

Module 1 - Intro

8:30AM Thu, Sep 3, Aldrich Hall 207 (Classroom)

TOPIC

Revere Street

MATERIALS

 [Revere Street \(800147\)](#)

EC Weeks 1 & 2 Packet

  [The Real Estate Game Diamond](#)

  [Revere Street Risks and Rewards - What to do? AC](#)

  [Real Property Class Goals \(Optional\)](#)

 [Real Estate Cross-Registration Opportunities](#)

  [Introduction to Real Property](#)

ASSIGNMENT

In June 2006, although inexperienced in real estate, Edward Alexander hopes that youthful enthusiasm and a \$80,000 inheritance will help him enter the real estate business. His experience chronicles the process of finding, evaluating, and acquiring a four-unit brownstone in need of renovation in the Beacon Hill area of Boston. The case also identifies the various players in the process.

Study Questions:

1. What are Edward's goals?
2. How well did Edward research and evaluate (a) the market, (b) the building and (c) the financing?
3. What do the numbers look like? Is this a good investment?

8:30AM Fri, Sep 4, Aldrich Hall 207 (Classroom)

TOPIC

Shady Trail

MATERIALS

 [Shady Trail \(899143\)](#)

EC Weeks 1 & 2 Packet

 [The Real Estate Game](#), Chapter 2, "Using Numbers in Real Estate"

EC Weeks 1 & 2 Packet

 [Financial Analysis of Real Property Investments \(379193\)](#)

EC Weeks 1 & 2 Packet

 [Mortgage Amortization Table](#)

  Real Estate Finance: A Technical Note Based on "Shady Trail" AC (803030)

This note contains answers to the Shady Trail case and will be distributed after class.

ASSIGNMENT

In November 1998, the Dallas real estate market was plateauing and the capital markets were in disarray. Intrigued by warehouse properties, due to their relatively small size and strong historical performance, Holt Lunsford convinced 11 friends to put up \$100,000 each in addition to his own \$100,000 to acquire one or two troubled facilities. Lunsford was particularly intrigued by a brochure that Lonestar Bank had put together in an effort to sell the Shady Trail Distribution Center, a five-year-old 120,000 square foot distribution warehouse facility located on the west side of Dallas. Lonestar Bank was asking \$4.0 million for the property and Lunsford wondered whether Shady Trail would make a good investment.

Study Questions:

1. What price should Lunsford offer for Shady Trail? Does this property fit Lunsford's criteria for investment?
2. Look at the assumptions Lunsford has made in creating his setup to date. What changes has he made and why?
3. Using the 'back of the envelope'(BOE) approach, prepare a new setup for the property based on the information in the case and calculate the after-tax rate of return for Lunsford and his investors.
4. How does the U.S. government affect returns in real estate?

8:30AM Thu, Sep 10, Aldrich Hall 207 (Classroom)

TOPIC

Angus Cartwright III

MATERIALS

 [Angus Cartwright III \(375376\)](#)

EC Weeks 1 & 2 Packet

 [Note on Taxation \(379192\)](#)

EC Weeks 1 & 2 Packet

  [Angus Cartwright Group Assignment Answer Template](#)

  [Angus Cartwright III Follow-up: Stoneywalk Taxes and NPV Calculations. AC](#)

  [Real Estate Tax Law Summary AC \(Optional\)](#)

  [Steps in the Real Property Acquisition Process AC \(Optional\)](#)

 [Commercial Real Estate Analysis and Investments, Chapter 14 \(pp. 319-354\) \(Optional\)](#)

A copy is on reserve at Baker Library or Professor Segel's office.

ASSIGNMENT

In September 2003, John and Judy DeRight, looking to diversify their investment portfolios, have retained Angus Cartwright, Jr. to identify prospective real estate acquisitions. Mr. Cartwright has found four potential properties that merit an in-depth analysis. This case examines the various components of real estate return - cash flow, tax benefits, and futures - and measures the profitability of a proposed investment through the calculation of net present value, internal rate of return, and capitalization rate. The class discussion will cover how various techniques of financial analysis relate to the needs of a particular investor.

Study Questions:

1. Using the method for financial analysis employed by Cartwright for Alison Green, and assuming the figures given in the case, what are the financial returns for the other three properties? Fill out the exhibits in the case with backup analysis for Exhibits 5, 8 and 9.
2. Which potential investment, if any, would you suggest for each of the investors? Why? (for class discussion only)

Written Assignment: This is a **very long** and **important** assignment. Using the separate set of exhibits, answer question 1 above. Work in groups of 4 comprised of students in the same section. Use assumptions in the case. Bring to class analysis and background exhibits and use the template provided on the course platform. Make 2 copies and hand in one per team (with your names on it) at the beginning of class and hold the other for class discussion.

