

# Humphrey School of Public Affairs University of Minnesota

## PA 5221 001 - *Private Sector Development* – Syllabus **Date: 4/18/23**



432 Park Avenue, New York, NY. Design and rendering by Rafael Viñoly Architects.

### Course Information and Logistics

#### Basics

Credits: 3.0  
Day/Time: Friday Mornings, 9:00-11:45AM, (September 8 – December 8, 2023)  
Classroom: HHH #15  
Mode: In person class every week plus asynchronous lectures/videos

**Instructor** Peter Hendee Brown, FAICP, FAIA, PHD

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**Office Hours HHH 295-03: 12:00-1:00PM Mondays and by appointment**

I will stay after class to answer questions. I am also available by appointment by phone, email, text, or zoom, and we will respond as quickly as I can to email. (Please use my personal email – I check it more regularly than my UMN email.)

#### Communications

I will also periodically send emails to the entire class. You are responsible for regularly checking your UMN email account. Let me know if you use a different email address.

### **Format – “Flipped Class” w/ Asynchronous Lectures**

Class will meet live/in-person during the scheduled class time. Class is scheduled once a week for two hours and forty-five minutes (2:45), from 9:00AM to 11:45AM. Our time in class together will be dedicated to discussion of cases, assignments, readings, and guest visits. I will post to Canvas my own pre-recorded video lectures/slide shows. There will be asynchronous lectures most weeks, typically broken into sections (for example, three videos, 10 minutes each = one lecture). Assume 30-60 minutes of asynchronous lecture time each week.

### **My Rules**

- Attend every class – If you must miss a class, send me a message in advance.
- Prepare for class – Do the required work before class and be prepared for discussion.
- Be curious – Think about your own experience of real estate and ask questions.

### **Classroom Norms**

- Use evidence and clear statements to identify problems and propose solutions.
- Be hard on problems and solutions, not on people. Challenge others' positions in the spirit of appreciative inquiry.
- Listen to others carefully, respectfully and with empathy.
- Allow time and space for all to speak who wish to speak.
- Don't assume that any aspect of a person's identity defines their views on a topic we are discussing. Nor should you assume that anyone in the class automatically serves as a spokesperson for any particular group.

## **Introduction – About the Course**

### **Introduction**

While policymakers, public administrators, planners, and members of the community all play their parts, in the end, it is private sector developers who really build our cities. Developers use a wide variety of tools, skills, and resources to identify, analyze, and capitalize on opportunities that may not be apparent to their competitors or the public. Developers are also entrepreneurs who play for high stakes so they must possess an extraordinary tolerance for both ambiguity and risk if they are to realize their creative visions – and their anticipated profits.

This course is for those students interested in gaining an understanding of how the real estate development process works from the viewpoint of the private developer. The course is designed to promote an understanding of the structure of urban real estate markets, the techniques of analysis and planning for real estate development, the leadership and management skills required to see a project through to completion, and the character of the entrepreneurial developer. It emphasizes quantitative methods including site and building analysis, market analysis, and economic analysis through the creation and manipulation of “pro-forma” financial statements. At the same time students will be required to consider qualitative issues such as a product quality, site/location, developer's background, temperament, goals, and access to resources as well as the importance of “fit” between a developer, a project, and other team members and actors including equity partners and lenders, architects and builders, government agencies and staff, elected officials, and other local interests. By applying these

qualitative and quantitative methods of analysis to actual projects, students will gain insight into the developer's decision-making process. Through facilitated classroom discussions, students will come to understand how, in a process of creative synthesis, developers combine these tools with money, social and political connections, and personal skills to implement projects and bring their grand plans to fruition.

The focus of the course will be on the acquisition, development, ownership, operation, and disposition of rental real estate, with an emphasis on the four main commercial real estate product categories – office, retail, industrial/warehouse, and multi-family housing (apartments). Attention will also be given to for-sale housing and condominiums, land development, non-profit development, and large-scale urban redevelopment. The course will consider the reconciliation of private interests with public goals, but from a distinctly private market viewpoint – that of the developer.

### **Course Objectives**

The course will provide students with a framework that integrates theory and practice into a developer's-eye-view of urban real estate development. Students will gain an understanding of the development process, real estate markets and products, the project cycle, and the developer's motivations and decision-making process.

