REAL ESTATE DEVELOPMENT AND ENTREPRENEURSHIP

Fall Semester September 8 – December 15, 2016 Thursday evenings 4:55-7:30

COURSE OVERVIEW:
This course will introduce students to the broad aspects of investing in real estate. It is directed to students interested in real estate development from the point of view of three types of investor:

- an entrepreneurial investor, looking to buy an apartment, home or small investment property for individual use and/or rental
- a working sponsor/managing member of a real estate project, who will be responsible for overseeing the development and management of the property after purchase
- a passive outside investor searching for an investment in real estate

Operations involve the decisions made at the operating level of a business or project to assure the attainment of higher level goals and strategies. In real estate development, these operating decisions will determine whether or not a deal will be successful and meet overall financial goals. Many students may choose to pursue investments in real estate, and often to actually operate and manage the properties. Although some students will not work in the real estate industry, property investments will arise as opportunities to increase passive income and wealth. Understanding how these deals are created and managed will allow investors to choose deals with the highest probability of success. The real estate topics discussed in the course will include many types of development projects residential, office, retail and industrial properties. In addition to case studies, class lectures and discussions, some outstanding guest speakers will be invited to reinforce the ideas taught in class. The class will include a real estate development term project at the end of the semester, with group presentations to the class and guest investors. Students are required to attend an outside professional real estate meeting, and there is a site visit to a current development property.

TOPICS:
The topics of the course will follow the primary life cycle of a real estate project. Major stages in the investment process will be addressed, identifying alternatives and analytical models for decision-making. Topics covered will include:

- Sourcing deals and selecting the right project
- Valuing alternative projects; understanding the information and making better investment decisions
- Building and accurate pro forma investment model; projecting future cash flow, NOI and IRR values
- Raising capital and financing the deal; analyzing different partnership structures
- Dealing with sellers, brokers and service professionals
- Negotiating purchase and sale agreements and examining key legal issues and strategies
- Developing an acquisitions thesis and adding value before and after purchase
- Project managing your investment
- Refinancing, selling and other exit strategies

CLASSES:  Thursday evenings 4:55-7:30PM  Room TISCH UC-19

INSTRUCTOR: Benjamin Atkins, Esq., Room 8-171
batkins@stern.nyu.edu

- Professor Atkins is the President of Abingdon Square Partners, a real estate investment and development company based in Brooklyn, NY. He has owned and operated real estate development companies since 2002. Many of the examples discussed in class will come from actual projects.

OFFICE HOURS: Thursday, 3:30- 4:30PM, or by appointment

REQUIRED COURSE READINGS:

The Real Estate Game; William Poorvu; The Free Press; 1999. (REG). This a book about the real estate business, written in simple terms and using the analogy of a game (rules and key players) to demonstrate how to take advantage of emerging opportunities in the property market. It is written in a personal and enthusiastic manner, and is useful to investors interested in properties ranging from small houses to large, multi-use projects.

Timing the Real Estate Market; Craig Hall; McGraw Hill; 2004 (TREM) Now an eBook. Purchase information in NYUClasses. This book expresses the opinion that timing is the most important aspect of real estate development and investing. Clear strategies are discussed on how to identify and take advantage of the crucial trends behind real estate cycles.
“Financial Analysis of Real Property Investments” by William Poorvu. (This is an article available on the Harvard Business Review Online Website. See the HBR Coursepack link below for our course).

Havard Business Review Coursepack link:
http://cb.hbsp.harvard.edu/cbmp/access/51319658

(OPTIONAL TEXTS)

Barron’s Dictionary of Real Estate Terms, Paperback 8th Ed.; Jack Friedman, Jack Harris and J. Bruce Lindeman; 2013 (BD) – RECOMMENDED. This is an excellent and handy quick reference source to handy to the real estate industry's terminology.


ADDITIONAL OPTIONAL READING:
1. A Pattern Language, Christopher Alexander, Oxford University Press, 1977
2. Confessions of a Real Estate Entrepreneur; James A. Randel; McGraw Hill; 2006

TEACHING ASSISTANT: Irina Kulakova
ik924@nyu.edu
Office Hours: TBD, or by appointment

GROUPS

In the second class you will form groups of three to four students each. Some of the Case Analyses, as well as the Final Project Presentations will be performed/submitted by groups. It is expected that all group members will have input on all group assignments, (i.e., do not divide up assignments for completion by only certain group members). Anyone not sharing in the group work will not get credit for that assignment. Please choose your groups carefully as you will be working closely together over the course of the semester. Please contact me with any group problems early on.