End of Module 1 - Intro

Module 2 - Property Types

8:30AM Fri, Sep 11, Aldrich Hall 207 (Classroom)

TOPIC

Busse Place

Busse Corporate Center's largest tenant recently declared bankruptcy, leaving the building 38% occupied and significantly over leveraged. In a depressed suburban Chicago office market, Marisa Sanchez, the leasing agent, has to negotiate lease proposals with three prospective tenants to try to fill the vacant space. Meanwhile, the building's owner, Collins Properties, must decide with its equity partner whether to continue funding the building's losses while trying to lease the vacant space, restructure the Commercial Mortgage Backed Securities (CMBS) debt, or default on the loan and turn the building over to its lenders.

MATERIALS

 [Busse Place \(209154\)](#)

EC Weeks 1 & 2 Packet

 [Understanding the Credit Crisis of 2007 to 2008 \(209073\)](#)

EC Weeks 1 & 2 Packet

 [The Real Estate Game, Appendix on Office \(pp. 267-273\)](#)

EC Weeks 1 & 2 Packet

  [Characteristics Determining Office Classification](#)

  [The Real Estate Cycle](#)

  [Real Estate Cycle Indicators](#)

 Introduction to Property Types Module

 ["Making Sense of CMBS in a Loan Workout Environment" by Stephen Karbelk, Edward Durnil, and Bobby Guy](#)

 [Capturing Opportunities in Distressed Deals \(Optional\)](#)

Presentation given to a recent exec ed program at the Harvard Graduate School of Design. Describes options to workout and maximize value of distressed real estate.

 [The Future Refinancing Crisis in Commercial Real Estate \(Optional\)](#)

Deutsche Bank report which explores the magnitude of potential problems faced by the commercial real estate

debt markets over the coming decade.



[Korpacz Real Estate Investor Survey-Office \(Optional\)](#)

An overview of the current marketplace for and returns of US office buildings

ASSIGNMENT

1. What's the problem for Busse and for Marisa? What mistakes, if any, did Collins Properties make?
2. Who is the competition and how does Busse Corporate Center fit in the marketplace?
3. What would your specific strategy and offer be with each tenant?
4. What are the financial implications of our lease proposals? Please fill out exhibit 7. Also use exhibit 7 to identify occupancy, rent and expense scenarios that would enable the building to become profitable in 2012. Are these scenarios realistic given the market?
5. Should the equity investors fund the deficit, attempt to restructure the loan, or default? If they fund the deficit, how much additional equity is required? If they restructure the CMBS loan, what terms should they propose?

8:30AM Thu, Sep 17, Aldrich Hall 207 (Classroom)

TOPIC

Value Retail

MATERIALS



[Value Retail \(803008\)](#)

EC Weeks 3 on Packet



[Note on the Evolution of Retail in the United States \(803017\)](#)

EC Weeks 3 on Packet



[The Real Estate Game, Chapter 4](#)



 [Value Retail Slides](#)



 [Value Retail Breakeven Analysis - Prof. David Geltner of MIT](#)



[Korpacz Real Estate Investor Survey-Retail](#)

An overview of the current marketplace for and returns of US retail real estate

ASSIGNMENT

Scott Malkin has successfully 'arbitraged' U.S. and European cultures by developing quality brand retail outlet centers in major centers in Europe. He now wants to expand into Italy, which is fraught with new and greater risks. Scott has to decide whether an outlet center in Fidenza, Italy is viable and whether his investors will accept his terms for a new equity syndication.

Study Questions:


1. What are the projected returns to the investors? (Please complete Exhibit 7.)
2. Does this work for the tenants? What are the projected occupancy costs to the tenants per square meter and as a percent of sales? What is Scott's breakeven occupancy?
3. Would you be an investor in this deal? If not, how might you restructure the deal such that you would consider investing?

