

University of Pennsylvania
The Wharton School
REAL 891/396-401 – Real Estate Entrepreneurship – Fall 2019
Aug 29 to Oct 3, 2019; Thursdays 3-6PM
Room 340 JMHH (Huntsman Hall)

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Office Hours: By appointment

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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 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 and growing successful real estate ventures. Real estate is a multidisciplinary, people-oriented business offering opportunities in specific transactions and in organization building on a larger scale. One of the best ways to understand entrepreneurs is to meet them. Guest speakers are experienced entrepreneurs coming to share their knowledge and students are expected to engage them and pursue your curiosity with questions and discussion. Please 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, beginning promptly at 3PM. Assignments and cases will require written analyses and class discussion. Guest speakers will visit most classes to discuss entrepreneurship and business challenges, including their personal and firm background and specific projects. Focus will be on entrepreneurial roles, issues and challenges in growing a business, raising capital and executing real estate transactions, rather than development processes.

Readings & Cases

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 and prerequisite sections. The books will provide background for class participation but will not be followed directly in class. However, certain readings may be specified and students may be called on to comment on these.

Guest speakers may provide advance reading materials and/or case challenges. Please review their firm websites.

One of the first assignments is a series of real estate financial math questions. These may be difficult for those who have not taken a real estate finance course but indicate basic financial analysis you should know in many real estate jobs. Do your best with these and note if you have not had a financial course in your submission. The Linneman book is a helpful reference for these. Case assignments will help illustrate real estate decision making and financial evaluation. Short writeups/analyses and responses to questions raised in each case will be assigned. For most assignments, the class will be

divided into teams. Any team member may be randomly selected to present their overview and analyses so be prepared. Again, class attendance and participation are important. Case work will be similar to an initial review assignment in a real estate firm. Pages should be typed single space and graphics or slides can be used to illustrate points. Be sure to include date, team names and format the write ups for easy printing. Grading will consider the short time allowed. There are ambiguities and missing information in the case materials, as is common with initial looks at real estate situations. Make reasonable assumptions and note additional information you would like to have for further analysis. 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 (you may also enjoy his earlier book, *The Real Estate Game*)
- **Real Estate Finance and Investments, Risks and Opportunities**, 4th or 5th new 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. You can get earlier editions used.
- **Confessions of a Real Estate Entrepreneur** – James A. Randel

Additional materials will be available in the reading package 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.

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 2019 CLASS SCHEDULE

AUGUST 29

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

Guest Speaker

Tracey Appelbaum is a Co-Founder and Managing Principal at Bedrock Real Estate Partners LLC in Manhattan. - “Transitioning from Institutional Real Estate to Urban Entrepreneurship” - Bedrock is a privately held investment manager specializing in the development and acquisition of urban rental apartments and mixed-use projects from Boston to Washington, D.C. with a particular focus in New York City. Bedrock actively participates in real estate joint ventures as a limited partner or co-general partner and has invested in over 1.75 million square feet of apartment and retail space with assets under management of over \$1.3 billion. Ms. Appelbaum previously served as Principal at MacFarlane Partners, responsible for urban investment activities in the eastern US. Before joining MacFarlane Partners, she was Vice President of Development for AvalonBay Communities where she was responsible for the New York metropolitan region. She began her real estate career as a product manager for Equitable Real Estate Investment Management. Ms. Appelbaum graduated *cum laude* with a BS in Economics and an MBA from The Wharton School and currently serves on the Executive Committee and Board of Directors for the JCC in Manhattan.

Assignment 1:

- **Personal Memo:** Submit your resume and a separate memo (approx. 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 4, 5PM. Grading will consider various levels of real estate finance background in the class. This is an INDIVIDUAL assignment.

Readings:

Reading Package – #12 & 13 Joint Ventures

Linneman – Prerequisites I-III, pages 364-396; Chapters 1, 2, 4 & 5

Poorvu – Chapters 1, 2

Ferguson – Chapters 1, 2

SEPTEMBER 5

Characteristics of entrepreneurs. Review real estate math submissions, fundamentals and pro-forma analysis, estimating values. Review main property types and leasing. Joint ventures.

Guest Speaker

Ari M. Shalam, founder and Managing Partner of RWN Real Estate Partners, LLC, a NYC based middle market real estate private equity investment platform. - “Real Estate Joint Venture Investment” - 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 \$700 million of real estate with nearly \$300 million 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 for 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. He received his BS in Economics from the Wharton School cum laude and his MBA from the Harvard Business School.

Assignment 2:

- **Case** – to be determined
 - Materials available on Canvas. Due Sept 11, 12 noon
- **Real Estate Math:** questions 6-8. Due Sept 12, 12 noon

Readings:

Reading Package #10 – Open End vs Closed End Funds
Linneman – Chapters 6, 7 & 19
Poorvu – Chapters 3, 4
Ferguson – Chapters 3, 5

SEPTEMBER 12

Discuss the Case and math assignments. Financing investment projects: commingled equity funds and terms, joint ventures, term sheets, deal structures and risks. Secondary markets for partnership interests.