### **My Teaching Philosophy**

The famous Cambridge mathematician and philosopher Alfred North Whitehead believed that there was a three-stage "cycle of learning" that began with "romance," or an interest in the subject; then led to "precision," and learning the techniques and methods required to understand the subject; and ending with "generalization," and applying what has been learned in other areas. This course design is based in spirit on Whitehead's cycle of learning and so, throughout the course, students will pursue the following three related objectives:

- ***Romance***: Develop an interest in and a general understanding of the real estate development business including products, markets, and actors, with an emphasis on developers and particularly their personalities, motivations, and interests.
- ***Precision***: Grow beyond *romance* by learning how to build and manipulate quantitative and qualitative tools and use them to evaluate a real estate opportunity. Students will learn how to create and manipulate their own "pro forma" economic models and use them to evaluate the economics and finances of an investment or business.
- ***Generalization***: Combine *romance* and *precision* to generalize across a broad spectrum of urban development activities from the perspectives of a variety of actors ranging from developers, investors, and lenders to city planners, elected officials, and community members.

With this combination of *romance*, *precision*, and *generalization*, you will be well prepared to sit across the table from a developer and represent the interests of the government, non-profit organization, or private sector company that you work for. And for those students who are interested in working directly in the real estate industry, you will be able to confidently tell prospective employers, "I know how to create a proforma," and that may just help you get a job.

## Workload

There will be weekly assignments throughout the semester, including three home-works; six or seven case studies; one book review; and a take-home final exam, which will be a case study due on the last day of class. You will complete the case studies as teams, which should reduce your individual workload for the rest of the semester. Staying current with the weekly assignments throughout the semester is important to learning and success in the course.

## Required Course Materials: Harvard Business School (HBS) Coursepack

Students will be required to purchase a coursepack directly from Harvard Business School's website that will include eight case studies and three additional readings for a total of \$42.50. Each student is required to buy his or her own set of materials. The following link will take you to the HBS website and coursepack for this course:

<https://hbsp.harvard.edu/import/1007366>

## Required Reading

Brown, Peter Hendee. *Development 101: Class Notes for Students of Private Sector Development, 2018*. This short manual, an outgrowth of the instructor's teaching notes, is intended as a simple guide to the basic tools used in analyzing real estate. A PDF of the whole book has been posted on the "course and assignment resources" module of the course website (no cost). Individual chapters have been posted in weekly modules. ***Consider this to be your training wheels for the first few weeks of class.***

The instructor will also periodically email and/or post on Canvas current, industry-related news articles that will be required reading and will be discussed in class.

## Excel Proficiency

It is assumed that all students know the basics of how to create and manipulate Excel spreadsheets. Computer-based spreadsheets are widely used in the real estate industry and for this class, students will create their own spreadsheets in preparing responses to the case studies and will learn to use several financial formulas. All of that said, this course stresses the understanding of basic concepts and the analytical power of "back-of-the-envelope" (BOE) calculations. Most real estate financial analyses require nothing more than third grade arithmetic and a little high school algebra, and the same goes for the work in this course. *The math is easy.*

## Course Copyright

The instructor has the copyright on this syllabus and all lectures, lecture notes, video lectures, and slide show presentations. Students are prohibited from selling or being paid by any person or commercial firm for taking notes or recording class lectures without the advance express written permission of the instructor. Exceptions are permitted for students with a disability who receive the instructor's approval in advance for note taking or tape recording as an academic accommodation. Some images from this syllabus were found on-line or taken from resources that are not accredited to the instructor.

## Evaluation

Evaluation will be based upon four key areas: weekly case studies, homework assignments, a book review, and a final take-home exam that will be a case study. Because the course is built around case studies, you will be evaluated on your willingness to embrace the case study method of learning, including your preparation and contribution to class discussion. Through the case study method, you will learn not only from case preparation but also from actively participating in class discussions and from listening to and learning from fellow students. Most important, you will learn that there is no one “right answer” to a case study and that the best answer is one that has been thoroughly analyzed, well-reasoned, and confidently presented.

*Finally, to be clear, for each assignment you will be required to step into the shoes of the developer, make a recommendation as to how you would proceed, and then support your recommendation with a clear and concise argument that addresses all issues relevant to your decision. Identifying a handful of options and sitting on the fence will not be adequate – you must commit to answering the question, “what would YOU do, why, and how?”*

### **Homework Exercises: 20%**

Students will complete three homework exercises in the first few weeks of class. These exercises can be found at the ends of each of the first three chapters of “*Development 101*” and they are designed to build your basic skills and understanding of economic analysis. Most homework questions can and should be figured out in pencil with the help of a hand-held calculator. Other assignments will require you to create and manipulate excel spreadsheets.