8:30AM Fri, Sep 18, Aldrich Hall 207 (Classroom)

TOPIC

The Arts Property and Hotel

MATERIALS

 Arts Property and Hotel, The (803009)
EC Weeks 3 on Packet

 [Chapter 11 Bankruptcy Law in Real Estate \(804194\)](#)
EC Weeks 3 on Packet

 [The Real Estate Game](#), Appendix A: Note on Property Types, "Hotels" (pp. 279-285)

  [Luxury Segment Comparison Chart](#)

  [Arts Property and Hotel Slides](#)

  [Due Diligence Checklist \(Sample\)](#)

 [Glater, Jonathan D. "Luxe Hotels In a Battle For Control." The NewYorkTimes, May 26, 2009.](#)

 [Segal, David. "Pillow Fights at the Four Seasons" The New York Times 06/27/2009](#)

ASSIGNMENT

In December 2001, Javier Faus finds himself as one of the owners of the Arts Hotel in Barcelona, Spain. The 455 room hotel is managed by the Real Cortez and is in a 44 story tower along Barcelona's beachfront. Faus needs to figure out a strategy to maximize his investment, which includes negotiating hotel's management agreement.

Study Questions:

1. What is the value of the hotel today? What are the costs per room? What are the current returns? Would you make this investment?
2. What issues would you want to be addressed to align the incentives better between owner and operator? Specifically, how would you alter the current management agreement to meet your objectives and increase the fair value of the hotel? What would your negotiating strategy be and how do you think the Real Cortez would respond?
3. Is branding important in the hotel business and can it be applied to other property types?

8:30AM Wed, Sep 23, Aldrich Hall 207 (Classroom)

TOPIC

The Holt Companies

MATERIALS

 [The Holt Companies \(804012\)](#)

EC Weeks 3 on Packet

 [The Real Estate Game, Appendix A on Industrial Properties \(pp. 273-278\)](#)

  ["The Long-Term Prospects for Global Trade and Industrial Real Estate Demand" from AMB Property Corporation](#)

  [Holt Companies: Completed Exhibit 10 AC](#)

  [Holt Companies: Buy vs. Lease Analysis AC](#)

  [Holt Companies: Build-to-Suit Analysis AC \(Optional\)](#)

 [Korpacz Real Estate Investor Survey](#)

Overview of current warehouse and industrial real estate returns in the US.

ASSIGNMENT

Holt Lunsford is back. It is March 2003 and his investment in Shady Trail has gone moderately well. Lunsford is now busy growing his core commercial real estate services firm, The Holt Companies. A long-time client wants to know whether to lease or buy a warehouse facility on the north side of Dallas. Lunsford needs to find a solution for his client and also figure out what to do with his own business.

Study Questions:

1. What should Staton, the tenant, do? Assess the decision from both a quantitative and qualitative perspective including, but not limited to, the quantitative benefits pre-tax of ownership versus leasing over the next ten years.
2. What is Holt's compensation if Staton leases, purchases, or has Holt build a building to suit for Staton's firm? What should Holt recommend?
3. If you were Holt, what corporate strategy would you implement for the Holt Companies and why?

8:30AM Thu, Sep 24, Aldrich Hall 207 (Classroom)


TOPIC

Multi-family

MATERIALS

 [Polanco: A Fashionable Opportunity \(209150\)](#)

EC Weeks 3 on Packet

 [The Real Estate Game](#), Chapter 1 & Appendix A Notes on Property Types "Apartment Properties" (pp. 260-266)

Spangler distribution

 [Technical Note on Financial Leverage in Real Estate \(208041\)](#)

EC Weeks 3 on Packet

 Wrap-up slides for Property Types module

 Introduction to Capital Markets module

ASSIGNMENT

Roberto Charvel, HBS 2001, is contemplating making his first personal acquisition: a 9 unit apartment building in Mexico City. Before Charvel closes on a loan, he must review all aspects of the deal. Equally important to Charvel is how to balance a time-consuming investment with his day job and spending time with his young family.

Study Questions:

1. How would you analyze the market for housing in Mexico City and in Polanco in particular?
2. Should Roberto lease or sell the units? (Please complete Exhibit 6.)
3. How should Roberto manage his relationship with the architect? Should he be satisfied with the current designs?
4. How can Roberto balance the commitments of his day job with those of this real estate investment? What attributes does Roberto need to be good at what he does?

End of Module 2 - Property Types

Module 3 - Capital Markets

8:30AM Fri, Sep 25, Aldrich Hall 207 (Classroom)

TOPIC

Anne Shea, Assistant Vice President of the Curator's Fund (the "Fund") is responsible for investing \$80 million in real estate assets. Less than three years ago Anne invested \$40 million in AMB Institutional Realty Advisers, Inc., a leading pension fund adviser and asset manager. She has been pleased with the Fund's relationship with AMB; investing with AMB was a cost-effective, value-added means for the Fund to directly own property. Recently, AMB proposed to consolidate all the properties under its management into a REIT, and take the new REIT public. Shea faces a decision: consent to the roll-up by exchanging her shares in the comingled fund for REIT shares, or sever ties with AMB by liquidating her position in the comingled fund at a price equal to the fair market value of the assets before the roll-up and the public offering.

