REAL 925 - Real Estate Entrepreneurship
Course Syllabus
Winter Term 2013
Time: Tuesday Evenings 6:30-9:30PM
Location: TBD

Instructor: William M. Bennett

Email: william-bennett@kellogg.northwestern.edu

Office: Jacobs 4230

Office Hours: available by appointment

Mobile: 512.773.9374

Course Description: This course focuses on creating a framework for successful real estate entrepreneurship through theory, analytics, and the application of cross disciplinary training. Topics include creating an investment thesis, sourcing opportunities, investment valuation and underwriting, performing due diligence, legal issues, structuring a transaction, risk analysis/mitigation, fundraising, closing a transaction, and asset management. Individual deliverables consist of a case study solution and homework sets. Team based deliverables will consist of a written business plan, executive summary, and a written and oral fundraising presentation for a real asset investment from the role of a principal investor (or developer) to a panel of high net worth and institutional investors. The course is taught using a combination of lecture and case study, training on actual deal documents, and will be supplemented by guest speakers with topical expertise. Students are expected to diligently prepare for each class, to contribute to the course through sharing their experiences, and to vigorously engage in the learning process. The major goal of the course is to enable students to apply course frameworks and tools to live projects for their firms, and as principal investors.

Teaching Method: This course will consist of lecture, case study, classroom discussion, training on practitioner tools, and guest speakers with topical expertise. The beginning of each class (except those of the student presentations) will be devoted to a "cold-call" discussion covering the readings and assignments.

Course Deliverable: The course concludes with the team pitching a real estate deal at an "investment committee" style meeting. The goal is for the team to concisely explain the investment thesis, explain the sourcing and underwriting of a representative transaction, provide an executive summary and written business plan on the deal, and deliver a compelling oral presentation to raise the capital.

Course Materials: All course materials are provided on Blackboard

Course Schedule: Readings are to be completed prior to the weekly class session.

Week 1: Introduction, Syllabus, Real Estate Investment Framework (January 8, 2013)

Industry Primer: Bennett and Class

Readings for Week 1:

- *Value Added Investing*
- *The Role of Real Estate in an Investment Portfolio*
- *US Quarterly, Prudential Real Estate Investors*

Assignment 1: Email instructor resume, goals for the course (due by 5pm CST Friday January 11, 2013)

Week 2: Underwriting: Transaction Economics & Asset Risk Assessment (January 15, 2013)

Lecture: Bennett & Class (Valuation)

Tools: RS Means Quick Cost Estimator, Costar, RC Analytics, DCF

Team Creation

Topical Expert: James McCormick, AMLI Residential

Readings for Week 2:

- *Valuation Primer*
- *IRR Attribution*
- Extra Reading for those interested: *Contrasting Real Estate with Comparable Investments (1978-2008)*

Assignment 2: Case Study – Denton Green Investors (Due January 29, 2013)

Week 3: Investment Strategy Creation (January 22, 2013)

Lecture: Bennett and Class

Topical Expert: TBD

Readings for Week 3:

- *In Search of Alpha*
- *Active Management of Real Estate Assets*

Assignment 3: Investment Strategy Outline

Week 4: Transaction Sourcing and Structuring (Assignment 2 and 3 due at beginning of class) (January 29, 2013)

Topical Expert: Rajen Shastri, CIO – Campus Acquisitions

Lecture: Bennett and Class

Case Study – Denton Green Investors

Readings for Week 4:

- *Economic Geography*

- *Transaction Sourcing Primer*
- *Property Size and Portfolio Diversification*

Assignment 4: Transaction Sourcing Methodology , Due February 5, 2013)

Week 5: Capital Structuring - Debt, Mezzanine, and Equity (Assignment 4 due at beginning of class) (February 5, 2013)

Topical Expert: Earl Webb, President – Avison Young

Lecture: Bennett & Class (Leverage, Sensitivity Analysis, Promote Structures, Payoff Probabilities)

Readings for Week 5:

