

# Real Estate Development

## Fall 2022

Version as of 8/23/22

Course Information	
Cross-listings:	<b>REAL 821, REAL 321, ARCH 768</b>
Professor:	<b>Alan F. Feldman</b> (215) 717-3379 <a href="mailto:alanfeld@wharton.upenn.edu">alanfeld@wharton.upenn.edu</a> Office Hours: by appointment or telephone
Teaching Assistant:	<b>Ryan Finvarb</b> (305) 744-4629 <a href="mailto:rfinvarb@wharton.upenn.edu">rfinvarb@wharton.upenn.edu</a> Office Hours: by appointment or telephone
Class Meeting:	<b>Monday, 3:30-6:30PM</b> <b>JMHH 345</b>

**Logistical Notes:**

- Class on **September 26th, 2022** has been rescheduled to **September 30th, 2022, 11am-1:30pm**. Please keep in mind that this is a mandatory class.
- As a cross-listed class, undergraduate students are required to complete an additional class. We will be doing a Modeling Exercise with a mandatory in-person review on **September 16th, 2022, 11am-12:30pm**. All students are highly encouraged to attend this class, including MBAs.

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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.

<b>Development Products:</b>	Office, Retail, Entertainment, Industrial, Hospitality/Resorts, Single, Multifamily & Affordable Residential, Mixed-Use, Land, Adaptive Reuse
<b>Development Process:</b>	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
<b>Specialty Topics:</b>	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
<b>Development Companies:</b>	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
<b>Consultants:</b>	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. Nearly every week, students will be required to submit case write-ups either individually or in groups. Additionally, students will be warm-<sup>1</sup> and cold-called in class to begin a case or to answer questions pertaining to the case. Class participation and 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.

### ***Guest Speakers:***

Real Estate professionals/current practitioners will discuss various aspects of the development and real estate industry and review their personal lessons, mistakes, and success stories with the class.

### ***Pre- and Post-Lecture Discussions:***

Students may be required to participate in online discussion boards every few weeks. Discussions will be focused around concepts discussed in class and their relation to current events.

### ***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. 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. Please reach out to Ryan Finvarb ([rfinvarb@wharton.upenn.edu](mailto:rfinvarb@wharton.upenn.edu)) if you anticipate missing a class as early as possible.

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<sup>1</sup> Warm-call: Students will receive an email the morning of class, notifying them that they will be called upon in class to discuss some topic pertaining to the case. This is a way to ensure that all students get the opportunity to participate.

## Grading

<b>Attendance:</b>	<b>10%</b>
<b>Participation:</b>	<b>20%</b>
<b>Case Assignments:</b>	<b>40%</b>
<b>Group Project – written:</b>	<b>15%</b>
<b>Group Project – presentation:</b>	<b>15%</b>

### Attendance

There are 12 classes throughout the semester. Please see below for the breakdown of attendance grading:

- Attending a class is awarded with **+1 point**.
- An excused absence and completion of a make-up assignment is awarded with **+1 point**.
- Unexcused absence with sufficient notification and completion of make-up assignment is awarded with **+0.5 points**.
  - Failure to complete make-up assignment is awarded with **+0 points**.
- Unexcused absence with no notification is penalized with **-1 points**.

Sufficient notification of absence is more than 24 hours before class time. You must email Ryan Finvarb (TA) or Professor Feldman by Sunday at 10:30am, the day before class.

### Participation

Participation is a fundamental part of this course. Students are expected to participate consistently throughout the course. In an effort to ensure everyone gets enough “floor time”, we will be doing warm-calls in which students are emailed the morning before class that they will be called to speak in class. Additionally, there will be cold calls and normal participation in every class. On another note, participation can be negatively affected by various distractions during class (i.e. on phone, computer, etc.). Participation in periodic online discussion boards will also fall into this bucket.

### Case Write-Ups

For each class in which a case study is assigned, students will be required to turn in a written memo discussing and answering the case questions. Case write-ups will be graded on strength and conciseness of analysis, organization, clarity, and grammar. Case grades will be based on answering the stated questions and minimizing unnecessary, irrelevant, and unsupportive information. Examples from previous years will be provided after the first case.

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.<sup>2</sup> All papers must be typewritten. Students may drop their lowest memo/paper grade for an individual case submission (i.e. 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 and conciseness of presented information;
- Strength of analysis;
- Ability to “sell” or make your case during a presentation;
- Thoroughness of research;
- Ability to answer questions;
- Feasibility of proposed strategy.

## Re-Grade Policy

Students may request a regrade on all assignments. However, the regrade 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.

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<sup>2</sup> Students will be penalized if all names are not on the first page.

## Deadlines

*Deadlines are firm.* Case Write-Ups are due before **10:30 AM** of the class day when the case will be discussed unless otherwise noted on the assignment sheet. Late papers for *any reason* are given a grade off if submitted after **10:30 AM** of the class day but before **3:30 PM** of the class day. After class begins at 3:30 PM, 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 with 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 cover sheet. Please don’t submit a memo that you wouldn’t feel comfortable sending to the CEO of your future employer.***

## Class Website

Log in: <http://canvas.upenn.edu> Select REAL 321/821 & ARCH 768 - Fall 2020 in the "Courses" menu. The Teaching Assistant and I will post any upcoming updates and important information here. Do not count on receiving an email 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 industry readings and news articles will frequently be assigned about 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 (FNCE203/601), 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](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.

## *Expectation of Mutual Respect*

This class strives to be an inclusive community, learning from the many perspectives that come from having differing backgrounds and beliefs. As a community, we aim to be respectful to all. Faculty and students are expected to commit to creating an environment that facilitates inquiry and self-expression, while also demonstrating diligence in understanding others' viewpoints.