### **Case Studies 40%**

Throughout the course, we will use the “case study method” of learning. The analysis and implementation of real estate projects will be explored with seven or eight case studies based upon actual projects. Students will prepare cases in teams that will be assigned by the instructor; however, all students are strongly encouraged to work on both the write-up and the spread sheets (the final exam will also be a case, completed individually so you must know how to “do the math” yourself). The class will discuss each case for 45-60 minutes, during which time students will be required to assume the perspective of the developer and consider what should be done about the project. Evaluation will be based upon the quality of class participation and the completeness of the case write-up. The instructor will review case study submissions for completion and for quality of analysis generally but will not always provide detailed feedback on individual assignments. Rather, students should understand that the real feedback and learning flows from the facilitated in-class discussion.

**Case write-ups and spreadsheets are due at 10:00 PM Sunday the night before class.** Case write-ups that are complete, basically correct, and well-presented will receive a score of 10 even if there are minor math errors. Incomplete/inaccurate submissions will be marked down accordingly. See the rubric in the assignment on Canvas. I plan to grade and return all case write-ups at the beginning of class the following week, but it may take two weeks sometimes.

**Book Review: 20%**

Choose and read/listen to one of the books on the list at the end of this syllabus. Some are on reserve and available as hard copies, e-books and audio books, and some can be bought used/cheap. Write a book review of a maximum of 500 words that summarizes what the book is about, addresses three or four issues discussed in class (such as risk, ambiguity, entrepreneurship, product type, design, market timing, financing, etc.), and that offers an opinion on the book itself. Examples of book reviews are available on the course website for reference. See the class schedule for the due date. We will discuss the books in class. Your grade will be based on understanding of the book, structure of the paper/presentation, quality of writing, and originality of your analysis and review.

**Final Exam: 20%**

The final exam will be a take-home exam. The exam will be a case study, like those discussed in class, however you will work alone. You can use as much time as you like but as a guideline 6-8 hours should be adequate. The exam will be assigned at the end of second to last class and will be due at the beginning of the last class (see class schedule for exam dates).

**Grading**

Homework Exercises	20%
Case Study write-up	40%
Book Review	20%
Final Exam	20%
<b>Total</b>	<b>100%</b>

Final grades will be assigned based on percentage (90% and above = A range, 80% and above = B range, etc.). Please review the University Senate Uniform Grading and Transcript Policy if you are unsure about the standards associated with each letter grade: [www1.umn.edu/usenate/policies/gradingpolicy.html](http://www1.umn.edu/usenate/policies/gradingpolicy.html)

**Show all your work**

For all assignments you should show all your work. If you make a small math error but have the principles correct, I will be generous in grading, but if you do not show your work, I will not be able to tell where you made your error. Submit your unlocked spreadsheets via Canvas.

**Presentation matters for all assignments**

Presentation is important, now and in your future professional endeavors! Keep it neat, clean, and readable – it should be something you would be willing to submit to a boss or client. Make sure all assignments are copy-edited for typos and that spreadsheets are graphically readable. Be sure to format your spread sheet tables so that they fit on one page.

## Expectations for Case Write-ups

Beginning in the fourth or fifth week of class, there will be a case study assigned for most weeks throughout the remainder of the semester. The specific case and the questions that must be answered for your case write-up assignments are identified in the weekly schedule part of this syllabus (below). For all cases you will be required to develop qualitative and quantitative analytical approaches and to synthesize your results to answer the questions. More specifically, for each case you are required to answer this question: What would YOU do and why?

### Quantitative Analysis:

You will create spreadsheet tables of some kind for each case write-up. These may be a “set-up” or “pro forma,” that you will use to summarize and analyze the financial and economic facts of the case. Most cases contain a first cut of a “set-up” or “proforma” in table form that you can use as a template to create and modify your own spreadsheet. Then you will copy or modify that spreadsheet and use it to and test out different assumptions. (Often in the case, the first pro forma doesn't work perfectly, so your job is to create a version with new assumptions to see if it works better). Other qualitative facts and information will be distributed throughout the narrative of the case (the cases are basically short stories with additional information appended at the end). These facts and information should be gathered and used to influence your analyses and your spreadsheet. For example, a case may have a narrative section where a lender discusses a different interest rate, which you might then test as a variable in your proforma.