COURSE WORK AND REQUIREMENTS

- Case Analyses

Assignments will include five real estate case studies over the semester. You will analyze all of these cases, and choose four of the five cases on which to actually prepare and
submit a written presentation. You are encouraged to submit all five, in which case your highest four grades will be used. Three of these analyses will be done individually, and two by groups. These assignments should be 3-5 pages of text in length (double-spaced, not including any appendices), and be submitted at the beginning of the session on which they are due. Keep a copy for your reference during class. All members are expected to participate in each group assignment, and understand anything that is presented in your group paper. If you miss your group meeting and/or do not participate in the assignment, you are expected to do the work on your own and submit it separately if you wish to submit a paper for that assignment. Three of the cases will be available through the Harvard Business Review Coursepack. The remaining cases will be posted in the Lessons section in NYUClasses prior to the relevant session. The link to the HBR Coursepack is below:

http://cb.hbsp.harvard.edu/cbmp/access/51319658

- **Term Project**

A Final Term Project will be prepared and presented by groups (20-30 minutes per group). It will focus on a pitch to investors interested in making an equity investment in your project. The deal will include the purchase and planning of a small-scale real estate development project. The presentations will be oral presentations using Powerpoint slides, and will be presented to the class and guest investors in Sessions 12 and 13. All group members must present during the oral presentation. There will also be three (3) written presentations submitted at specific partial completion points in the project. The particular investors you will be presenting to will be identified and described prior to your presentation. The final slide deck of your presentation must be submitted at least one day prior to your presentation date. This will be distributed to the guest investors so that they can better understand the deal and prepare for the presentation.

The property will be selected by your group, and must be approved by the professor. Your proposal for your project will be submitted to me at the beginning of class in **Session 4**. The written presentations will be submitted as follows:

<table>
<thead>
<tr>
<th>Due date</th>
<th>Include</th>
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<tbody>
<tr>
<td>Session 4</td>
<td>Identification of property and initial outline, 1 page property address, description of the property and brief description of the development plan (no details or analysis necessary)</td>
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<tr>
<td>Session 6</td>
<td>The deal with the investor(s), 1-2 pages outline the basic investment strategy, total project cost, how much equity you are</td>
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Oral Presentations to Investors - Session 12 and 13 (December 1 and 8)

**Major Focus** Although your project will have to address everything described, the focus of your presentation will be a pitch to the investors interested in making an equity investment in your project. You will have to explain how much you are asking for and what the investor will get for this investment. You can choose any type of project you wish and any asset class of property (residential, office, industrial, retail, or combination of these), however, it SHOULD NOT be a “ground up” development (new construction) project. In addition, it should be in a location that you can actually visit. The deal should be a real one, and be currently for sale. Don’t worry if your project is no longer available by the time of presentations or if you determine during your preparation that you no longer like the deal. You may come to feel that it is too risky, or provides too small a projected return. The primary goal is to prepare a detailed and well-crafted investor pitch. **You should feel free to propose in your pitch that the deal only be done if there is a change in terms that make the deal attractive, such as a reduction in the purchase price.** Possible sources to find potential investment projects are broker websites, the online real estate section of newspapers (i.e., New York Times, Wall Street Journal, etc.), “for sale” signs and the offices of local realtors/brokers. More information on possible sources will be discussed in class.

I propose that the deals should be of a size that is consistent with our course focus, relatively small and entrepreneurially oriented. A comfortable range for the purchase price is **$1 million to $7 million**. Included should be a clear identification of the opportunity that you see in the development, and a clear plan...
for realizing this opportunity. You will need to describe the deal, show analysis of its viability, and identify all construction/renovation, leasing, changes in use, etc. that are planned. Alternative strategies for the property are always useful to include. Analysis should be qualitative and quantitative. It is expected that you will calculate and show cash flow projections and returns (for both the property and the investor). You should estimate the amount of resources necessary to bring the deal to completion, and determine appropriate target leverage levels. Note that if you choose an apartment building in NYC, your property may be subject to rent control and rent stabilization laws. You should then become familiar with the Rent Guidelines Board and its determination of rent increases, as well as understand their financial impact, if any, on the property you have chosen.

