

**University of Pennsylvania**  
**The Wharton School**  
**REAL 891/396-401–Real Estate Entrepreneurship–Fall 2015 Quarter 1**  
August 31–October 12; Mondays 3–6pm  
Room JMHH 260

**Instructor:** William F. Martin–1468 Steinberg Hall–Dietrich Hall; **email:** willmar@wharton.upenn.edu

**Office Hours:** By appointment

**Teaching Assistant:** Amalia Paliobeis; **email:** amaliap@wharton.upenn.edu

**NOTE: No laptops, phones, iPads or similar devices may be used in the classroom.**

**Class is open only to students enrolled for credit–no auditing.**

The class goal is to increase your understanding of the broad entrepreneurial aspects of creating and executing real estate investments. Discussions will focus on real estate entrepreneurship, leadership and challenges often encountered in creating successful real estate investments. Real estate is a multidisciplinary, people-oriented business offering opportunities in specific transactions and in organization building for larger scale. Guest speakers are experienced entrepreneurs coming to share their knowledge. Class members are expected to engage the speakers with questions and discussion. You are encouraged to share your own experiences in class. Class participation and writings will each represent 50% of the grades.

The course will meet for six, three-hour sessions. Class will begin promptly at 3pm. Assignments and cases will require analysis and class discussion. Guest speakers will attend four or five classes to discuss entrepreneurship and specific projects. The project discussions will focus mainly on entrepreneurial issues and challenges rather than development processes.

**Readings:** The three books below are required. Students who have taken the real estate finance course will be familiar with the Linneman text but should review the indicated chapters. Others should read the chapters indicated. The books will provide background for class participation but will not be followed directly in class. There will be additional reading materials in class handouts.

Guest speakers will provide advance reading materials. You can also review websites for the firms and the projects.

Cases will be used to illustrate investment decision making and financial evaluations. Short written responses to questions raised in each case will be assigned. You may be asked in class to discuss your views so be prepared. Again, class attendance and participation is important.

**REQUIRED BOOKS:**

- **Real Estate Finance and Investments, Risks and Opportunities**, 3rd edition–Dr. Peter Linneman, Ph.D.
- **The Wisdom of Titans**–William J. Ferguson
- **Confessions of a Real Estate Entrepreneur**–James A. Randel

**RECOMMENDED:** optional for those who want to read further during or after the class term finishes. Entrepreneurs are lifetime students.

- **Creating and Growing Real Estate Wealth**–William J. Poorvu
- **Keepers of the Castle**–William J. Ferguson
- **The Creator’s Code**–Amy Wilkinson
- **Essentials of Entrepreneurship & Small Business Management**–Scarborough & Cornwall

### **Attendance & Class Participation**

Class attendance and assignments are mandatory. Grades will be reduced for class absences without a legitimate excuse and for incomplete or late assignments. A class attendance form will be handed out at the beginning of each class for your signature.

The assignments/case studies will require brief written analyses/responses. You may write responses in any professional format you wish (paragraphs, bullets, etc.). Pages should be typed single space between lines. Please bring a hard copy of your work to class for discussion in addition to submitting online via Canvas. Case materials will be available through the Canvas website.

### **Confidentiality**

Throughout the class, students will have access to proprietary information from guest speakers, other students and faculty. By enrolling in the class, students agree that all such information will be treated as confidential and not to use this information for commercial purposes or disclose this information to any third parties without written permission from the source.

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## **CLASS SCHEDULE**

**AUGUST 31**–class overview; characteristics of entrepreneurs–what is an entrepreneur?; “Networking and Developing Mentors.”

**Guest Speaker**–John Crosby, Ed.D., Founding Executive Director, Uncommon Individual Foundation, member and former Chair of the Center for School Study Councils at Penn’s Graduate School of Education, and Superintendent of Radnor Township School District (retired). UIF was established by serial entrepreneur Richard Caruso, Ph.D., to encourage individuals to use the power of mentoring to grow as entrepreneurs in business and personally.

**Assignment 1:** Personal Memo and Real Estate Math: due Thursday, September 3 at noon (12pm)

- Memo (two pages) discussing your background, work experience, specific real estate experience, why you are taking this course, and three things you hope to get out of the course.
- Real Estate Math–answer the questions in the assignment.

This is an **INDIVIDUAL** assignment. The class may be divided into two or more people for additional assignments.

