

DRAFT 8-18-2016

University of Pennsylvania The Wharton School

REAL 891/396-401–Real Estate Entrepreneurship–Fall 2016 Quarter 1

September 1 to October 20 (no class Oct 6 & 13); Thursdays 3-6pm

Room JMHH (Huntsman Hall) Room F55

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

Office Hours: By appointment

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**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 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. Class participation and writings will each represent 50% of the grades.

The course will meet for seven three-hour sessions. Class will begin promptly at 3pm. Assignments and cases will require written analyses and class discussion. Guest speakers will visit most classes to discuss entrepreneurship and project challenges. The discussions will cover speaker and firm background and specific projects. Focus will mainly be on entrepreneurial roles, 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. 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 the firms' websites.

Cases will help illustrate investment decision making and financial evaluation. 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. For most assignments the class will be divided into teams. Teams may be randomly selected to present their overview and analyses of the assignments.

DRAFT 8-18-2016

REQUIRED BOOKS:

- **Real Estate Finance and Investments, Risks and Opportunities**, 3rd or 4th edition–Dr. Peter Linneman, Ph.D. This text will be used as a reference and about half of the chapters are assigned for background reading. This is used in other Wharton courses.
- **The Wisdom of Titans**–William J. Ferguson
- **Creating and Growing Real Estate Wealth**–William J. Poorvu

OPTIONAL BOOKS:

For those who want to read further. Entrepreneurs are lifetime students.

- **Keepers of the Castle**–William J. Ferguson
- **Originals** – Adam Grant, Wharton
- **New Venture Creation** – Spinelli and Adams – this is a textbook which is not real estate specific but presents a good overview of entrepreneurship.
- **Confessions of a Real Estate Entrepreneur**–James A. Randel
- **The Creator’s Code**–Amy Wilkinson

Additional readings will be available in the bulk pack and handouts.

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.

DRAFT 8-18-2016

REAL 891/396-401 FALL 2016 CLASS SCHEDULE

SEPTEMBER 1

Class overview; What is an entrepreneur? Types of entrepreneurs. Entrepreneurship education.

Guest Speaker– Scott Janzen, Founder and President of Catalyst Real Estate, Philadelphia, PA. “Being an Entrepreneur” Scott’s background includes entrepreneurial experience with an institutional real estate company and extensive interaction with entrepreneurial venture partners prior to starting his own real estate firm which repositions urban infill properties.

Assignment 1: Personal Memo and Real Estate Math: due Monday September 5 at noon.

- Submit your resume and a memo (one or two pages) discussing your background, why you are taking this course, and what you would like to learn.
- Real Estate Math–answer the questions in the assignment.

This is an INDIVIDUAL assignment. The class may be divided into teams for future assignments.

Case [PENDING] – The Oyster, NJ - prepare a short evaluation of a for sale condo vs rental as apartments decision for new multifamily project to be discussed with next week’s guest. Materials available on Canvas. Due Sept 5, 5PM.

Readings

Linneman–Prerequisites I-III on pages 411-436; Chapters 1 through 5, without supplements
Poorvu -Chapters 1, 2; Ferguson–Chapters 1, 2

SEPTEMBER 8

Present Case evaluation of multifamily condo vs apartment rental decision. Characteristics of entrepreneurs. Review real estate math submissions, fundamentals and pro-forma analysis; estimating values; review main property types and leasing; preview assignments and projects to be discussed by guest speakers

Guest Speaker – Joseph Cotter, Principal, National Resources (NRE), Greenwich, CT. “Mixed Use Urban Infill Development” NRE has developed over \$1 billion of mixed use properties with a focus on green design and sustainability. The firm owns over a mile of Hudson River waterfront in the New York metro area. Current projects include Edgewater Harbor, with 495 rental and for sale residences, 100,000 square feet of restaurants and shops plus municipal buildings directly across the river from Manhattan.