**Outside Meeting**

An understanding of the political process associated with real estate development is important. Students are required to attend at least one public meeting of a governmental agency at which the major topic involves real estate. Acceptable meetings include City Planning Commission, Board of Standards and Appeals, Landmarks Preservation Commission, local Community Board meetings (either full board or a subcommittee), City Council meeting, Rent Guidelines Board or a meeting of your local governmental body with respect to a real estate matter. If you have a question on the acceptability of a meeting please check with the TA before attending. A one page report on the meeting is required and should cover the purpose of the meeting and its impact on the development process. By Session 6, you will submit the name and date of the meeting you plan to attend (or have attended). *It must be submitted on or before the final night of class.*

**GRADING**

Four Case Analyses (Can use best 4 of 5 assigned)  
Term Project  
Includes: Initial Outline, Deal for Investor, Final Outline and Oral Presentation to Investor  
Mid Term Exam (in-class; Session 8)  
Class Participation, Attendance  
Outside Meeting – one page summary

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines.
CLASS PARTICIPATION AND ATTENDANCE (keep in mind: 5 points for this section)

Real estate is an interactive business and the development of speaking and listening skills is an important part of your learning experience in this course. Please use the following guidelines to determine your effectiveness in class participation:

- Your comments should contribute meaningfully to learning in case discussions and lectures.
- There are no bad questions.
- Well thought out points that add to the class discussion will get due credit. Incomplete points or “one-word answers” will not get credit.
- There may be some cold calling. If you have not been able to prepare a case, or if you are uncomfortable with being called on in a particular class, please let the instructor know in advance of the class.
- There are no alternative assignments in lieu of class participation.
- You are expected to attend all classes. If you find that you are unable to make a class, please notify the professor in advance. Poor attendance will result in no credit for this portion of your grade. Please sit in your selected seat, as per seating chart, for all classes. Bring and display name plates for all classes if you have them.

NYU CLASSES SITE

The class website has been created on NYUClasses. Accessing this site will allow you to download all of the files related to the course. PLEASE CHECK THIS SITE REGULARLY as course assignments and other information will be added to the site throughout the semester.

ACADEMIC INTEGRITY

Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.

Clearly acknowledge the work and efforts of others when submitting written work as one’s own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.

Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community. The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here: www.stern.nyu.edu/uc/codeofconduct
To help ensure the integrity of our learning community, prose assignments you submit to Blackboard will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

GENERAL CONDUCT & BEHAVIOR
Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations (http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm) and the NYU Disruptive Behavior Policy (http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/bullying--threatening--and-other-disruptive-behavior-guidelines.html).

STUDENTS WITH DISABILITIES
If you have a qualified disability and will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Students with Disabilities (CSD, 998-4980, www.nyu.edu/csd) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.
SESSION 1: (Thursday, September 8)
INTRODUCTION –WHY DO WE INVEST IN REAL ESTATE?
1. This class will provide an introductory overview of the real estate development process and the macro and micro forces that drive real estate values.
2. Discussion of course overview and requirements.
3. Introduction to the “American Dream case” we will be discussing in Session 2 (390089-PDF-ENG on Harvard Business Review Online Website; access through the HBR Coursepack link).
4. Read Chapters 1 and 2 in The Real Estate Game (REG).

SESSION 2: (Thursday, September 15)
FINDING REAL ESTATE OPPORTUNITIES
1. Read, analyze and be prepared to discuss the “American Dream” case. This case examines some of the basic issues confronting a young couple as they analyze their housing alternatives. These issues are very common to people buying a home, and you may have experienced some of these issues personally.
2. **SUBMIT AS CASE ANALYSIS #1 (to be done individually):** Analyze the Hanlon’s situation, identify the key issues involved in their decision, and make a recommendation to them. Support your recommendation with any assumptions you make, analysis of alternatives, and sensitivity analysis. Use an appendix for any numerical calculations. *(SEE NYU CLASSES for a list of the points and questions to address when analyzing the case)*
3. Introduction to the real estate “set-up”; key terminology and analytic techniques.
4. Read Chapters 1 and 2 in The Real Estate Game (REG) if you have not already done so.

