

Real Estate Development

Fall 2020

Version as of 8/18/2020

Course Information	
Cross-listings:	REAL 821, REAL 321, ARCH 768
Professor:	Alan F. Feldman (215) 717-3379 alanfeld@wharton.upenn.edu Office Hours: by appointment or telephone
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Class Meeting:	Monday, 3-6PM JMHH F65

Virtual Learning Format - COVID-19

The COVID-19 pandemic has had tremendous effects on all aspects of our lives. Accordingly, academic institutions have been forced to adjust their methods of instruction. In accordance with the policies of the University of Pennsylvania, Real Estate Development has made several major adjustments to the instruction of this course to accommodate a virtual environment. We ask that you bear with us during this period as we adapt to provide the most meaningful experience possible. Additionally, please ensure that you review all of the policies and processes laid out in this syllabus and keep in mind that they could and probably will change throughout the duration of the semester.

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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.

Pre- and Post-Lecture Discussions:

Students will be required to participate in online discussion boards at least once a week. 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 if in a reasonable time zone or watch class recordings if the normal class time is unreasonable. 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 (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 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

Grading

Attendance (Watch Lectures):	10%
Discussion:	15%
Case Assignments:	40%
Group Project – written:	20%
Group Project – presentation:	15%

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.

Deadlines

Deadlines are firm. Case Write-Ups are due before **10:30 AM** 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 AM** of the class day but before **3:00 PM** of the class day. After class begins at 3:00 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.

Attendance

At the beginning of the semester we will conduct a survey to record every student's time zone. If you are in a time zone in which the normal class time is reasonable, you are expected to attend the livestream and actively participate. If you are outside of these time zones, you will be required to watch the lecture in its entirety and complete a canvas quiz to record your participation. If you cannot attend class or need to leave before the end of class, please let me know before.

Discussions

Every week a new discussion board prompt will be posted. You are expected to make at least one thoughtful contribution to the discussion during that week either as a new entry or as a response to a previous entry.

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 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 (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

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

Jeff Altman

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Others TBD

Class	Day	Date	Topic	Case	Readings	Assignments Due
	1 Mon	14-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	21-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, group Discussion Entry #1
	3 Fri	25-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, group
	4 Mon	5-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 Discussion Entry #2
	5 Mon	12-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 Discussion Entry #3
	6 Mon	19-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, group Discussion Entry #4
	7 Mon	26-Oct	Development Process & Entitlement Forming Partnerships Zoning, Entitlements & Approvals Environmental and Site Constraints Credit Tenants	#6a Retail Power Center / #6b Naples Guest Speaker: Eric Mallory, Eureka Ventures	Peiser, Chapter 7: "Retail Development" Structuring Development Joint Ventures - Thomas	Group Project Team Selection Case 6 Write-Up, group Discussion Entry #5
	8 Mon	2-Nov	Site Visit / Multi-Family Development Product Positioning and Setting Rents Structuring Joint Ventures	#7 Multifamily Guest Speaker: TBD The Iroquois	Peiser, Chapter 4: "Multifamily Residential Development"	Case 7 Write-Up, group Discussion Entry #6
	9 Mon	9-Nov	Flexible Office / Coworking Trends	#8a Flexible Office / #8b Mixed Use Birmingham Guest Speakers: Brendan Feinberg, WeWork	JLL coworking presentation We Company S-1 (pages 1-23)	Project Concepts Case 8 Write-Up, group Discussion Entry #7
	10 Mon	16-Nov	Golf / Adaptive Reuse Golf industry and Economics - Real Estate? Bankruptcy and Restructure Not for Profits	#9 Golf Course Case - abstracts discussed 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, group Discussion Entry #8
	11 Mon	23-Nov	Retail / Medical Office Redevelopment	#10 Retail / Medical Office Case - (Possible Wharf Discussion) Guest Speakers: Fred Berlinsky, Markeim Chalmers David Fink, Finmarc Management Wharf presentation - Tom and Shawn		Case 10 Write-Up, group Discussion Entry #9
	12 Mon	30-Nov	Cell Tower Case & Condo Development Purchase versus Build New Financing, Developers and Purchasers Tax Credits	#11 Cell Tower Case -- 3 minute drill practice Guest Speaker: Rich Stern, Eco-Site	Cell tower industry landscape presentation	Project Abstract Case 11 Write-Up, individual Discussion Entry #10
	13 Mon	7-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 Discussion Entry #11
	14 Mon	14-Dec	Presentations			Group Presentations