### **Readings**

Ferguson–Chapters 1, 2, 5

Linneman–Prerequisites I-III beg page 411-436; Chapters 1 through 6, without supplements  
Randel–Chapters 1, 2, 5, 6, 7  
Case 1

**SEPTEMBER 7**–Labor Day, no class

**SEPTEMBER 14** –review real estate fundamentals and pro-forma analysis; estimating values; raising equity and the equity fund business; review main property types and leasing; preview assignments and projects to be discussed by guest speakers; discuss Case 1 assignment;

**Assignment 2:**

- Two to three page memo discussing Case 1 and answering the questions raised in the case. Due before noon on September 21.

**Readings**

Linneman–Chapters 7, 8, 9, 17 without supplements; Chapter 21 and Supplement A  
Randel–Chapters 8, 9, 15  
Ferguson–Chapters 3, 4, 6

**SEPTEMBER 21**–review Case 1 class responses; identifying value added opportunities; outlining major leases; financing an investment project.

**Guest Speakers** - David Yeager, Founder and President, Radnor Property Group, Wayne, PA, and Jay Brinkerhoff, EVP, Assurant, New York, NY, an institutional equity investor in the project.

“Non- profit and For-profit Collaboration and Financing”; **3737 Chestnut Street**, University City, Philadelphia, \$100 million+ mixed use redevelopment with 276 apartments and over 20,000 square feet of retail and office space, two blocks from Huntsman Hall; developed through a joint venture of Radnor Property Group and the Episcopal Cathedral of Philadelphia.

The class will have an opportunity to tour this property in groups at time(s) to be determined with the building staff.

**Assignment 3: Bella Terra** (see Sept 28 class schedule)

- Review Bella Terra project information.
- Retail Lease–submit a three-page outline of the assigned shopping center retail lease.
- Memorandum to Management Committee–two to three page memo on retail tenant stay or buyout considerations and questions for next week’s class discussion of Bella Terra.  
Due before noon on September 28.

**Assignment 4:**

- Apartment tower hold-sell recommendation–due by noon October 5.  
This will be a three to four page investment committee memorandum from you as portfolio manager. Compare: a) refinancing with today’s low financing rates and ability to return equity with a loan larger than the existing loan, to: b) just selling the property in the robust low-cap buyer market. You may advocate either position in light of risks and returns you anticipate. You’re not expected to research the economy but should have opinions and estimates of market risk from your general knowledge as a Wharton student and reader of business periodicals.

## **Readings**

Linneman–Chapters 10, 13 and 16

Ferguson–Chapters 7 and 8

Randel–Chapters 13 and 15

**SEPTEMBER 28**–review entrepreneur characteristics; skills needed to transition from transaction oriented activities to leadership and management of a growing organization; preparing investment recommendations; negotiation.

**Guest Speaker** - Eric Sahn, Principal and CFO, DJM Capital Partners, San Jose, CA.

“Recreating an Obsolete Regional Retail Center for Today’s Customers”; **Bella Terra**, Huntington Beach, CA; 840,000 square feet of widely varied free standing and attached retail space and 450 apartments. Assignment 3: the question of whether to buy out a large tenant to redevelop their space will be discussed. Be prepared to provide opinions.

## **Assignment 5:**

- Review next week’s project, **Central Place**, and prepare a short two to three page memorandum of advice on the questions raised regarding Central Place

## **Readings**

Ferguson–Chapters 9 through 11

**OCTOBER 5**–learn skills needed for long term success and for building an entrepreneurial organization.

**Guest Speaker**–Dean Cinkala, former Partner, JBG Companies, Executive in Residence, Georgetown University McDonough School of Business.

“Creating a Successful Joint Venture with an Institutional Equity Partner”; **Central Place**, Arlington, VA; 31 stories, 525,000 square feet of office space, 377 residences and 45,000 square feet of retail space with public plazas under development over the Rosslyn, VA metro station–tallest project in the DC area. Recapitalizing with a new equity partner as well as creating the significant organization assembled to execute this project will be discussed.

**OCTOBER 12**–Final presentations. One of the class assignments will be presented by each group who completed the assignment.

**Guest Judges:** David Yeager, President, Radnor Property Group; Ed Oprindick, Principal, Sherman Capital Group, a multi-billion dollar global investment firm.