

Project Class in Real Estate Investment and Entrepreneurship

Course #: B8334

Syllabus (Preliminary)

Adjunct Professor Andrew Jacobs

Fall 2016

Course Details

Thursdays, 4:00 pm to 7:15 pm

Room: 329

Required Pre-/Co-requisites and Connection to the Core:

Prerequisite(s):

1. B6300 Corp Finance
2. B8331 Real Estate Finance

Co-requisite(s):

1. B8332 Real Estate Transactions

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

Core Course	Connection with Core
Decision Models	<ol style="list-style-type: none">1. Use of analysis in decision making2. Modeling3. Sensitivity analysis
Strategy Formulation	<ol style="list-style-type: none">1. Trade-offs, value-added, efficiencies2. Scope3. Creation of value vs. value capture
Corporate Finance	<ol style="list-style-type: none">1. Risk2. Time value of money
Leadership Development	<ol style="list-style-type: none">1. Teams2. Decision making3. Influence and persuasion

Students will be expected to have mastered these concepts and be able to apply them in the course.

Course Objectives

The Real Estate Project Class provides students who intend on pursuing careers in real estate the opportunity to learn how to analyze and execute value-add investments and presentations of same under the guidance of an experienced professor and practitioner, as well as a specific company sponsor. The course will include instruction in investment conceptualization, analysis, strategy, research and execution. Presentation skills, both oral and written, are integral to the course and project. Two (occasionally, one) student groups, each group consisting of three or four students, will work with an outside project sponsor to create a transaction presentation based on a real-world sponsor investment.

Past Investment Projects

The following is a summary of the 2015 investment projects:

- What are the highest and best building use, financing methods and an analysis of risks and mitigating factors for an assembled development site in the Financial District in downtown Manhattan?
- Create a business plan for an opportunity to partner with a local developer in major Peruvian city to acquire greenfields, improve them via infrastructure investment, subdivide them into small lots, and sell them to individuals for future self-construction.
- A local developer owns a 1.3 million square foot mixed-use retail center located in a major Midwest city. The property value is significantly below the original construction cost and there is a maturing loan. Additionally, there is an annual deficiency in the public financing TIF bonds. Significant capital will need to be spent on the property in order to increase occupancy and drive sales. What should the owner do?
- Create a business plan for two of the 235 Sears stores that were spun off in July, 2015 when Sears created Seritage Growth Properties (NYSE: SRG). Seritage's mandate is to create value through the recapture and lease-up of space (from Sears).

The following is a summary of the 2014 investment projects:

- A value-add fund has the option to develop the remainder of a parcel of land in a gentrifying neighborhood of Washington DC. What is the best risk adjusted business plan for the development of the remainder of the site, including an appropriate mix of uses, phasing and potential capitalization?
- A hospitality fund has the opportunity to purchase a large convention hotel in South Florida. Is this a good acquisition for the fund and its investors? If yes, at what price? What are the opportunities to add value? What are the risks?
- A real estate debt investor has the opportunity to purchase a sub-performing loan on a struggling mall in the Southeastern US. What is the optimal risk adjusted redevelopment plan? What price should be paid to complete the loan purchase? What is the optimal capital structure to achieve the new business plan? How should the debt investor manage the project on a day-to-day basis?
- A retail fund manager has the opportunity to purchase a sub-performing mall in the Chicago MSA. Is this a good investment for the manager and their investors? What are the risks and how do you best mitigate those risks? Should the center be redeveloped? If yes, how? Should any alternate uses for the land or a portion of the land be considered? How do you capitalize the deal so that it works for your turnaround plan, including your exit strategy?

The following is a summary of the 2013 investment projects:

- A private fund with a retail value-add strategy controls one of several parcels of land under a building in a 100% location in a major US city. What is your strategy for assembling the entire block? What are your options if you can't assemble all the lots?
- An experienced US business hotel investor is considering investing in a resort hotel in Latin America. Should they do it? If yes, what is their maximum price?
- An experienced local New York City developer is acquiring a landmark office building in Midtown. What is the highest and best use for the building and how do you manage your highly structured capital stack?
- A sophisticated investor in Brazilian real estate acquired a building in a gentrifying Rio sub-market with the intention of developing a high rise office. Considering the cooling demand for office space, what is the best strategy to pursue today?