### Qualitative Analysis:

Some questions require a more qualitative form of analysis. Qualitative information may include things like the location, age, and condition of the property, current market conditions, local political or regulatory environment, and the character and interests of the developer. But even qualitative information can be arrayed in table form to make it easier to visualize, analyze, evaluate, and prioritize before making a judgment or decision. For example, tables illustrating pros/cons from the user perspective; \$/\$/\$/\$\$ of different options, etc.

### The Final Product - Synthesis:

The final case write-up will consist of a 1–2-page memo-form word document supplemented with excel spread sheet tables that, together, synthesize the quantitative and qualitative analyses and summarize the reasoning behind your answer to the question of “what would you do and why?” Your memo should begin with a short paragraph that sums up the situation, the decision(s) required, and your general approach. Then answer each question with a brief paragraph or a couple of sentences, augmented by bullets and/or quantitative analysis as appropriate. Your answers should be complete, concise, well written, and reflect a thorough analysis and understanding of the case. Cryptic and one-word answers to questions will not be acceptable.

## Class Schedule

### **Week 1 (9/8): Introductions, Valuing Real Estate Part I: The Back of the Envelope**

Watch Before Class: Brown, video lecture, "Introduction to the Course"

Read Before Class: The Syllabus; Brown, *Development 101*: Introduction.

Discussion: What's your apartment worth?; expectations for Homework Assignments

### **Week 2 (9/15): Valuing Real Estate Part II: Using Spreadsheets**

Due Before Class: Homework #1 (At end of Dev 101, Chapter 1)

Watch Before Class: Brown, video lecture

Read Before Class: Brown, *Development 101*, Chapter 1 (Chapter 4 for reference)

Discussion: The time-value of money, discounted cash flows, Homework

### **Week 3 (9/22): Financing Real Estate Development**

Due Before Class: Homework #2 (At end of Dev 101, Chapter 2)

Watch Before Class: Brown, video lecture

Read Before Class: Brown, *Development 101*, Chapter 2, (Chapter 4 for reference).

Discussion: Guest, Types of mortgages, interest costs, Homework

### **Week 4 (9/29): Measures of Return and Review**

Due Before Class: Homework #3 (At end of Dev 101, Chapter 3)

Read Before Class: Brown, *Development 101*, Chapters 3, 4.

Watch Before Class: Brown, video lecture

Discussion: Guest, Homework, "developers," expectations for Case Studies

### **Week 5 (10/6): NO CLASS - APA MN CONFERENCE IN ST. CLOUD**

### **Week 6 (10/13): Doing your first deal**

Due Before Class: Case Write-up – *Revere Street*

Watch Before Class: Brown, video lecture

Read Before Class: Hammond, J. *Learning by the Case Method*. HBS case note 9-376-241, rev. April 16, 2002, 5 pp.

Discussion: Guest, Case Study

Case Study: Segel, Arthur and William Poorvu. *Revere Street*. HBS case 9-800-147, rev. April

2008, 14 pp.

Although inexperienced in real estate, Edward Alexander hopes in June 1999 that youthful enthusiasm and an \$80,000 inheritance will help him enter the real estate business. Alexander decides to buy a small multiple-unit building in Boston as a residence and an investment. He learns about finding and valuing properties, property management, construction, and mortgages. After some difficulty he finds a building in an area that is increasing in value. The previous owner has run out of funds to complete renovations.

#### Questions for Class Discussion:

1. How did Alexander search for his property?
2. Evaluate the property on Revere Street. What issues are important to you? What are the risks and rewards?
3. Which people helped Alexander in the process and what functions did they perform?



4. What are the problems relating to the rehabilitation work proposed?
  5. Run the numbers for the two different mortgage alternatives and compare ROA and ROE. Should Alexander invest in the deal and if so, which alternative?
- \* Note: For this case write-up you must create a one-year budget or “set-up” based on the scenarios in the case (review Chapter 1 and HW#1), then modify it to reflect the alternative mortgage, and then compare the two scenarios.

### **Week 7 (10/20): Doing your next deal**

**Due Before Class: Case Write-up – Ft Myers Eldercare**

**Watch Before Class: Brown, video lecture**

**Discussion: Guest, Case Study**

**Case Study:** Poorvu, William and Arthur Segel. *Ft. Myers Eldercare*. HBS case 9-898-041, rev. March 2004, 23 pp.

Benjamin Dana is an experienced multifamily developer in fast growing Ft. Myers, Florida with a buildable, well-located 2.8-acre site he has held for several years. Dana needs to decide if he should sell or develop the land. He has heard that eldercare facilities are quite profitable. Given that his two parents are in need of an assisted living facility coupled with his own interest in getting into a new profitable business, he explores congregate care and assisted living development options. Dana has to decide whether or not to proceed and if so, whether to operate it himself and how to finance it.