MATERIALS

 [AMB Consolidation, The \(899144\)](#)

EC Weeks 3 on Packet

 [Forces That Are Changing REITS Forever](#)

Article explores the checkered history of REITs and will look at the challenges and opportunities that will reshape the industry today.

ASSIGNMENT

1. Based on the numbers in the case, what is the specific premium Anne can expect if AMB goes public?
2. What are the qualitative reasons to vote for or against the roll-up?
3. Why is AMB's management proposing the roll-up and what are their risks?
4. If you were at the AMB meeting, what questions would you have for management?

8:30AM Wed, Sep 30, Aldrich Hall 207 (Classroom)

TOPIC

Wells REIT

MATERIALS

 [Wells REIT II \(205019\)](#)

EC Weeks 3 on Packet

  [How to Select an Investment Adviser: Some Questions and Criteria AC](#)

  [Office Space: How Leo Wells Built Vast Empire Of Towers on Unusual Foundation AC](#)

  [Wells REIT - WSJ Article AC](#)

ASSIGNMENT

In September 2004, Dr. Richard Planter asked his long-term financial advisor, Michael Saris, to review the prospectus for the Wells REIT II. The Wells REIT was a private investment vehicle acquiring quality commercial properties in the United States typically with longer term, creditworthy tenants. The Fund was seeking to raise \$7.7 billion of equity and was proposing to limit leverage, in no event, to more than 50%. Saris had to make a recommendation to Dr. Planter as to whether he should make the investment at this time and why.

Study Questions:

1. Is this a good time to invest in real estate?
2. If you wanted to invest in real estate through an investment advisor such as Wells, what are the criteria you would look for?
3. Given these criteria, why would you or why would you not invest in Wells?
4. Would you recommend an investment in the Wells REIT?

8:30AM Thu, Oct 1, Aldrich Hall 207 (Classroom)

TOPIC

Due Diligence

MATERIALS

 [Structuring Real Estate Deals: An Investor's Perspective \(208066\)](#)

EC Weeks 3 on Packet

 [Assignment](#)

 [Investment Memo](#)

 [Icarus Financials](#)

 [Leasing Terms](#)

 ["Coming of Age" by Dhaval Barbhaya and Jeff Davis, Urban Land Magazine - June 2009.](#)

8:30AM Wed, Oct 7, Aldrich Hall 207 (Classroom)

TOPIC

Buckingham Park

MATERIALS

 [Buckingham Park \(205085\)](#)

EC Weeks 3 on Packet

  [Buckingham Park Slides](#)

 [Buckingham Park Poll - Section 1](#)

Please complete poll by 11:00pm on Tuesday, October 6th.

 [Buckingham Park Poll - Section 2](#)

Please complete poll by 11:00pm on Tuesday, October 6th.

ASSIGNMENT

In September 2004, Stephen Lebovitz, President of CBL, a \$6 billion publicly traded shopping mall real estate investment trust (REIT) with over 70 million square feet, is considering acquiring 170 acres for a new retail development at a racetrack site in Southern New Hampshire. First, Stephen has to calculate the value of the land to make his bid based on current market conditions and local zoning. Next, Stephen has to consider how the public securities markets will react, good and bad, to a shopping center REIT doing a new development at this time.

Study Questions:

1. What is the maximum value CBL could afford to bid on the land? What could the impact be on the stock price? Be prepared to explain your analysis (POLL).
2. Why is retail so dominated by public REITs? What are the constraints of being public versus private?
3. How much development should CBL and REITs in general do? Are there limits to the amount of leverage that CBL should employ?
4. What is the right retail strategy for the property? Any concerns?

Please note that the instructor will grade the Buckingham poll (up to three points) and count it as part of your participation grade. Points will be awarded based on accuracy of response relative to the actual number.

8:30AM Thu, Oct 8, Aldrich Hall 207 (Classroom)

TOPIC

Portfolio Investing

MATERIALS



[How Institutional Investors Think About Real Estate \(209-152\)](#)

EC Weeks 3 on Packet



["So Much That's False and Nutty", Howard Marks, Chairman of Oaktree Capital](#)



[Reading from "Pioneering Portfolio Management" by David Swenson](#)



[PREA Statistics](#)



[Harvard Endowment Regroups--WSJ](#)

ASSIGNMENT

It's the Fall, 2009 and you have recently been hired to oversee real estate investing for Harvard's endowment as an employee of the Harvard management Company (HMC). You have been asked to meet tomorrow with the relatively new CEO of the HMC to present your strategy recommendations for real estate.