The following is a sample of investment project summaries from 2009-2012:

- An analysis of a new strategy of purchasing distressed condominium projects for conversion to multi-family use.
- Determining the best courses of action for a legacy fund with little remaining uncalled funds and assets in need of capital.
- Determining the best course of action for an opportunity fund that, along with a local operating partner, owns a legacy office building with little or no equity value.
- Pursuing the creation of youth hostels in New York City.
- A real estate fund of funds is currently invested in Brazil and is seeking to expand its investment program in Latin America. How do they allocate to a portfolio diversified by geography, property type, strategy and manager?
- A NY-based fund, along with a local operating partner owns approximately 1,100 acres of land in the Raleigh-Durham MSA. The site is entitled for the development of office, retail and residential units. What is the best risk adjusted development strategy?
- An established hospitality fund took a hotel operating company private. Now that the value has been added, what is the best course of action to monetize this company?
- A multinational developer is purchasing a high profile, infill land parcel in a major US city. The site is currently in bankruptcy. What is the highest and best use for the site?
- A liquidating financial institution owns a mezzanine loan collateralized by a Texas office building. What is the best course of action to maximize recovery value to the note holder – restructure or foreclose?
- A privately held real estate investment advisor wants help assessing its investment options in the current (2012) US residential market. The objective is to form a view as to whether or not the housing market has entered into a sustainable recovery, and then translate that view into the best risk-adjusted strategy while achieving the sponsor's opportunistic target IRRs.
- A global indirect real estate manager is expanding its offerings to pension funds. What types of pension funds should the manager target and why?

Class Sessions

In addition to project work, class sessions will include a combination of the following:

- Discussions led by Professor Jacobs on topics of current interest that support the development of the project, including strategy, real estate investment management, risk analysis, financial structuring, real estate capital markets, real estate fundamentals, research tools, and transactions. These discussions will draw upon students' prior classes and may parallel, but are not intended to duplicate, topics in the Advanced Seminar in Real Estate and Development classes.
- Investment case studies for which only an image of the project and the location are provided. Students will ask as many questions about the project as they like. Thereafter, the students will collectively make an investment recommendation, including defending their decision.
- Guests who have specific and applicable expertise.
- Approximately one hour at the end of each class is allocated for the groups to work on their projects and confer with Professor Jacobs.
- Where appropriate, site visits to the projects or companies. (This would be outside of class time.)

Grading

Course grades will be based upon:

1. The quality of the final investment presentation (including an investment committee memo) and each individual student's contribution to same.
2. Student contribution to class discussions.
3. Class attendance.

Note: The only "deliverables" for the class are (i) the mid-term outline, (ii) the final investment presentation and (iii) the project investment committee memo. There is no final exam, only the final presentation. Also note that per the following schedule provided by the MBA Committee, the mid-term and final investment presentations are designated **Type D** (an instructor defined type).

In order to avoid ambiguity regarding group and individual work that may lead to unintentional violations of the Honor Code, the MBA Committee has standardized the description types for assignments. They are specified in the table below.

Type	Designation	Discussion of concepts	Preparation of submission	Grade
A	group/group	Permitted with designated group*	By the group	Same grade for each member of group
B	group/individual	Permitted	Individually (No sharing of any portion of the submission.)	Individual
C	individual/individual	None of any kind	Individually	Individual
D	group/group/individual	Permitted with designated group*	By the group	Individual

*The designated group is either the assigned study group or a self-selected one used for the duration of the course

Schedule (PRELIMINARY)

- 9/8 Overview, including - Expectations, Objectives & Housekeeping; Presentation of Sample 2015 Project (presented by last year's student team)
- 9/15 Project Scope, Strategies, Feasibility & Execution; Presentation Outline
- 9/22 Risks/Downside Mitigation
- 9/29 Manager/Capital Partner Selection Process
- 10/6 Presentation Skills Workshop
- 10/13 Group Investment Project Outline Presentations ("Mid-term")
- 10/20 Half Term Finals – NO CLASS
- 10/27 Discussion of Current RE Fundamentals
- 11/3 Discussion of Current RE Capital Markets
- 11/10 Managing Conflict within a Partnership
- 11/17 Entrepreneurship as Innovation (Prof. Lynne Sagalyn)
- 11/24 Thanksgiving Break - NO CLASS
- 12/1 Group Investment Project Final Presentations – Part I (All final projects to be submitted on this date.)
- 12/8 Group Investment Project Final Presentations – Part II
- 12/9 Bodini Real Estate Business Plan Competition (5:30 - 9:00 pm)

Professor Jacobs' office hours:

As needed. Please request appointments via e-mail as far in advance as possible.

Professor Jacobs' contact Info:

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TA's contact Info:

TBD