#### **Questions for Class Discussion:**

1. Has Dana done a good job researching his options? Discuss.
  2. What are the advantages and disadvantages of each of Dana’s options: selling the land, congregate housing or assisted living?
  3. Prepare a development budget and set-up for each of the two assisted living financing options. What are the initial returns on cost (ROA) and equity (ROE) for each option? How does the use of conventional debt compare with tax-exempt debt in terms of returns?
  4. Which option would you choose and why? If you chose an equity partner, who would you choose and why?
- \* NOTE: You DO NOT have to do a multi-year income statement for this case, just the original set-up and the alternate set-up, like Revere Street.

### **Week 8 (10/27): The Cost and Value of Parking**

**Due Before Class: Case Write-up – Prospect Hill**

**Watch Before Class: Brown, video lecture**

**Discussion: Guest, Case, Q&A/How are we doing?**

**Case Study:** Poorvu, William and Katherine Sweetman. *Prospect Hill*. Harvard Business School case 9-390-011, 1992, 20 pp.

Bill Hassett, a partner in the Nelson Companies, has to make some important decisions regarding the expansion of Prospect Hill Executive Office Park in Waltham, Massachusetts. The pre-development issues concerning him about the

Hillside Building include how to position Hillside in a softening market, how to handle certain parking issues, and whether expanded day care facilities would enhance lease-up or increase expenses. He is also considering arranging an interest rate hedge on the adjustable-rate interest. This case deals with suburban development issues, and focuses on adapting to possible structural changes in the real estate industry.

Questions for Class Discussion:

1. Describe Arthur Nelson? What has he succeeded at doing in his career – what is his “brand?” What do you think of his strategy for Prospect Hill? What do you think of the decisions he has made to date?
  2. What is happening in the rest of the surrounding market in terms of rents and vacancy? Where does the Hillside building fit into this picture? Should The Nelson companies go forward with the Hillside building, given these market conditions?
  3. Focus your analysis on these two questions: What would your decisions be concerning the parking alternatives? What would your decisions be concerning the amenities?
  4. Some tips for how to do this case:
    - a. You can't figure ROE because Hassett is valuing the contributed equity – the land - at zero. Instead consider the effects of the different scenarios on CFAF.
    - b. Start with Hassett's setup on page 5. If you use a cap rate of 9%, what is his CFAF worth? That is the profit. Expand his setup to include sources and uses, mortgage amount, and annual debt service.
    - c. Now try a few different scenarios based on that setup. Figure out how the capital costs, operating costs, and debt service change with the other two parking alternatives and how this affects CFAF and profit. Do the same for the daycare center. Create a table analyzing each of these three variables. Based on your analyses, what combination of parking and daycare would you pick?
    - d. Disregard the questions about the interest rate hedge
- \* NOTE: You DO NOT have to do a multi-year income statement for this case, just the set-up through CFAF and ROA/ROE. You must also do some economic analysis to address each of the questions Hassett is confronting – parking and amenities (skip the question about interest rate hedge). You can assume a 9% cap rate for the purposes of determining total value and profit for different scenarios.

**Week 9 (11/3): Analyzing a Real Estate Opportunity**

Due Before Class: Case Write-up – *Shady Trail*

Watch Before Class: Brown, video lecture

Read Before Class: Poorvu, William J. *Financial Analysis of Real Property Investments*. HBS case note 9-379-193, August 8, 2013, 25 pp.

Discussion: Guest, Case

*Case Study:* Segel, Arthur. *Shady Trail*. Harvard Business School case 9-899-143, Rev 7/2003, 12 pp.

Holt Lunsford was intrigued by the packet of papers that lay in front of him. The papers comprised a brochure that Lonestar Bank had put together in an effort to sell the Shady Trail Distribution Center in Dallas, Texas. Shady Trail was a five-year-old, 120,000-square-foot distribution warehouse facility located on the west side of Dallas. Lonestar was asking \$4 million for the property. It was September 2003, and the Dallas real estate market was plateauing and the capital markets were in disarray. Lunsford had convinced 11 friends to put up \$100,000 each in addition to his own \$100,000 to acquire one or two troubled properties. Lunsford decided to focus on warehouse properties due to their relatively small size, their strong historical performance, and his relevant experience. He wondered whether Shady Trail would make a good investment.