Study Questions:

1. What are the macro drivers of real estate returns and why should real estate be in the Harvard endowment? How much? Would you dollar average or time the market? Is this a good time to invest more?
2. How much would you invest in each property type? What percentage of your real estate investments would you make in the United States versus other developed countries versus emerging markets? Would you use broad or focused managers? Would you employ co-mingled funds or separate accounts?
3. How much leverage in your real estate portfolio would you want?
4. How would you want to compensate your outside real estate advisers and your internal real estate staff?

8:30AM Thu, Oct 15, Aldrich Hall 207 (Classroom)

TOPIC

Jeffersonville Warehouse

MATERIALS



The Jeffersonville Warehouse: An Exercise in Valuing Real Estate (1-0114)

EC Weeks 3 on Packet



[Jeffersonville Assignment Sheet](#)

After completing the exercises in the case, please transfer your answers to this sheet. Hand this sheet in at the start of class.



Commercial Real Estate Analysis and Investments, Chapter 10 (pp. 201-261) (Optional)

A copy is on reserve at Baker Library. Copies can also be borrowed from Professor Segel's office.



[ARGUS Financial Software User Guide \(Optional\)](#)



[Argus Software Trial \(Optional\)](#)



[SUSETTE KELO, et al., PETITIONERS v. CITY OF NEW LONDON, CONNECTICUT, et al. AC](#)

ASSIGNMENT

The State of Indiana is going to use its powers of eminent domain to seize Jim Karp's land. Karp and the State have very different ideas of the value of the land. How would you do the appraisal analysis, make the arguments, and decide what to do? **Note that that questions 2, 3, and 4 below comprise a graded assignment to be handed in at the start of class today. THIS IS A LONG AND IMPORTANT ASSIGNMENT SO PLEASE ALLOW SUFFICIENT TIME.**

Also please keep an extra copy of your work to discuss in class.

Study Questions:

1. Why is it so difficult to value real estate? Why did the State Appraisal and the Mills information lead to such different values?

2. In Exhibit 2, go through the six exercises (Exercises A-F) as if you were Charlie Mills. Using the information in Exhibit 2, what is the value of the property using the sales comparable approach and the two different income approaches? How does your overall value estimate for the property compare with the State's estimate of \$890,000? PLEASE HAND IN THESE EXERCISES AT THE BEGINNING OF CLASS USING THE TEMPLATE PROVIDED ON THE COURSE PLATFORM.

3. In Exhibit 4, using the data on retail sites, please do another estimate of value using the sales comparison approach. What is the value of the property based on these comparables? PLEASE HAND IN THESE EXERCISES (EXERCISES

G-H) AT THE BEGINNING OF CLASS USING THE TEMPLATE PROVIDED ON THE COURSE PLATFORM.

4. What should Jim Karp do? PLEASE HAND IN A PARAGRAPH AT THE BEGINNING OF CLASS DESCRIBING YOUR REASONING USING THE TEMPLATE PROVIDED ON THE COURSE PLATFORM.

As a potential future resource, links to Argus software and a user guide have been provided. Argus is becoming the standard program in the real estate profession to perform valuations and development pro forma. However, it is not recommended that you use Argus for the assignment.

8:30AM Fri, Oct 16, Aldrich Hall 207 (Classroom)

TOPIC

Graybar Syndications

MATERIALS

 [Graybar Syndications \(313324\)](#)

EC Weeks 3 on Packet

 [Note on Forms of Real Estate Ownership \(373148\)](#)

EC Weeks 3 on Packet

  [Graybar: Cash Flow](#)

  [Empire State Building Chronology](#)

ASSIGNMENT

In March 1958, Mr. Harold Morse, attorney, must make a recommendation to a client, Dr. Richard Planter, as to whether he should invest as an Associate in a syndication of the acquisition at the one million square foot Midtown Manhattan Graybar building. Identify the risks and the returns and make a recommendation.

Study Questions:

1. What are the key factors to consider when analyzing the rental income from this property? How would you evaluate the operating issues of running this building?
2. What is the role of each of the players? Why would they want to be in this transaction in the first place? What do each of the players put up and what do they get? What are their risks and returns? Is this a good investment for Dr. Planter?
3. Looking at the transaction in hindsight fifty years later, who were the likely big winners? Any sense of the value for each of the players' position today?

