

Real Estate Development Fall 2019

Version as of 8/23/2019

Course Information

Cross-listings:	REAL 821, REAL 321, ARCH 768
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Teaching Assistant:	Elana Fortson (907) 947-8191 efortson@wharton.upenn.edu
Office Hours:	TA-led office hours Thursdays, 1:30 – 2:30 pm in MBA Café, or by appointment
Class Meeting:	Monday 3:00 - 6:00 pm JMHH F65

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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 Called”) 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”.

- 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

For 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.

We will vary between a portion of individual and group cases as indicated on the syllabus. For the group case assignments, undergraduates and MBAs will be in separate teams. Teams will be assigned and will consist of 3-4 students. For group cases, please turn in one copy per team with the names of all team members listed on the first page. All papers must be typewritten. Students may drop their lowest memo/paper grade for an individual case submission (ie team assignments may not be dropped).

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. *Insofar 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 2019 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.

Electronics

As the university, this class and working professionals continue to wrestle with the appropriate, or more often inappropriate, use of Electronics in classrooms, meetings and board rooms, no such devices will be used during class time. Students may have cell phones so they are reachable and breaks will be provided, at least once during every class, to check emails and messages. Laptops and tablets will not be permitted in the class as their use over the last few years has proved distracting to guests, classmates and to the professor. Students are expected to come prepared to class to discuss the case assigned without the use of a laptop or tablet.

Prerequisites

Students are responsible for having completed Corporate Finance (FIN203/601), or an equivalent. Students are expected to have taken, or are taking concurrently with this course, Real Estate Investments (REAL 209/721). The class will be taught assuming you have a working knowledge and understanding of 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 classroom 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.

Guest Speaker Directory – Preliminary and Subject to Change

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Class Schedule

Class	Day	Date	Topic	Case	Readings	Assignments
1	Mon	9-Sep	Introduction Real Estate Market Analysis Course Administration What is Real Estate Development Review of Real Estate Finance and Law Investment Returns and Risks		Peiser, Chapter 1: "Introduction" Peiser, Chapter 2: "Organizing for Development" 9 Abuses Common in Proforma CF Projections - Martin III "It's Recommended That You Write Clearly" - Blake, WSJ "Why Can't MBA Students Write?" by Middleton, WSJ "Financial Analysis of Real Property Investments" - Poorvu, HBS	
2	Mon	16-Sep	Office Redevelopment Market Analysis, Due Diligence & Underwriting Office Marketing & Leasing	#1 Office Value Add	Understanding Real Estate Market Analysis Peiser, Chapter 5: "Office Development" "10 Common Pitfalls for Commercial Tenants" - Nicholas	Case 1 Write-Up
3	Mon	23-Sep	Residential Development	#2 Residential Land Development (Single Family) Guest Speaker: Jim Feigenbaum, Fentell Construction	Peiser, Chapter 3: "Land Development" Selected Readings	Case 2 Write-Up
4	Fri*	4-Oct	Workouts / Repurchases Workouts Fee Interests, REOs, NPLs, CMBS, Servicers, etc. Bankruptcy Considerations	#3 Distressed Office / Workout Guest Speaker: Jim Paterno, Stockton Advisors	Prospering in a Turbulent Economic Climate by Ellen Rand CMBS Cartoon	Case 3 Write-Up, individual
5	Mon	7-Oct	Hotel & Entertainment Development Mixed Use, Hotels, Entertainment Equity and Debt Financing and Joint Ventures	#4 Hotel & Entertainment Development Guest Speaker: Jeff Altman, Jefferies	Linneman, Chapter 21: "There Are A Lot of Right Ways" Selected WSJ Articles	Case 4 Write-Up, individual
6	Mon	14-Oct	Commercial Development: Credit Considerations Alternative Uses Debt Financing: Fixed vs. Floating Debt Construction and Take-out loans Recourse vs Non-recourse Carve-outs	#5 Commercial Ground Up Development / Debt & Condo Development Guest Speaker: Eric Baum, Resource Real Estate Funding	10 Key Clauses in Construction Contracts - Goldenberg, Rosenthal	Case 5 Write-Up
7	Mon	21-Oct	Development Process & Entitlement Forming Partnerships Zoning, Entitlements & Approvals Environmental and Site Constraints Credit Tenants	#6 Retail Power Center Guest Speaker: Eric Mallory, Eureka Ventures	Peiser, Chapter 7: "Retail Development" Structuring Development Joint Ventures - Thomas	Group Project Team Selection Case 6 Write-Up
8	Mon	28-Oct	Site Visit / Multi-Family Development Product Positioning and Setting Rents Structuring Joint Ventures	#7 Multifamily Guest Speaker: Mehul Patel, Resource Real Estate The Iroquois	Peiser, Chapter 4: "Multifamily Residential Development"	Case 7 Write-Up
9	Mon	4-Nov	Flexible Office / Coworking Trends	#8 Flexible Office Guest Speakers: Jim Paterno, Stockton Advisors, Brendan Feinberg, WeWork	JLL coworking presentation We Company S-1 (pages 1-23)	Project Concepts Case 8 Write-Up
10	Mon	11-Nov	Golf / Adaptive Reuse Golf Industry and Economics - Real Estate? Bankruptcy and Restructure Not for Profits	#9 Golf Course Case Guest Speakers: Fred Berlinsky, Markeim Chalmers Sam Becker, Esq. Blank Rome	Golf-Home Owners Chip In To Save Struggling Courses - WSJ	Case 9 Write-Up
11	Mon	18-Nov	Retail / Medical Office Redevelopment	#10 Retail / Medical Office Case Guest Speakers: Fred Berlinsky, Markeim Chalmers David Fink, Finmarc Management		Case 10 Write-Up

12 Mon	25-Nov	Cell Tower Case & Condo Development Purchase versus Build New Financing, Developers and Purchasers Tax Credits	#11 Cell Tower Case Guest Speaker: Rich Stern, Eco-Site	Cell tower industry landscape presentation	Project Abstract Case 11 Write-Up, individual
13 Mon	2-Dec	Securities / REIT Analysis Introduction to REITs How are REITs valued? Development in Public vs Private Companies	#12 Public Market Securities Guest Speaker: Scott Crowe, Resource Real Estate	The REIT Way, Investopedia, January 2003 Basic Valuation of REITS, Investopedia - Harper	Case 12 Write-Up, individual
14 Mon	9-Dec	Presentations			Group Presentations

*Class meeting time shifted to accommodate holiday - this session will take place on the noted FRIDAY from 11:00 am to 1:45pm