Assignment 2:

Case - Bonnie Road [Alternate case PENDING]

- Two to four-page memo discussing the case and answering the questions raised. Due before noon on September 12.

Readings

Linneman–Chapters 6, 7 and 17 without supplements
Poorvu–Chapters 3 and 4; Ferguson–Chapters 3 and 5

DRAFT 8-18-2016

SEPTEMBER 15

Present Bonnie Road Case class responses; financing investment projects; Commingled equity funds and terms; Joint ventures.

Guest speaker – Verdun Perry, Co-Head of Blackstone Strategic Partners. “Entrepreneurship in a Private Equity Team” – Mr. Perry has maintained a leadership role in the growth of Blackstone’s dedicated secondary private markets group from its inception in 2000 to its current market-leading platform. Strategic Partners has raised over \$27 billion of capital since 2000 and completed over 900 transactions to acquire over 2,800 partnership interests, including a substantial number of real estate interests. The group recently completed the purchase of approximately \$3 billion of real estate interests from the California Public Employees Retirement System, representing interests in 43 real estate funds. Mr. Perry has extensive experience working with real estate entrepreneurs within the firm and across a broadly diversified portfolio of real estate, private equity and other private market interests.

- **Assignment 3:**

Case [PENDING] - Chestnut Street Apartments hold-sell analysis –due by noon Sept 20.

Readings

Linneman – Chapters 10 and 13

Poorvu – Chapters 5 and 6

Ferguson – Chapters 6 and 7

SEPTEMBER 22

Present Chestnut Street Apartments assignment 3; joint ventures; entrepreneur firms large and small; growing an organization.

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 4:

- **Case - Central Place** - prepare a short memorandum addressing the questions raised in the Central Place write-up. Provide a value for buyout of the institutional land investor as requested. Due by noon Sept 26.

Readings

Linneman – Chapter 21 and Supplement A

Poorvu – Chapters 7 and 8

Ferguson–Chapters 8 and 10

DRAFT 8-18-2016

SEPTEMBER 29

Present Assignment 4 Case discussion; skills needed to transition from transaction oriented activities to leadership and management of a growing organization; preparing investment recommendations; negotiation.

Guest Speaker - Dean Cinkala, former Principal and head of urban development, JBG Companies, Chevy Chase, MD; Executive in Residence, Georgetown University McDonough School of Business.

“Joint Ventures with Institutional Equity Partners”; **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.

Assignment 5:

Case – The Schneider Building – prepare an overview and evaluation of the case and the decisions Jonathan is facing. Due Monday October 10, 5PM

Case - Bella Terra review project information for next case.

Readings

Linneman – Chapters 8 and 9

Poorvu – Chapter 9

Ferguson – Chapter 11 and epilogue

NO CLASS OCTOBER 6

Assignment 6:

Case – Bella Terra Lease Buyout (due October 17)

- Retail Lease–submit a three-page outline of the Burlington shopping center retail lease, focusing on the business terms.
- Memorandum to Management Committee–retail tenant prospective buyout considerations, pricing to buy the tenant out of its long term low rent lease, timing and risk considerations for Oct 20 class discussion of Bella Terra.

Due Monday, October 17, 5PM

Bella Terra (see Oct 20 class schedule)

OCTOBER 13

Present Schneider Building case evaluation. Entrepreneur characteristics and review of types of entrepreneurs. Retail and other leasing and preview of Bella Terra case.

PENDING – Tour of 3737 Chestnut Apartment building and discussion with management team of market and leasing activity. This will be coordinated in groups with available building management.

DRAFT 8-18-2016

OCTOBER 20

Final Class – Present Assignment 5 – Bella Terra - the question of whether to buy out a large tenant to redevelop their space. Some class teams may be requested to present their evaluation.

Be prepared to lead active Q&A with the speaker.

Review of entrepreneurship and skills needed for long term success and for building an entrepreneurial organization for the long term – culture, business planning, etc.

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

“Repositioning 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.