

**University of Pennsylvania**  
**The Wharton School**  
**REAL 891/396-401–Real Estate Entrepreneurship–Fall 2017 Quarter 1**  
August 31 to October 10, 2017 (no class Oct 5); Thursdays 3-6pm  
**Room 255 JMHH** (Huntsman Hall)  
**except Tuesday October 10 will be schedule for that week – room on Oct 10 is F55**

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

**Office Hours:** By appointment

**Teaching Assistant:** Lindsay Lechner **email:** llechner@wharton.upenn.edu

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

### **Course Etiquette**

The only electronics allowed in the classroom are calculators. Please make sure any other electronics are turned off and put away. Laptops are prohibited unless for educational purposes as permitted by the instructor (e.g., case presentations).

Penalties may include losing participation points, reduction of a final grade, or any other academic consequence, as the instructor deems appropriate. This policy applies to all MBA classes.

No food is allowed unless for a medical reason.

### **Class Objectives**

The class goal is to increase your understanding of the broad entrepreneurial aspects of creating and executing real estate investment businesses. 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. One of the best ways to understand entrepreneurs is to meet them. 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 and comments in class discussions. 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 written analyses and class discussion. Guest speakers will visit most classes to discuss entrepreneurship and project challenges including their personal 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. However, certain readings may be specified for class discussion and students may be called on to comment on these. There will be additional reading materials in class handouts.

Guest speakers may provide advance reading materials and/or case challenges. You can also review the firm websites.

Cases will help illustrate investment decision making and financial evaluation. Short written responses to questions raised in each case will be assigned. In addition to written pages, please submit a four or five slide power point presentation which may be used in class if your team is called on. Any class member may be asked to discuss views so be prepared. Again, class attendance and participation are important. For most assignments, the class will be divided into teams.

Teams may be randomly selected to present their overview and analyses. Case work grading will consider the short time allowed and various ambiguities or missing information in the materials. Different views may all be correct if well explained.

#### **REQUIRED BOOKS:**

- **The Wisdom of Titans**–William J. Ferguson
- **Creating and Growing Real Estate Wealth**–William J. Poorvu
- **Real Estate Finance and Investments, Risks and Opportunities**, 3<sup>rd</sup> 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

#### **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

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 or attendance will be noted by the Teaching Assistant.

Case materials will be available through the Canvas website. The assignments/case studies will require brief written analyses/responses. Pages should be typed single space between lines. Be sure to include date, team names and the write ups should be easily printable.

In addition to written pages, please submit a four or five slide power point presentation which may be used in class if your team is called on.

#### **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.

# **REAL 891/396-401      FALL 2017**

## **CLASS SCHEDULE**

### **AUGUST 31**

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

**Guest Speaker**– Scott Janzen, Founder and President of Catalyst Real Estate, Philadelphia, PA. 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;

- Submit your resume and a separate memo (one or two pages) discussing your background, why you are taking this course, and what you would like to learn. Due Sept 3, 5PM
- Real Estate Math–questions 1-5. Due Sept 3, 5PM. Grading will consider various levels of real estate finance background in the class.

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

**Case - Vue 32 Apartments** analysis - due Sept 6, 12 noon – this and remaining cases will be team assignments.

#### **Readings**

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

Poorvu -Chapters 1, 2; Ferguson–Chapters 1, 2

### **SEPTEMBER 7**

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  
Present Vue 32 Apartments analysis and pricing.

**Guest Speakers** - David Yeager, Founder and President, Radnor Property Group, Wayne, PA, and Jay Brinkerhoff, former head of Equity Real Estate Investing, Assurant, New York, NY, an institutional equity investor in the Chestnut Street apartments at 3737 Chestnut Street. Radnor Property Group has developed numerous projects in ventures with non-profit organizations and is currently developing over 550 apartments in two Philadelphia locations. The firm recently completed the 3737 Chestnut Street apartments in University City, a \$100 million+ mixed use redevelopment with 276 apartments and over 20,000 square feet of retail and office space, two blocks from Huntsman Hall. This was developed through a joint venture with the Episcopal Cathedral of Philadelphia.

