Space Decisions, Guilford-Blake
- “Seven Simple Ways to Become a Better Negotiator, Fromm
- “Are you losing Money?” 10 Common Pitfalls for Commercial Tenants”, Robert Nicholas

SEPT 23 CLASS 3: RESIDENTIAL DEVELOPMENT

Review Office Redevelopment
Zoning, Entitlements & Approvals

CASE 2: Residential Land Development (Single Family Housing)

Jim Feigenbaum; Fentell Construction

READINGS:

- Professional Real Estate Development by Peiser, Chapter 3: “Land Development”
- Selected Readings

SEPT 30

CLASS 4: COMMERCIAL DEVELOPMENT

Review Residential Development
Credit Considerations
Alternative Uses

CASE 3: Commercial Ground Up Development

John Krauser, Vineland Construction Co.

READINGS:

- Real Estate Market Analysis by Schmitz and Brett, Chapter 2: “Basic Approach to Real Estate Market Studies”
- Gotcha: 10 Key Clauses in Construction Contracts by Goldenberg, Rosenthal, LLP Business Advisors

OCT 7

CLASS 5: HOTEL & ENTERTAINMENT DEVELOPMENT

Review Commercial Development
Mixed Use, Hotels, Entertainment
Equity and Debt Financing and Joint Ventures

CASE 4: Hotel & Entertainment Development

Jeff Altman, Houlihan Lokey

READINGS:

- Real Estate Finance & Investments by Linneman, Chapter 21: “There Are a lot of Right Ways
- Selected WSJ Articles

OCT 14

CLASS 6: DEVELOPMENT PROCESS AND ENTITLEMENT

(class meeting date may change this week)

Review Hotel & Entertainment Development
Forming Partnerships
Zoning, Entitlements & Approvals
Environmental and Site Constraints
Credit Tenants

CASE 5: Retail Power Center

Eric Mallory, Eureka Ventures

READINGS:

- Professional Real Estate Development by Peiser, Chapter 7: “Retail Development”
- Structuring Development Joint Ventures by John E. Thomas
- Seven Simple Ways to Become a Better Negotiator by Delee Fromm

OCT 21

CLASS 7: WORKOUTS / REPURCHASES

Review Retail Case
Workouts
Fee Interests, REOs, NPLs, CMBS, Servicers, Special Servicers etc.
Bankruptcy Considerations

CASE 6: Distressed Office / Workout

READINGS:

- Prospering in a Turbulent Economic Climate by Ellen Rand
- CMBS Cartoon

OCT 28

CLASS 8: SITE VISIT / MULTI-FAMILY DEVELOPMENT

Review Workout / Repurchase Case
Multifamily Development / Redevelopment
Product Positioning and Setting Rents
Structuring Joint Ventures

CASE 7: Multifamily

Mehul Patel
Charter Court

READINGS:

- Professional Real Estate Development by Peiser, Chapter 4: “Multifamily Residential Development”

NOV 4

CLASS 9: GOLF / ADAPTIVE REUSE

Review Multifamily Redevelopment Case
Golf Industry and Economics – Real Estate?
Bankruptcy and Restructure
Not For Profits

DUE: Team Selection for final project

CASE 8: Golf Course Case

Fred Berlinsky, Markeim Chalmers
Sam Becker, Esq., Blank Rome

READINGS:

- - To be provided

NOV 11

CLASS 10: CONDO DEVELOPMENT

Review Golf Case
Purchase versus Build New
Financing, Developers and Purchasers
Tax Credits
Guest Speaker: Allan Domb

CASE 9: Condo Development / Distressed Purchase

Alan Feldman, Resource Real Estate

READINGS:

- - To be provided

NOV 18

CLASS 11: DEBT FINANCING

Review Condominium Case and Discussion
“Debt” Guest Speaker: Joe Topley, Carey Cramer and Pettit
Review Condo Development
Project Review, Discuss Expectations
Fixed vs. Floating Debt
Construction and Take-out loans
Recourse vs. Non-recourse
Carve-outs

DUE: Project Abstract

READINGS:

- To be provided

NOV 25

CLASS 12: SECURITIES/REIT ANALYSIS

Review Debt Discussion
Introduction to REITs
How are REITs valued?
Development in Public vs. Private Companies

Public Market Securities

Scott Crowe, Global Portfolio Manager
Extra Credit Deliverable

READINGS:

- The REIT Way, Investopedia, January 2003
- Basic Valuation of Real Estate Investment Trust (REIT), Investopedia, David Harper

DEC 2

CLASS 13: CURRENT REAL ESTATE TRENDS

Review Securities Analysis
Where Are We Today?
Overall Course Review
Careers In or Involving Real Estate Development

READINGS:

- Professional Real Estate Development by Peiser, Chapter 8: “Trends and Issues”

DEC 9

CLASS 14: PRESENTATIONS

Guest Speaker Directory

Jim Paterno
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