SESSION 3: (Thursday, September 22)
ANALYZING THE DEAL, THE SET-UP, PROJECTING CASH FLOW AND DETERMINING VALUE
1. Read the introduction and Cash Flow sections of “Financial Analysis of Real Property Investments” by William Poorvu (access through the HBR Coursepack link).
2. **SUBMIT AS CASE ANALYSIS # 2 (to be done individually):** Read and analyze the three set-ups included in Session 3 in NYUClasses. Do opportunities exist in these potential deals? What would your strategy be for these deals? *(SEE NYU CLASSES for a list of the points and questions to address when analyzing the case)*
3. In this class we will examine the structure of the set-up in greater detail. A guest lecturer, Mehul Patel of Equator Capital Management, will discuss underwriting issues, terminology and building a solid and flexible model for pro-forma analyses.

SESSION 4: (Thursday, September 29)

PURCHASING YOUR FIRST INVESTMENT PROPERTY
1. Read the Pinckney Street case (access through the HBR Coursepack link). This case involves the finding and acquiring of a small income producing property.
2. **SUBMIT AS CASE ANALYSIS # 3 (to be done individually):** Read and analyze the Pinckney Street case. (**SEE NYU CLASSES for a list of the points and questions to address when analyzing the case).**
3. In this class we will examine the structure of waterfalls and splits. A guest lecturer, Brett Ripka of Equator Capital Management, will discuss how to build a variety of sponsor/investor waterfalls and splits. In the second half of the class we will discuss and analyze the Pinckney Street case.
4. **TERM PROJECT SUBMISSION #1:** Your group should submit a written proposal for the term project at the beginning of class. It should include the address of the property, existing conditions, a brief discussion of your planned development, and an initial outline including headings for all sections that will be in the final project (but no details or analyses are necessary).
5. Read Chapters 6, 7 and 8 in REG.

SESSION 5: (Thursday, October 6)

LEGAL ISSUES AND STRATEGIES
1. We will begin this class by discussing your questions on your Final Term Project properties. We will then discuss some of the key business points in a typical purchase and sale agreement. The second half of the class will cover legal issues and strategies arising during the acquisition process, including attorney selection, critical issues to consider at the early stages of the negotiating process, and strategies for dealing with buyers, sellers and lenders. The legal issues discussion will be led by an experienced real estate transactions lawyer. A short legal case will be distributed prior to class via email. Please be prepared to discuss.
2. Read, analyze and be prepared to discuss the short legal case, which will be distributed prior to the class.
3. Read over the sample purchase and sale agreement, which will be distributed prior to class.
4. Read Timing the Real Estate Market (TREM), Parts 1-3. This includes Ch 1-10

SESSION 6: (Thursday, October 13)

FINANCING YOUR PROJECT; WORKING WITH A BROKER AND CREATING VALUE
1. We will begin this class with a discussion of financing your project and a brief group financing workshop. We will then discuss the Waltham Warehouse case study from The Real Estate Game.
2. In the second half of class we will welcome a guest speaker, Mr. David Behin, Executive Managing Director at Newmark Grubb Knight Frank. Mr. Behin will discuss finding and working with a real estate broker and how to identify emerging markets for acquisitions. He will also discuss strategies for maximizing revenues in mixed use properties and the emergence of crowd funding platforms in commercial real estate.

3. **TERM PROJECT SUBMISSION #2:** **Submit** a description of the deal being offered to the Investors at the beginning of class (or prior by email). This should contain your basic strategy for the deal, calculations of the total project cost, how much is to be borrowed, how much you are asking the Investor to invest, the proposed ownership split, expected returns for the Investor, and detailed waterfall of profit distributions. There should also be an initial outline including headings for all sections that will be in the final project (1-2 pages).

4. **Submit** the name (date and location) of the Professional Meeting you plan to attend by hand-in at the beginning of class, or by email prior to class). Please see above and Session 2 in NYU Classes for details and suggestions of professional meetings.