Questions for Class Discussion:

1. Is this a good property for Lunsford to acquire? Why or why not? Discuss/explain.
  2. What assumptions has Lunsford made in creating his original and revised setups for Shady Trail? What changes, if any, would you make to his revised setup?
  3. What price should he pay for the property, if he decides to buy it, and why?
  4. Using the “back-of-the-envelope” 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.
  5. Make your best proposal: What would YOU do, re rents, vacancy, sales price, mortgage terms (LTC, amortization period), etc.
  6. How are the returns on your proposal affected if: a) the interest rate on the loan goes up/down by one percentage point? b) The exit cap rate goes up/down by one percentage point? c) The LTC changes from 70% to 80%/65%? Which has the biggest impact on returns and does it affect your proposal?
- \* NOTE: You must recreate each of the tables in the case and then modify the assumptions to answer the questions in this case.

**Week 10 (11/10): Comparative Financial Analysis of Real Estate Investments**

Due Before Class: Case Write-up – *Angus Cartwright III*

Watch Before Class: Brown, video lecture

Discussion: Guest, Case

Case Study: Hatten, Kenneth J., William J. Poorvu, and Howard H. Stevenson. *Angus Cartwright III*. Harvard Business School case 9-375-376, Rev. September 2004. 20 pp.

Judy and John DeRight, looking to diversify their investment portfolios, have retained Angus Cartwright III to identify prospective real estate acquisitions. Mr. Cartwright has four potential properties that he feels merit an in-depth financial analysis. The case provides an opportunity to examine the various components of real estate return--cash flow, tax benefits, and futures--and measure the profitability of a proposed investment through the calculation of net present value, internal rate of return, and capitalization rate.

Questions for Class Discussion:

1. Using the method for financial analysis employed by Cartwright for the Alison Green property, what are the financial returns for the other three properties?

2. Fill out all the exhibits in the case. Students may work in groups of up to three people for this case.
3. Which potential investment(s), if any, would you suggest for each of the investors and why, based on their goals? Which Cousin should buy which project? How many should each cousin buy – one or two, and which ones?

**Week 11 (11/17): Book Reviews**

Due Before Class: Book Review Assignment

Watch Before Class: Brown, video lecture

Discussion: Guest, Book Reviews, Jeopardy!

**Week 12 (11/24): THANKSGIVING BREAK – NO CLASS**

**Week 13 (12/1): Design, Planning, Politics, and Partnerships**

Due Before Class: Case Write-up – *Waltz on the Danube*

Watch Before Class: Brown, video lecture

Discussion: Guest, Case

Case Study: Segel, Arthur I., Vincent Dessain, and Anais Loizillon. *Waltz on the Danube*.

Harvard Business School case 9-804-021, Rev: March 10, 2004.

Walking out of a grueling three-hour project team meeting on March 21, 2003, 32-year-old Dr. Philipp von Wilmsowsky took a deep breath and smiled to himself. “This project is like a giant jigsaw puzzle,” he thought. “It was fun, time consuming, but would he be able to complete it with all the right pieces in place?” As director of Hungarian operations for ECE Projektmanagement, a German real estate development conglomerate, Philipp had worked for two years on a 30,000 square meter, 75 million Euros shopping center project located along the Danube River in the city of Győr. Lining up four credit anchor tenants had been easy; finalizing the site acquisition, the permits, the design, and the financing was going to be a lot tougher.

Questions for Class Discussion:

1. Is there an adequate market in Győr? How much of the area’s market must the retail center attract? Will there be enough retail sales to support rents? Are rents adequate to support the development? How does the underground economy affect your analysis? Use the information and numbers presented in the case and organize into a table or spread sheet - consider population, income, unemployment, purchasing power, expected retail sales/sm.
  - a. Determine retail demand for the area (use population and purchasing power/person)
  - b. Determine projected retail sales for ECE total and per square meter (use square meters, projected sales)
  - c. Determine ECE’s share of the market (retail sales as % of total retail demand for area)?
  - d. What are the occupancy costs as a % of sales – are the rents affordable (use rents, projected sales)
2. Summarize each of the three design options. What design option is the most attractive to each of the various constituents and why?
3. If you were Philipp, how would you structure the deal with your development partner? If you were an investor, what would you want?

