

**REAL 444 Section 81 *Real Estate Development*****Kellogg School of Management****Northwestern University****Fall Quarter 2013**

Wednesdays, 6:30-9:30 p.m.

Evanston Campus- Jacobs G44

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Phone:

Course overview and goals

The purpose of this course is to provide an introduction and overview of the arena of commercial real estate development in the United States. The target audience includes students not only interested in pursuing careers in real estate development but also students that may participate in the development process as owners, financiers, designers, and/or contractors. The course will include an outline of the commercial real estate development process in the US focusing on typical strategies, challenges, and risks. The basics of development finance and value creation will be incorporated. Typical examples of development projects of various product types will be presenting each focusing on particular aspects of the process. Course goals will include:

- The development process from beginning to end
- Understanding value creation- the basics
- Roles of development team
- Navigating the public approval process
- Typical structures for project finance and importance of the pro-forma
- Determining market need and analysis
- Addressing execution steps, risks and challenges
- Leadership, decision making and management needs of a successful development

The course will address most aspects of commercial real estate development in the United States and try to answer several common questions:

1. How can I evaluate a potential development opportunity?
2. Understanding market demand; "If I build it, they will come!-Right?"
3. How can I get my projected approved by the local municipality.
4. I am just an investor, how should I look at this potential project?
5. Where is the risk in real estate development?
6. How do the typical financial economics work in development deals? How has that changed in the last four years due to the economic recession?
7. How do you go about successfully executing a project? What are some common pitfalls?

This course will mix a use of lectured topics using simple analytical tools with examples. Homesets should help students think through certain issues covered in class. A few cases will be prepared for class discussion to help understand the decision process. Familiarity with basic microeconomics principles and the time value of money is required.

### **Text-**

**Real Estate Development: Principles and Process 4<sup>th</sup> edition** Mike E. Miles, Gayle Berens, Mark Eppli Published by the Urban Land Institute (ULI) ISBN 0-87420-971-4

### **Grades**

Grades will be based on several factors. The weights for grading are as follows:

Class participation/attendance	20%
Homesets	20%
Case Submissions- Cricket & Steel Street	10%
Final exam	50%

### **Final Exam**

The take home exam will consist of written responses which must be completed on your own without notes or any outside assistance within a fixed amount of time.

**Student Liaison- Name TBD\_\_\_\_\_**

Classroom and Course Requirements:

1. Attendance is critical. Excused absences must be sent in advance by email to Rafael and Bob. Only deserved and legitimate absences allowed.
2. Sign in for each class to designate attendance. You may not sign in for anyone else.
3. Please sit in the same seat each week with your name plates. Helps us learn names more quickly and track class participation.
4. Homesets/Case submissions are due at the beginning of class. You may want to keep a copy for purposes of class discussion.
5. Cold calling will occur, so be prepared for class discussions. Class participation is critical and a portion of your grade. Your grade will be assigned based on informed and constructive participation throughout the course. Quality is important, not solely quantity.
6. Kellogg Honor Code is very important and a training ground for integrity in the real estate business.
7. You are prohibited for using in any way the submissions for any assignments, cases or exams from past REAL 444 classes. Do your own original work. Kellogg Honor Code.
8. Laptops only in rear row if you need them.
9. Cell phone use/internet surfing/texting is strongly discouraged. Be courteous to your classmates.
10. Punctuality is key. Class begins at 6:30 promptly. Plan to arrive early and be ready to go.
11. The last row of classroom seats should remain empty to the extent possible.
12. Be mindful of the time permitted for breaks at mid class.
13. This is an environment to learn, please be respectful of your classmates.

**Course Outline- Updated 10/11/2013**

**Subject to Change**

**REAL 444 Section 81 , *Real Estate Development***

**Kellogg School of Management**

**Northwestern University**

**Fall Quarter 2013**

Wednesdays, 6:30-9:30 p.m.

**Week 1—September 25- Rafael/Bob**

Course Overview/ Introductions

Pre-Development Stage Overview

**Week 2—October 2 - Rafael**

Preparation

Submit Homeset #1- Imperial Motors Site \_Porter/Planning Questions (BBAssign#1)

Additional information \_ Imperial Motors Site Layout (BB Docs #1)

Read Text Book- Real Estate Development Principles and Process -Chapters 10-13

Entitlement Process

Design/ Pre Development Stages

**Week 3—October 9- Bob**

Preparation

Submit Homeset# 2- Proforma (BBAssign#2)-Imperial Motors Part 2 (BB Assign#2)

Modeling and Proformas

**Week 4—October 16- Rafael**

Preparation

Submit Homeset#3- Build a Proforma Assignment (BBAssign#3)

Read Text Book- Real Estate Development Principles and Process -Chapters 8 &9 (skim Chap 7)

Read- The Economics of Real Estate Joint Ventures (BBDocuments)

Project Financing

Bank Financing of Construction Loans- Lender Guest

**Week 5—October 23- Bob**

Submit 503 Cricket Case Prep – Case prep assignment (BBAssign #4)

Discuss 503 Cricket

Marketing

Sales and Leasing

**Week 6—October 30-Rafael**

Preparation

Read several readings on sustainable development from blackboard (BB Documents)

Submit Homeset #5- Prepare Empire State Building Case (BBAssign#5 and 5A)

Case Review – Empire State Building

Sustainable “Green” Development

**Week 7— November 6-Bob**

Preparation

Submit Homeset #4 – Marketing Assignment (BBAssign#6)

Product Types- How do they vary

Project Example Presentation-Guest

**Nov 13– (Wednesday) Kellogg RE Conference- downtown Chicago**

**Week 8— November 13- Bob**

Ownership

Leadership

**Nov 20th – (Wednesday)11:45am - downtown Chicago**

*---Attendance not required but encouraged.*

**Week 9— November 20- Rafael**

Preparation-

Submit Case submission -Steel Street Case (BBAssign#7)

Read Text Book- Real Estate Development Principles and Process -Chapters 19&20

Construction Process

Case Review- Steel Street

**Week 10—December 4- Bob/Rafael**

Guest\_ Project Example- Wrap up

Review Final Exam Process

Course Evaluations

**Final Exam due December 11<sup>th</sup> at 9:00am (tentative)**