5. Read Chapters 3, 4 and 5 in REG.

**SESSION 7:** (Thursday, October 20)

**PRESENTING YOUR DEAL TO INVESTORS; PITCHING YOUR DEAL AND CAPITALIZING YOUR PROJECT**

1. In this class we will begin with short three minute presentations by each group on their final Term Project, followed by questions. These presentations will give the professor and opportunity to provide feedback on your projects. In preparation for these presentations, each group should prepare a ONE PAGE summary of their final term project in Microsoft Powerpoint format. Each summary should include the following discussion points (each group member must speak on at least one of these points):
   a. Strategy for the investment
   b. Overview of the deal financials
   c. Deal with the investors
   d. Financing
   e. Location and Demographic overview

   In the second half of class we will analyze the Wynwood, Miami case study as a means of understanding the development of an acquisition thesis and how this theory can evolve after purchase. We will also discuss the concepts involved in "pitching" a deal to investors in greater detail, using the Miami property as the proposed deal and the class as the proposed "investor." We will look at capitalizing a deal in greater detail and explore different potential sources of equity.

2. Read and analyze the Wynwood, Miami case for class discussion. Details in NYU Classes.

**SESSION 8:** (Thursday, October 27)
MIDTERM EXAM. Details of the test will be discussed prior to this date.

SESSION 9: (Thursday, November 3)
DETERMING YOUR INVESTMENT STRATEGY; DUE DILIGENCE ISSUES
1. In this class we will analyze the Lance Johnstone - 3000 North Broad Street case study for a more detailed examination of the life cycle of a real estate development project. In particular, we will look at the various unknowns and risks that accompanying each stage of the process, what problems they can cause, and discuss strategies for avoiding such problems.
2. SUBMIT AS CASE ANALYSIS #4 (as a GROUP) the Lance Johnstone - 3000 North Broad Street case study

SESSION 10: (Thursday, November 10)
PROJECT MANAGEMENT OF YOUR REAL ESTATE INVESTMENT
1. We will begin this class by meeting at 6:30pm at a current development site. Location to be announced.
2. After we visit the project, we will report back to our classroom at Stern for further discussion. In the second half of this class we will cover the project management of your real estate investment. Issues will include dealing with zoning and permitting challenges, adjusting your project to field conditions and market changes, and selection and management of contractors and other vendors, all with an eye of maximizing project returns and minimizing delays and cost overruns.
3. Final Term Project Submission Due (Term Project Submission #3) – Submit a completed final outline of the Group Term Project. It can be emailed to me prior to class or submitted in hard during class. This final outline should include the section headings that will be in the Final Project. Each section should contain detailed analysis, calculations, projections and sensitivities.

SESSION 11: (Thursday, November 17)
BUYING IN A NEW MARKET
1. SUBMIT AS CASE ANALYSIS #5 (to be done as a group) the Spanish Trails, Las Vegas case study. Details in NYUClasses.
2. In this class we will discuss buying property in new areas, particularly places the developer may be unfamiliar with. Here, the importance of your service provider relationships (broker, lawyer, architect, contractor, etc.) is intensified. Examples of retail and office development opportunities in the Las Vegas market will be discussed. Our guest lecturer for this class will be Professor Harry Chernoff, Clinical Associate Professor of Operations Management. Professor Chernoff will discuss the Spanish Trails case, a project which he developed in Las Vegas, NV.
3. Read Chapter 9 in REG which summarizes the Real Estate Game.

NOVEMBER 24 – NO CLASS THANKSGIVING BREAK

SESSION 12: (Thursday, December 1)
PITCHING YOUR DEAL TO EQUITY INVESTORS
In this session we will begin our In-Class student group oral presentations to two
guest investors. Groups will present their proposals to the guest investors, followed
by Q&A. If your group is presenting this night, you are required to have a copy of your
slide deck emailed to the professor at least one day prior to this class (preferably in PDF
format), so that it can be distributed to the guest investors.

SESSION 13:  (Thursday, December 8)
Continuation of the In-Class student group oral presentations. If your group is presenting
this night, you are required to have a copy of your slide deck emailed to the professor at
least at least one day prior to this class (preferably in PDF format), so that it can be
distributed to the guest investors.

SESSION 14:  (Thursday, December 15) – Last day of class.

Review of course topics and questions.