

Real Estate Development Fall 2015

Version as of 8/5/2015

Course Information

Crosslistings:	REAL 821, REAL 321, ARCH 768
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Course Objectives

The objective of this course is to prepare you for a career in real estate development, to help you understand the practical aspects of real estate development, and to make you a more informed real estate investor. In this course, you will review and develop skills in:

- A range of real estate development types and products
- Development process management
- Risk management and mitigation
- Real estate trend analysis

Course Topics

This course focuses on “ground-up” development, 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

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”.
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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”).
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.
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.
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.
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, students will be required to turn in a written memo or paper discussing/answering the case questions. 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.

Students may work in groups of maximum *two* people. If you work as a team, please turn in one copy per team with the names of both team members listed on the first page. All papers must be typewritten. With the exception of essential cases – those noted with an asterisk in the class schedule –, students may drop their lowest memo/paper grade.

Group Project

This assignment will serve as the 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:

- Clarity of presented information
- Strength of analysis
- Salesmanship during presentation

- Thoroughness of research
- Ability to answer questions
- Feasibility of proposed strategy

Grading

Class Participation and Attendance:	25%
Case Assignments:	35%
Group Project – written:	20%
Group Project – presentation:	20%

Re-Grade Policy

Students may request a re-grade on all assignments. However the re-grade request:

- Must be accompanied by a clear and persuasive explanation for the request
- Must be submitted within one week of having received the assignment back
- Will result in the assignment being *completely* re-graded, and could thus receive a higher or lower score

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://canvas.upenn.edu> Select REAL 321/821 & ARCH 768 - Fall 2015 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.

Academic Integrity

All relevant University policies regarding Academic Integrity must be followed strictly. Please review the Code of Academic Integrity at:

http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html

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.

Guest Speaker Directory - Preliminary

Jeff Altman

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Class Schedule

Class	Date	Topic	CASE	Readings	Assignments
1	27-Aug	Introduction Course Administration What is Real Estate Development Review of Real Estate Finance and Law Investment Returns and Risks Real Estate Market Analysis		Peiser, Chapter 1: "Introduction" Peiser, Chapter 2: "Organizing for Development" Nine Abuses Common in Pro Forma Cash Flow Projections - Martin III "It's Recommended That You Write Clearly" - Blake, WSJ "Why Can't MBA Students Write?" by Middleton, Wall Street Journal "Financial Analysis of Real Property Investments" - Poorvu, HBS	
2	3-Sep	Office Redevelopment Market Analysis, Due Diligence & Underwriting Office Marketing and Leasing	#1 Office Value Add Jim Paterno, Stockton Advisors 1515 Market Street	Schmitz and Brett, Chapter 1: "Understanding Real Estate Market Analysis" 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" - Nicholas	Case 1* Write-Up
3	10-Sep	Residential Development	#2 Residential Land Development (Single Family) Jim Feigenbaum, Fentell Construction	Peiser, Chapter 3: "Land Development" Selected Readings	Case 2 Write-Up
4	17-Sep	Hotel & Entertainment Development Mixed Use, Hotels, Entertainment Equity and Debt Financing and Joint Ventures	#3 Hotel & Entertainment Development Jeff Altman, Houlihan Lockey	Linneman, Chapter 21: "There Are a lot of Right Ways Selected WSJ Articles	Case 3 Write-Up
5	24-Sep	Commercial Development Credit Considerations Alternative Uses	#4 Commercial Ground Up Development John Krauser, Vineland Construction Co.	Schmitz and Brett, Chapter 2: "Basic Approach to Real Estate Market Studies" Gotcha: 10 Key Clauses in Construction Contracts - Goldenberg, Rosenthal	Case 4 Write-Up
6	1-Oct	Workouts / Repurchases Workouts Fee Interests, REOs, NPLs, CMBS, Servicers, etc. Bankruptcy Considerations	#5 Distressed Office / Workout	Prospering in a Turbulent Economic Climate by Ellen Rand CMBS Cartoon	Case 5 Write-Up
7	15-Oct	Development Process and Entitlement Forming Partnerships Zoning, Entitlements & Approvals Environmental and Site Constraints Credit Tenants	#6 Retail Power Center Eric Mallory, Eureka Ventures	Peiser, Chapter 7: "Retail Development" Structuring Development Joint Ventures - Thomas Seven Simple Ways to Become a Better Negotiator - Fromm	Team Selection Case 6 Write-Up

Class	Date	Topic	CASE	Readings	Assignments
8	22-Oct	Site Visit / Multi-Family Development Multifamily Development / Redevelopment Product Positioning and Setting Rents Structuring Joint Ventures	*#7 Multifamily Mehul Patel, Resource Real Estate The Iroquois	Peiser, Chapter 4: "Multifamily Residential Development"	Case 7* Write-Up
9	29-Oct	Securities / REIT Analysis Introduction to REITs How are REITs valued? Development in Public vs. Private Companies	*#8 Public Market Securities Scott Crowe, Resource Real Estate	The REIT Way, Investopedia, January 2003 Basic Valuation of REITS, Investopedia - Harper	Project Concepts Case 8 Write-Up Extra Credit Deliverable
10	5-Nov	Condo Development Purchase versus Build New Financing, Developers and Purchasers Tax Credits	#9 Condo Development / Distressed Purchase Allan Domb, Allan Domb Real Estate	To be provided	Case 9 Write-Up
11	12-Nov	Golf / Adaptive Reuse Golf Industry and Economics – Real Estate? Bankruptcy and Restructure Not For Profits	#10 Golf Course Case Fred Berlinsky, Markeim Chalmers Sam Becker, Esq., Blank Rome	To be provided	Case 10 Write-Up
12	19-Nov	Debt Financing Project Review, Discuss Expectations Fixed vs. Floating Debt Construction and Take-out loans Recourse vs. Non-recourse Carve-outs	Guest Speaker: Debt Joe Topley, Cary Cramer and Pettit	To be provided	Project Abstract
13	24-Nov	Current Real Estate Trends Where Are We Today? Overall Course Review Careers In or Involving Real Estate Development		Peiser, Chapter 8: "Trends and Issues"	Group Mock Presentations
14	3-Dec	Presentations			Group Presentations

*Essential Case - Students may not drop their grade for this assignment

Version as of 7/16/2015