4. What factors should one take into consideration to perform a sensitivity analysis? How should Philipp take these assumptions into consideration to evaluate the viability of this venture? Create a table that illustrates
  5. What market opportunities and barriers exist in this particular deal?
  6. Should Alexander Otto proceed with the deal and if so based on what assumptions?
  7. Your write-up should summarize the information and the economic analysis and include your recommendation for how YOU would proceed with the project: Which scheme? Which assumptions: pref, deal structure, and split of excess cash flows and sales proceeds.
- \* NOTE: To answer these questions, begin by recreating the tables in the case. Recreate the ten-year cash flow spreadsheet for scheme 1 and then copy it to create schemes 2 and 3. Create a table that offers a qualitative comparative analysis of pros and cons of the three schemes. Create a table that shows your sensitivity analysis, specifically, the effect of different variables on IRR for ECE and investor for each of three schemes. Create a table that summarizes the market in Gyor.

### **Week 14 (12/8): Last Class! Career Planning, Life, and Wrap-up**

Due Before Class: Final Exam - Take-Home Case Study - Individual

Discussion: Final Exam Case, last lecture, thanks, and farewell!

## **Recommendations for Book Review Assignment**

Bagli, Charles. *Other People's Money: Inside the Housing Crisis and the Demise of the Greatest Real Estate Deal Ever Made*. New York: Penguin, 2013. (This book is about a **Deal and the Real Estate Bubble/Recession**.)

Brown, Peter Hendee. *How Real Estate Developers Think: Design, Profits, and Community*. Philadelphia: Penn Press, 2015. Obviously, the **best book about developers**.

Gruen, Victor, and Anette Baldauf (editor and translator). *Shopping Town: Designing the City in Suburban America*. Minneapolis: University of Minnesota Press, 2017. (This is an excellent autobiography by the "grandfather" of the suburban mall.) On Reserve as print book and e-book.

Moskowitz, P.E. *How to Kill a City: Gentrification, Inequality, and the Fight for The Neighborhood*. New York: Bold Type Books, 2017. Book about **gentrification** driven by the finance industry. Readable, good, negative.

Perez, Jorge. *Powerhouse Principles: The Ultimate Blueprint for Real Estate Success in an Ever-Changing Market*. New York: Celebra, 2009. This is a handbook by the Miami developer known as "**The Trump of the Tropics**."

Poorvu, William J. and Jeffrey L. Cruikshank. *The Real Estate Game: The Intelligent Guide to Decision Making and Investment*. New York: Free Press, 1999. Good book by a developer who also taught at Harvard - **he wrote most of cases we use in class**.

- Ross, Andrew. *Sunbelt Blues: The Failure of American Housing*. New York: Metropolitan Books, 2021. Case study of **motel living by the homeless/unhoused** in Central Florida as an example of the housing crisis in America.
- Soules, Matthew. *Icebergs, Zombies, and the Ultra Thin: Architecture and Capitalism in the Twenty-First Century*. Hudson, NY: Princeton Architectural Press, 2021. Interesting book about the **financialization and commodification of architecture and real estate**.
- Stein, Samuel. *Capital City: Gentrification and the Real Estate State*. New York: Verso, 2019. Book about **gentrification** that argues that planners play a central role in shaping cities through policies that support real estate capital and lead to the demise of community.
- Ward, Vicki. *The Liar's Ball: The Extraordinary Saga of How One Building Broke the World's Toughest Tycoons*. New York: Wiley, 2014. Great book about one **Building**.
- Wolfe, Tom. *A Man in Full*. New York: Farrar Straus and Giroux, 1998. In this terrific novel, Tom Wolfe **captures the developer's personality** and the flavor of the business like few other books in print, fiction, or non-fiction.
- Zell, Sam. *Am I Being Too Subtle? Straight Talk from a Business Rebel*. New York: Penguin, 2017. (An **autobiography of a famous entrepreneur** who started in real estate.

## Recommendations for Further Reading

### The search for meaningful work, selling yourself, success in life & work

Newport, Cal. *So Good They Can't Ignore You: Why Skills Trump Passion in the Quest for Work You Love*. Grand Central Publishing, 2012. The point is not to try to follow your passion, but to just **practice and get good** at what you do.

G. Richard Shell and Mario Moussa. *The Art of Woo: Using Strategic Persuasion to Sell Your Ideas*. Penguin Books, 2008. A great book about **selling ideas** and persuasion.

### Negotiating

Fisher, Roger, William Ury and Bruce Patton. *Getting to Yes: Negotiating Agreement Without Giving In, Third Edition*. Penguin, 2011. Classic about **negotiation**.