Guest Speakers

Leo Addimando and Matt Pfeiffer, Partners, Alterra Property Group LLC (“Alterra”). “Finding Opportunity in Broadly Diverse Real Estate” - Alterra is a diversified real estate investment, development, and management company focusing on residential, industrial and mixed-use property including developing over 1,500 upscale apartments in Philadelphia which it manages under the APG Living brand. Leo Addimando is Managing Partner and Co-Founder. He has closed over \$1.5B of diverse real estate transactions throughout the US, acquired or developed over 2,000 residential units, structured dozens of complex transactions, and managed all aspects of numerous mixed-use real estate development projects. Previously, Leo was an early employee of Orbitz.com, serving the company for three years and spearheading the development and execution of travel insurance re-sale and hotel businesses, key profitability drivers helping Orbitz complete its 2003 IPO. Before Orbitz, Leo worked for the Boston Consulting Group across numerous industries. Prior to that, he co-founded both a media and internet start-ups. Leo has an MBA from the Harvard Business School and a B.A. from the University of Michigan. He is Vice President of the Building Industry Association (“BIA”), and a Board Member of the Old City District. Matt Pfeiffer, Partner and Director of Acquisitions is responsible for sourcing and executing acquisitions of all property types as well as raising joint venture capital and structuring financings. Prior to joining Alterra, Matt focused on East Coast acquisitions for CenterSquare, a Philadelphia based real estate private equity firm. He began his career in real estate at Blackstone. Matt has an MBA from the Wharton School and a B.S. in Finance from Georgetown University. He is actively involved with Wharton’s Zell Lurie Real Estate Center and Georgetown’s Steers Center for Global Real Estate.

Assignment 3:

- **Case – Bella Terra lease buyout.** Materials available on Canvas. Due Sept 18, 12 noon.
- **Retail Lease:** Submit a two to three-page outline of the Burlington shopping center retail lease, focusing on the business terms.
- **Memorandum to Management Committee:** Include the prospective retail tenant buyout considerations, recommended pricing to buy the tenant out of its long-term low rent lease, timing and risk considerations.

Readings:

Reading Package - #14, 15 and 16 – Secondary interests
Linneman – Chapters 9 (without supplements) & 14
Poorvu – Chapters 5, 6
Ferguson – Chapters 6, 7

SEPTEMBER 19

Discuss the **Bella Terra** case. Secondary interests. Retail and other leasing. Entrepreneur firms large and small, how investors select entrepreneur partners.

Guest Speakers

Verdun Perry, Co-Head of Blackstone Strategic Partners and Mark Burton, Managing Director and Investment Committee member of the Strategic Partners real estate funds. - “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 start-up in 2000 to its current market-leading platform. Strategic Partners has raised over \$43 billion of capital since 2000 and completed over 1,200 transactions to acquire over 3,600 limited partnership interests, including a substantial number of real estate investments of which over \$2 billion is currently under management. 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. In July 2019, the group announced the final closing of its \$11 billion Fund VIII. Mr. Perry graduated magna cum laude with a B.A. from Morehouse College and an MBA from the Harvard Business School. Mr. Burton has a B.S. in Finance from Georgetown University. Mr. Perry and Mr. Burton have extensive experience in raising capital, working with entrepreneurs within the firm and as investors with entrepreneurs across a broadly diversified portfolio of real estate, infrastructure, private equity and other private market interests.

Assignment 4:

- **Case – The Schneider Building – #2 in Reading Package.** Prepare an overview and evaluation of the case and the decisions Jonathan is facing. Materials available on Canvas. Due Sept 26, 12 noon.

Readings:

Reading Package - # 17, 18, 19, 20 – these discuss demand for and generation of real estate property uses
Linneman – Chapter 24 and Supplement I
Poorvu – Chapters 7, 8
Ferguson – Chapters 8, 10

SEPTEMBER 26

Discuss **The Schneider Building** case. Discuss class ideas of real estate investment niches or themes and competitive advantages. 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. - “Adaptive Re-use through Mixed Use Infill Development” - National Resources is a specialist real estate development and investment firm focusing on the redevelopment of corporate and industrial sites. NRE is built on a solid foundation of acquisitions, leasing, and redevelopment of challenging sites. 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. In addition to his visits to Wharton, Mr. Cotter has been a visitor at Christ Church College of the University of Oxford and has lectured on real estate at Oxford’s Said Business School.

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. Materials available on Canvas. Due Oct 2, 12 noon.

Readings:

Linneman – Chapter 26

Poorvu – Chapter 9

Ferguson – Chapter 11 & epilogue

OCTOBER 3 – FINAL CLASS

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

Guest Speaker

Dean Cinkala, former Principal and head of urban development, JBG Companies, Chevy Chase, MD. - “Joint Ventures with Institutional Equity Partners” - Dean has been involved in extensive land assemblies and creation of major mixed use projects in the D.C. metro area. He has an MBA from the University of Virginia, has been an advisor to the Georgetown University McDonough School of Business Steers Center and is involved in community activities including Jubilee Housing which focuses on affordable housing for low and moderate income families. He will review **Central Place** in Arlington, VA. This property encompasses 31 stories, 525,000 square feet of office space, 377 residences and 45,000 square feet of retail space with public plazas over the Rosslyn, VA metro station. It is the 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.

Fall 2019