End of Module 3 - Capital Markets

Module 4 - Negotiations

8:30AM Wed, Oct 21, Aldrich Hall 207 (Classroom)

TOPIC

Yamanote Kaikan

MATERIALS

 [Yamanote Kaikan \(205084\)](#)

EC Weeks 3 on Packet

 [Yamanote Poll - Section 1](#)

Please enter your bid by 11pm, Tuesday, October 20th.

 [Yamanote Poll - Section 2](#)

Please enter your bid by 11pm, Tuesday, October 20th.

 ["Auctioning Commercial Property" by Richard B. Gold. Urban Land - June 2009.](#)

ASSIGNMENT

In 2001, James O'Connell, President of Holyoke Japan, an affiliate of Larson Capital, a distress debt private equity firm, wants to bid on a 90 billion yen loan currently in default by the borrower, Sanjo Enterprises, for a popular wedding and banquet facility with an adjacent office tower in downtown Tokyo. O'Connell has to determine a bidding strategy, consider the competition, and price the deal.

Study Questions:

1. What is the maximum price O'Connell should bid on the full loan? Be prepared to justify your price. (POLL)
2. What should the seller (the bank) do to conduct the sale? What should the bidder do to enhance his position?
3. What makes O'Connell good at what he does?

Please note that the instructor will grade the Yamanote poll (up to 3 points) and count it as part of your participation grade. Points will be awarded based on accuracy of response relative to the actual number.

8:30AM Thu, Oct 22, Aldrich Hall 207 (Classroom)

TOPIC

The Negotiation Game

MATERIALS



[Negotiation Game Instructions](#)



[Deal Sheet](#)

These are the closing documents which you will submit at the END of negotiation. Examine the various terms and deal structures allowed to hone your negotiation strategy.



[Las Vegas Pines video](#)



[Raleigh Commons video](#)



[Buyers](#)

Case files for the BUYERS in the Negotiation Game exercise.



[Lenders](#)

Case files for the LENDERS in the Negotiation Game exercise.



[Seller ONE](#)

Case files for the SELLER #1 in the Negotiation Game exercise.



[Seller TWO](#)

Case files for the SELLER #2 in the Negotiation Game exercise.

ASSIGNMENT

Submit your signed Deal Sheet by the end of your assigned class period.

8:30AM Fri, Oct 23, Aldrich Hall 207 (Classroom)

TOPIC

The Negotiation Game (Recap)

MATERIALS

[Negotiation Lessons AC](#)

ASSIGNMENT

During this class we will discuss your experiences with the Negotiation Game.

End of Module 4 - Negotiations

Module 5 - Development

8:30AM Wed, Nov 4, Aldrich Hall 207 (Classroom)

TOPIC

503 Cricket Road

MATERIALS

 [503 Cricket Road \(396001\)](#)

EC Weeks 3 on Packet

  [Advice for Beginning Developers AC](#)

 Introduction to Development Module

ASSIGNMENT

In September 2003, Mason Sexton, a young inexperienced developer, was making plans to replace a rooming house he had inherited next to the University of Virginia campus in Charlottesville with a new 14-unit, 5-story apartment house. His attempts to assemble the information, approvals, and resources necessary to go ahead highlight the steps and risks inherent in the development process. Using the example of a small scale residential project, the case illustrates lessons applicable to a development project of any scale.

Study Questions:

1. What are Mason's goals?
2. Evaluate (a) the design, (b) the contractor's estimate, (c) the market, (d) the financial projections.
3. What was the original and revised initial return on assets and initial return on equity?
4. Did the regulatory authorities (i.e. the new planning director) help or hurt the project? How did Mason respond?
5. Would you proceed?

8:30AM Thu, Nov 5, Aldrich Hall 207 (Classroom)

TOPIC

Hines Goes to Rio

MATERIALS

 [Hines Goes to Rio \(805001\)](#)

EC Weeks 3 on Packet

  [Construction Risks AC](#)

  [Choosing Appropriate Construction Contracting Method by Christopher M. Gordon, Member, ASCE](#)

ASSIGNMENT

In November 2003, Steven Dolman, Vice President of Hines in Brazil, has to go into a meeting to resolve a number of issues regarding the development of a 36 story, \$51 million office tower in Rio de Janeiro. There are a number of serious issues to be resolved including the proposed REIT financing, the leasing strategy and the entrance lobby.