G. Richard Shell. *Bargaining for Advantage: Negotiation Strategies for Reasonable People, 2<sup>nd</sup> Edition*. Penguin Books, 2006. An better book about **negotiation**.

## **Adherence to Relevant University Policies**

In all of your work, students in this course are expected to adhere to the following the following university policies:

1. Grade definitions from the Administrative Policy
2. Scholastic Dishonesty
3. Makeup Work for Legitimate Absences
4. Use of Personal Electronic Devices in the Classroom
5. Appropriate Student Use of Class Notes and Course Materials
6. Student Conduct Code
7. Sexual Harassment
8. Equity, Diversity, Equal Employment Opportunity, and Affirmative Action
9. Academic Freedom and Responsibility: For courses that do not involve students in research

The full text of these policies can be found at the following link:

[http://www.policy.umn.edu/Policies/Education/Education/SYLLABUSREQUIREMENTS\\_APPA.html](http://www.policy.umn.edu/Policies/Education/Education/SYLLABUSREQUIREMENTS_APPA.html).

### **Mental Health and Stress Management:**

As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce a student's ability to participate in daily activities. University of Minnesota services are available to assist you with addressing these and other concerns you may be experiencing. You can learn more about the broad range of confidential mental health services available on campus via the Student Mental Health Website at <http://www.mentalhealth.umn.edu>.

Remember that there are advisors in the Humphrey Student Services office who are trained and experienced counselors. They are available at very short notice to address any concerns you have and provide further resources within the University. **Humphrey Student Services, HHH 280, 612-624-3800**

### **Disability Accommodations:**

The University of Minnesota is committed to providing equitable access to learning opportunities for all students. Disability Services (DS) is the campus office that collaborates with students who have disabilities to provide and/or arrange reasonable accommodations.

If you have, or think you may have, a disability (e.g., mental health, attentional, learning, chronic health, sensory, or physical), please contact DS at (612) 626-1333 to arrange a confidential discussion regarding equitable access and reasonable accommodations.

### **Sexual Harassment, Sexual Assault, Stalking and Relationship Violence**

"Sexual harassment" means unwelcome conduct of a sexual nature when it is stated or implied that an individual needs to submit to or participate in conduct of a sexual nature to maintain their education standing, or when the conduct is severe, persistent or pervasive and unreasonably interferes with an individual's performance or creates an



intimidating, hostile or offensive environment. The University prohibits members of the University community from engaging in, or assisting or abetting another's engagement in, prohibited conduct; requires employees to take timely and appropriate action when they know or should know that prohibited conduct is occurring or has occurred; and addresses violations of this policy through disciplinary or other responsive action up to and including termination of employment or academic dismissal.

For additional information, please consult Board of Regents Policy:

[https://regents.umn.edu/sites/regents.umn.edu/files/policies/Sexual\\_Harassment\\_Sexual\\_Assault\\_Stalking\\_Relationship\\_Violence.pdf](https://regents.umn.edu/sites/regents.umn.edu/files/policies/Sexual_Harassment_Sexual_Assault_Stalking_Relationship_Violence.pdf)

We want to let you know that, in our roles as University employees, we are required to share information that we learn about possible sexual misconduct with the campus Title IX office that addresses these concerns. This allows a Title IX staff member to reach out to those who have experienced sexual misconduct to provide information about the personal support resources and options for investigation that they can choose to access.

You are welcome to talk with either of us about concerns related to sexual misconduct. You can also or alternately choose to talk with a confidential resource; the University offers victim-advocacy support professionals, health services professionals, and counselors that will not share information that they learn about sexual misconduct.

### **Just in case...Policies around Zoom Recordings and/or Pre-recorded Lectures**

This course may include video and audio recordings of class sessions. These recordings may be used by the instructor for educational purposes in other courses. Students must seek instructor permission to share either course recordings or course content/materials. Similarly, instructors who wish to share zoom recordings with other sections or classes must seek and document permission from students whose image or voice are in these recordings.

#### Zoom/Classroom Practices:

- All Zoom sessions will be recorded and will have live captioning provided.
- Students are asked to include their gender pronouns in their Zoom name.
- Recordings of weekly class will be posted to Canvas.
- In accordance with student privacy protections, no recordings of any of the class sessions that show students faces or names can be shared outside of this course.
- To prevent "Zoom-bombing", do not share any class Zoom links on social media or other public places.