#### **Assignment 2:**

**Case - The Schneider Building** – prepare an overview and evaluation of the case and the decisions Jonathan is facing. Due Wednesday September 12, 12 noon

**Real Estate Math continued** - questions 6-8

#### **Readings**

Linneman–Chapters 6, 7 and 17 without supplements

Poorvu–Chapters 3 and 4;      Ferguson–Chapters 3 and 5

## SEPTEMBER 14

Present **The Schneider Building** case class responses; financing investment projects; Commingled equity funds and terms; joint ventures, term sheets, deal structures and risks; negotiation; secondary markets for partnership interests.

### Guest speaker

“Real Estate Joint Venture Investment” - Ari M. Shalam, founder and Managing Partner of RWN Real Estate Partners, LLC, a NYC based middle market real estate private equity investment platform. RWN targets direct and controlled, joint venture investment opportunities and focuses on most value-add property types in New York City and Miami. Since June, 2011, RWN has acquired nearly \$700mm of real estate with nearly \$300mm of total invested equity.

From 2009 to 2011, Mr. Shalam was the President of Enterprise Asset Management, Inc. a real estate centric multi-family office and from 2003 to 2009, he was a Senior Partner and Director of Acquisitions of Taconic Investment Partners, a fully integrated real estate investment and development company. Previously, Mr. Shalam was the Director of Acquisitions for the Kaufman Organization. Throughout his real estate career, Mr. Shalam has led nearly \$2 Billion in real estate investments, primarily in New York City.

Mr. Shalam is a member of the board of directors Vox International Corporation (NASDAQ: VOXX), a member of the board of the Good+ Foundation and an advisory board member of the Institute of Urban Research at the University of Pennsylvania. Mr. Shalam is a former trustee of the Trinity School in New York City.

Mr. Shalam received his BS in Economics from the Wharton School of the University of Pennsylvania cum laude and his MBA from the Harvard Business School. Mr. Shalam lives in New York City with his wife and four children.

### Assignment 3:

#### Case: Bella Terra lease buyout

- 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, recommended pricing to buy the tenant out of its long term low rent lease, timing and risk considerations for Sept 21 class discussion of Bella Terra.

### Readings

Linneman – Chapters 10 and 13

Poorvu – Chapters 5 and 6

Ferguson – Chapters 6 and 7

## SEPTEMBER 21

Present the **Bella Terra** case analysis; secondary interests; retail and other leasing; entrepreneur firms large and small; how managers select entrepreneur partners

### 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 investments. In 2015, the group completed the purchase of approximately \$3 billion of real estate interests in 43 real estate funds from the California Public Employees Retirement System. Mr. Perry has extensive experience working with

entrepreneurs within the firm and across a broadly diversified portfolio of real estate, private equity and other private market interests.

#### **Assignment 4:**

**Case - The Oyster, Edgewater Harbor, NJ and The River House, Tarrytown, NY** - prepare a short evaluation of for sale condo vs rental as apartments decisions for new multifamily projects to be discussed with next week's guest. Materials available on Canvas. Due Sept 27, 12 noon

#### **Readings**

Linneman – Chapter 21 and Supplement A

Poorvu – Chapters 7 and 8

Ferguson–Chapters 8 and 10

#### **SEPTEMBER 28**

Present **The Oyster – River House** hold-sell discussion; Discuss class ideas of real estate investment niches or themes and competitive advantages. Discuss the economic and demographic drivers of real estate value – it's not just numbers. Agglomeration, city planning, mixed use development, urban and sub-urban edge cities vs further out suburbs – what people, e.g. the millennials and boomers and what employers look for; skills needed to transition from transaction oriented activities to leadership and management of a growing organization; building an entrepreneurial organization for the long term - culture, business planning, etc.

**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 5**

**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 Oct 6, 5PM.

#### **Readings**

Linneman – Chapters 8 and 9

Poorvu – Chapter 9

Ferguson – Chapter 11 and epilogue

#### **NO CLASS OCTOBER 5**

#### **OCTOBER 10 TUESDAY – FINAL CLASS**

Present **Central Place** case evaluation; growing real estate organizations for large scale activity

**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.