## *Wellness Statement*

I am deeply aware of and sympathetic to the challenges that students may face both in and out of the classroom. Mental health concerns or stressful events (e.g., a global pandemic) may lead to diminished academic performance or reduce your ability to participate in daily activities. Free, accessible, confidential mental health services are available on campus (see the Counseling & Psychological Services (CAPS) website at <https://caps.wellness.upenn.edu/>). Students should also feel free to reach out to discuss any issues or request accommodations as necessary.



## Guest Speaker Directory

**Jeff Altman**

Managing Director  
Jefferies  
520 Madison Avenue  
New York, NY 10022  
[jeff.altman@jefferies.com](mailto:jeff.altman@jefferies.com)

**Sam Becker**

Partner  
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**Fred Berlinsky**

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**Eric Mallory**

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**Michael Nagelberg**

COO, Managing Director  
Blackstone Real Estate Debt Strategies  
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**Richard Stern**

Senior VP of Real Estate  
Vertical Bridge  
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Boca Raton, FL 33487  
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**Jacob Werner**

Co-Head of Americas, Sr. Managing Director  
Blackstone Real Estate Acquisitions  
345 Park Ave  
New York, NY 10154

Date	Class	Topic	Case	Guest(s)	Assignment Type / Due
Monday, August 29, 2022	1	<b>Introduction</b> - Real Estate Market Analysis - Course Administration - What is Real Estate Development - Review of Real Estate Finance and Law - Investment Returns and Risks			
Monday, September 5, 2022		<b>NO CLASS - Labor Day</b>			
Monday, September 12, 2022	2	<b>Office Redevelopment</b> - Market Analysis, Due Diligence & Underwriting - Office Marketing & Leasing	Office Value Add - 1515 Market	- Jim Paterno (Founder, Stockton RE Advisors)	Group A 9/12/22 10:30
Friday, September 16, 2022		<b>UNDERGRAD Special Class - Analyzing &amp; Presenting RE Financials</b> - This class will be from 11am-12:30pm. If you cannot attend, you must contact Professor Feldman or Ryan Finvarb at least 24 hours before. MANDATORY FOR ALL UNDERGRADS.	Real Estate Modeling Exercise		Individual 9/10/21 10:30
Monday, September 19, 2022	3	<b>Commercial Development</b> - Credit Considerations, Alternative Uses - Debt Financing: Fixed vs. Floating Debt, Construction and Take-out loans, Recourse vs Non-recourse, Carve-outs	Commercial Ground Up - Roll The Dice	- Kayla Weismuller (Associate, Partners Group) - Bryant Leung	Group A 9/19/22 10:30
Monday, September 26, 2022		<b>NO CLASS - Rosh Hashanah</b>			
Friday, September 30, 2022	4	<b>Residential/Land Development &amp; Construction Financing</b>	Residential Single Family Development - Develco	- Jim Feigenbaum (President, The Fentell Corporation) - Michael Nagelberg (COO, Blackstone BREDS)	Individual 9/30/22 10:30
Monday, October 3, 2022	5	<b>Workouts / Repurchases</b> - Workouts - Fee Interests, REOs, NPLs, CMBS, Servicers, etc. - Bankruptcy Considerations <b>Flexible Office / Coworking Trends</b>	1515 Market Pt. 2	- Doug Linde (President, Boston Properties) - Sam Becker (Partner, Blank Rome LLP)	Group B 10/3/22 10:30
Monday, October 10, 2022	6	<b>Development Process &amp; Entitlement</b> - Forming Partnerships - Zoning, Entitlements & Approvals - Environmental and Site Constraints - Credit Tenants	Retail Power Center - Quarry Power Center Mixed Use - Naples Treasure Corner	- Eric Mallory (Principal, Eureka! Ventures)	Group B 10/10/22 10:30
Monday, October 17, 2022		<b>NO CLASS - Fall Break / MBA Opportunity Week</b>			
Monday, October 24, 2022	7	<b>Golf / Adaptive Reuse</b> - Golf industry and Economics - Real Estate? - Bankruptcy and Restructure - Not for Profits <b>Retail / Medical Office Redevelopment</b>	Golf Course - Cherry Hill Country Club Retail - Cherry Hill	- Fred Berlinsky (President, Markeim-Chalmers) - Sam Becker (Partner, Blank Rome LLP)	Individual 10/24/22 10:30
Monday, October 31, 2022	8	<b>Hotel Development &amp; Management</b> - Hotel Construction & Planning - Hospitality Market Dynamics - Hotel Operations - Structure, Franchising, Management	AC Hotel Case	- Tony Capuano (CEO, Marriott International) - Bobby Finvarb (CEO, Robert Finvarb Companies)	Group C 10/31/22 10:30
Monday, November 7, 2022	9	<b>Hotel &amp; Entertainment Development</b> - Mixed Use, Hotels, Entertainment - Equity and Debt Financing and Joint Ventures	Hotel & Entertainment Development - Kartrite Lodge	- Jacob Werner (Head of Americas Acquisitions, Blackstone RE) - Bill Ferguson (Chairman & CEO, Ferguson Partners) - Jeff Altman (Managing Director, Jefferies)	Group C 11/7/22 10:30
Monday, November 14, 2022	10	<b>Cell Tower Case</b> - Purchase versus Build New - Financing, Developers and Purchasers - Tax Credits	Cell Tower Case	- Rich Stern (Senior VP of RE, Vertical Bridge)	Individual 11/14/22 10:30
Monday, November 21, 2022		<b>NO CLASS - Thanksgiving Week</b>			
Monday, November 28, 2022	11	<b>M&amp;A Resource Transaction</b>			
Monday, December 5, 2022	12	<b>Presentations</b>			