Study Questions:


1. What are the opportunities, barriers and resources for Hines in Brazil? What would you worry about if you were an investor in the deal?
2. Describe the basic steps of the development process. What kinds of construction risks does Steve or any developer face?
3. If you were Steve Dolman, how would you resolve the issues regarding the glass or the gold leaf in the lobby? Would you want the building leased to one tenant or multiple tenants? Would you pursue domestic or international tenants? Who should be responsible and who should pay for the elevator mistake?
4. Is the REIT a good idea? What are the risks?

8:30AM Thu, Nov 12, Aldrich Hall 207 (Classroom)

TOPIC

Steel Street

MATERIALS

 [Steel Street \(209-150\)](#)
Classroom

 [Greening Pittsburgh](#)

  [You Can Manage Construction Risks](#)

ASSIGNMENT

The cousins Vincent Colmo and Daniel Delconte are midway through a renovation of Seventeen Steel Street, an office property in Pittsburgh's Southside. The project has a myriad of problems which the cousins must work out to save their money and their reputation.

Study Questions:

1. Should Daniel and Vincent walk away from the project or try to finish it?
2. If the Cousins choose to proceed with the project, whom do they speak to first (i.e., the general contractor, Jack Donahue, the leasing broker, city inspector, lenders, equity investors, hedge fund)? What is the strategy with the other stakeholders to keep the project going?
3. How should the Cousins handle the situation with the General Contractor?
4. What are the advantages and disadvantages of lump sum, cost plus and guaranteed maximum price contracts? When should they be employed or not?
5. What mistakes did they make and what should they learn for their next transaction?

8:30AM Fri, Nov 13, Aldrich Hall 207 (Classroom)

TOPIC

Winthrop Park

MATERIALS

 [Winthrop Park Development \(898194\)](#)

EC Weeks 3 on Packet

ASSIGNMENT

In January 1998 Peter Palandjian was looking to secure construction and permanent financing from the Cambridge Savings Bank for their proposed \$22 million mixed-use project in Harvard Square. After many years, he finally had received the necessary permits and approvals to proceed. Now Peter had to convince a lender that the financials would work and that the market was there.

Study Questions:

1. What happened when? Did the approval process help or hurt the deal?
2. How would you negotiate with the church and arrive at a value?
3. As a lender would you make the construction and/or the permanent loan and why?
4. What does Peter and his firm get out of the deal?

SPECIAL ASSIGNMENT: Visit the site and some of the comparables mentioned in the case.

8:30AM Wed, Nov 18, Aldrich Hall 207 (Classroom)

TOPIC

Walden Woods

MATERIALS

 [Walden Woods \(897070\)](#)

EC Weeks 3 on Packet

  [The Social Functions of NIMBYism](#)

  [Walden Woods Completed Exhibit 9 AC](#)

ASSIGNMENT

In the spring of 1993, Boston Properties has to decide whether to proceed with an office development on land in Concord, MA or negotiate to sell the land for conservation purposes. The company had bought the land in 1984 and gone through the permitting and approval process with the Town and was ready to commence construction when the State, after considerable lobbying from historic and environmental groups from around the country, delayed the project by requiring an environmental impact statement. While the project was delayed, the real estate market collapsed, but by 1993 was beginning to recover.

Study Questions:

1. Was it a good idea to buy the land in 1984?
2. Please fill out Exhibit 9.
3. What tactics did the environmentalists use? What mistakes, if any, did the developer make?
4. In 1993, should Boston Properties proceed with the development or sell? If they sell, what price would be fair and how would you negotiate on behalf of Boston Properties?

8:30AM Thu, Nov 19, Aldrich Hall 207 (Classroom)

TOPIC

Mission Main

MATERIALS

 [Mission Main](#)

Tuck School of Business at Dartmouth

No. 1-0094

Authored by: John H. Vogel, Jr.

 [State of the Nation's Housing 2009](#)

 [Principles for Inner City Neighborhood Design](#)

 ["Business Solutions for the Global Poor" Chapter 14 \(pp. 155-166\)](#)

  [Mission Main Slides AC](#)

 Development Module Wrap-Up Slides

ASSIGNMENT

In November 1997, Georgia Murray, a managing partner at Boston Financial, a syndicator focusing on affordable housing, has to decide whether to proceed with financing and constructing a \$77 million, 310 unit development involving low income tax credits in Boston to replace an older, crime infested public housing project.

Study Questions:

1. If you were Georgia, would you do this deal? What do you like about the real estate?
2. If you were a potential investor such as Fannie Mae, what would your concerns be? How might Georgia mitigate the perceived risks? What is the cash flow from operations with or without the BHA subsidy?
3. Is this a good approach to getting affordable housing built? Why or why not? What are the alternatives?

