

REAL 918B, *Advanced Real Estate Development*
Kellogg School of Management
Northwestern University
Winter Quarter 2010
Tuesdays, 6:30-9:30
Evanston Campus

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Course overview

This course follows REAL 444-A, Real Estate Development and will be a deeper review and study of the major factors that affect the development process. The target student is one that is considering a career in some aspect of real estate development. This could be financing, construction, project management or in the full real estate development ownership process. Specifically the course will focus on the critical parts of the development process including:

- ⊗ Risks
- ⊗ Leadership
- ⊗ Decision making
- ⊗ Financing
- ⊗ Marketing, leasing and selling
- ⊗ Budgeting

The course will be a blend of class discussion, review of current and past events, case analysis and understanding of the key areas in real estate development.

Course Goals

1. Learn the importance of leadership and management expertise in overseeing the development process
2. Evaluate the many aspects of risk that enter into development process. This is critical in order to understand value creation/compensation as it relates to trends and timing.
3. Importance of timely decision-making as circumstances change during the development process.

4. Show the importance of a positive attitude during the development process as endless obstacles arise.

Text

Real Estate Development: Principles and Process 4th Edition, Mike E. Miles, Gayle Berens, Mark Eppli. Published by the Urban Land Institute (ULI) ISBN 0-87420-971-4. Note: This is the same text used in REAL 444-A. The chapter assignments will be specific to the material to be discussed in the following week. Current articles and other development handouts will augment the material in the text.

Grades

Grades will be based on several factors. It is intended that the classes be very interactive and therefore the higher weight to class participation. The weights for grading are as follow:

Class participation	30%
Case analysis and assignments	30%
Final Exam	40%

Final Exam

The final exam will be in class and on the schedule assigned for the Winter Term.

Students will abide by the Kellogg Honor Code.

Classroom etiquette, attendance, administrative issues and out of class availability will be discussed the first night of class.

Course outline

Week 1

Develop a mind map of the real estate development process and discuss the risks associated with each area. This will be a follow-up from the first five weeks and will go into more depth in the areas that are key in the development process. The mind map developed during this first week will be referred to and enhanced over the next weeks.

Week 2

Establish a budget for a project. Discuss the importance of the flow of funds and the risk of predevelopment expenses. Once the cost side is developed then expand into a financial analysis and ownership view. How is value going to be created? How will the project be financed in the current economic climate? Again, where are the major risks? Case Study - Handed out Week 2

Facts from an actual development will be given to the student to create an Excel model of a budget, including predevelopment expenses and final cash on cash return.

Week 3

1. Discuss the models prepared and the unknowns and what it shows about future risk based upon the assumptions that were made.

2. The main topic for week 3 is marketing, leasing and selling. The concept of designing to a market and being aware of trends both past and future will be discussed. Examples of how marketing/leasing strategies can be used to help troubled developments will also be discussed.

Case Study - Handed out Week 3

A case will present the facts in the early phase of 1095 Avenue of the Americas. The question asked will be to evaluate the pros and cons of either continuing in the original marketing direction or changing direction as a result of the market and leasing analysis that is being learned. Also discuss the implications of cost and timing of the development.

Week 4

1. Review of 1095 marketing case. Review analysis of students and then review what actually happened and why.

2. Discussion of leadership, management talent and ability to respond to problems and prompt decision-making. Real estate development is a combination of a number of talents but the biggest is to focus on a vision and lead and coordinate the team to achieve results.

Case Study - Handed out Week 4

This case will focus on the many different disciplines as shown in the mind map and ask how to coordinate and lead these efforts during the distinct phases of pre-development, design and costing, construction and leasing or selling.

Week 5

1. Review case with focus on how the coordination and leadership of a project changes during the phases.
2. Follow two projects from beginning to end with emphasis on the problems encountered, risks, decisions made and ultimate ownership result. The projects will be the re-development of the old Conrad Hilton to the Chicago Hilton & Towers and a multi-family development.