End of Module 5 - Development

Module 6 - Cutting-Edge

8:30AM Thu, Dec 3, Aldrich Hall 207 (Classroom)

TOPIC

Beacon Lakes

MATERIALS

Beacon Lakes (805023)

EC Weeks 3 on Packet



[Environmental Law in Real Estate Transactions \(804185\)](#)

EC Weeks 3 on Packet



[Striking Gold in Acres of Brownfields--New York Times \(4/17/2005\)](#)



[Brownfields: New Regulations, New Opportunites, New Glitches](#)

ASSIGNMENT

In the Fall of 2001, Armando Codina, founder and Chairman of the Codina Group in Miami, Florida, is deciding whether and how to proceed on a 478-acre, 6 million square foot warehouse and office park in the Airport West submarket. He is concerned about the development's economic viability, the prospects for permitting, and its potential threat to his well-established reputation.

Study Questions:

1. Is this a good deal? What concerns might you have? (Note: industrial rents are quoted as gross rents.)
2. What are the advantages and disadvantages of qualifying for brownfields designation or using the tax exempt debt?
3. What are the issues of the stakeholders? If you were they, what strategies would you employ? If you were Codina, what stakeholder issues would you be most worried about at the public meeting? As Codina, what would you do?
4. What would you do to preserve and protect your company's reputation?

8:30AM Fri, Dec 4, Aldrich Hall 207 (Classroom)

TOPIC

Rose Fund

MATERIALS



Introduction to the "Cutting Edge" Module



[Savings potential scales new heights-Financial Times \(8/21/2009\) \(Optional\)](#)

Article on energy retrofits of existing buildings.

8:30AM Wed, Dec 9, Aldrich Hall 207 (Classroom)

TOPIC

Allston Initiative

MATERIALS



[Allston: Brand vs. Architecture \(208079\)](#)

EC Weeks 3 on Packet

ASSIGNMENT

Harvard president, Larry Summers, must choose an architect to design the new Allston expansion at Harvard University. Allston is the largest academic expansion in the school's history. As Harvard is among the country's premier educational institutions, the eyes of other schools, the media, and Harvard's own neighbors are closely following this project. Nothing less is at stake than the Harvard brand itself. How does design create value for Harvard? How does one know?

Study Questions:

1. Should President Summers endorse the selection of Stefan Behnisch as the architect?
2. Does Harvard have a brand and if so, what is it?
3. What stakeholder groups must Summers be aware of? Among these groups, are any one or two more important to please than the others?
4. What are the risks in developing the Allston project?
5. How is the success of a building project measured both short and long term?

8:30AM Thu, Dec 10, Aldrich Hall 207 (Classroom)

TOPIC

New Songdo City

MATERIALS



[New Songdo City \(206019\)](#)

EC Weeks 3 on Packet



[Basic Elements of Urban Design](#)



[Financial Times Article on New Songdo](#)

ASSIGNMENT

John Hynes and Gale International have been chosen by the government of South Korea to construct New Songdo City. This is an entirely new city, about the size of Boston, between the new Incheon airport and the capital city of Seoul. The proposed city is the government's attempt to create an Asian financial and business center to rival Shanghai and Tokyo. But how to design, market, build and finance a whole new city is up for grabs. Is this the typical developer hubris or can it really work?

Note that question 1 comprises a graded assignment to be handed in at the start of class today. Please keep an extra copy of your work to discuss in class.

Study Questions:

1. Working in a group of up to four classmates, please complete Exhibit 5. It is the fall of 2001, and using the blank map of New Songdo City outlined in exhibit 5, design the locations for the land uses, major roads, and public transportation routes. In what order would you build and why?

PLEASE HAND IN THIS EXERCISE AT THE BEGINNING OF CLASS USING THE TEMPLATE PROVIDED IN EXHIBIT 5.

2. If you were John Hynes, how would you make the sales pitch today to the head of a large multinational corporation, such as General Electric or Goldman Sachs, that they should locate in New Songdo City as opposed to or in addition to Shanghai or Tokyo or Hong Kong or Singapore?

3. Will Hynes actually be able to execute his vision? What will go wrong? And what can he do to increase his chances for success?

Please note that the instructor will grade exhibit 5 (up to three points) and count it as part of your participation grade. Points will be awarded based on the quality of submissions.

8:30AM Fri, Dec 11, Aldrich Hall 207 (Classroom)

TOPIC

Summary

End of Module 6 - Cutting-Edge