- *Understanding Leverage*

Assignment 5: Unlevered and Levered Finance Model (Due February 12, 2013)

Week 6: Transaction Components, Due Diligence & Partnership Risk Assessment (Assignment 5 due at beginning of class) (February 12, 2013)

Lecture: Bennett & Class (phase I, survey, title insurance, financials, property condition)

Topical Expert: David Friedman, Managing Director – Ares Management

Readings for Week 6:

- *Private Placement Memorandum & Operating Agreement*

Assignment 6: Hotel Perennial Case Study (Due February 19, 2013)

Assignment 7: Due Diligence Checklist (Due February 26, 2013)

Week 7: Business Plan Development (Assignment 6 due at the beginning of class), (February 19, 2013)

Lecture: Bennett & Class

Case Study – Hotel Perennial

Readings for Week 7:

- *How to Pitch an Idea*
- *Pages 1-45 The Art of the Start*

Assignment 8: Executive Summary Business Plan (Due February 26, 2013)

Week 8: Fundraising (Assignment 7 & 8 due at beginning of class), (February 26, 2013)

Readings for Week 8:

- *Placement Agents*
- *Preqin Fundraising*
- *Fundraising Presentation*

Assignment 9: Pitch Book (Team), Due March 5, 2013)

Week 9: Closing & Asset Management, Presentation Preparation, March 5, 2013

Topical Expert: Greg Kennealey, Portfolio Manager – KSL Resorts

Lecture: Bennett & Class

Readings for Week 9: *Asset Management Primer*

Week 10: Team Presentations to Investment Committee (Assignment 9 due at beginning of class), March 12, 2013

Evaluation:

Assignments (20%), Case Studies (20%), Class Participation (10%), Peer Review (10%), Final Paper (20%) & Presentation (20%)

Key elements of the final paper include:

- Congruence of investment thesis
- Paper has logical, sequential, and flowing structure
- Depth of relevant research
- Data analysis => key findings
- Clear and concise communication of ideas (graphs, charts, and frameworks are valued)
- Assertions are backed by supporting evidence
- Demonstrated use of course concepts

With regard to participation:

- Excellent participation means that you have been on time to all classes, sponsor meetings, or team meetings, have routinely volunteered good comments, and have answered questions when the opportunity arises.
- Good participation means that you have mostly been on time or missed only a little time, you have occasionally volunteered comments, and have sometimes answered questions posed. Many of your classmates are aware of your participation and approve of it.
- Poor participation means either that you have missed noticeable amounts of class time, sponsor meetings, team meetings, are coming in late and disrupting, and/or had virtually nothing to say, or you are making annoying comments.

Team member evaluation:

You are required to submit a completed Team-Member Evaluation Form to the instructor via email on or before 5pm CST on the Friday following your Team's presentation If you fail to comply, you will receive an "incomplete". The evaluation, covered by the Kellogg Honor Code, may affect the final grade of your peers and yourself. You should take seriously the responsibility of honestly evaluating each team member's contribution to the success of the course and Project. Elements to consider in your team member evaluation include individual effort, originality, expertise, sophistication, and overall Team contribution.

Judges Review: Creating and delivering a compelling presentation to debt and equity investors, third party service providers, and internal employees and partners is a major factor in the success of the real estate entrepreneur. The course concludes with a presentation to a panel of investors and real estate professionals, which will judge the feasibility of proposed projects. Providing a work product that fails to meet Kellogg's high standards is unacceptable, and will result in a grade reduction.

Presentation Evaluation:

Presenting well is critical to professional success. This course is an opportunity to improve your presentation skills. Preparation for the final presentation should be similar in manner to your preparation for a challenging exam. Key elements of the presentation and a grading guideline are shown in the following chart.

	D, F, or Incomplete	C	B	A
Organization & Content (20%)	Presentation has no logical sequence of information, content is disorganized, irrelevant, or inaccurate	Audience has difficulty following the presentation, unsupported assertions or illogical conclusions	Logical sequence of information allows the audience to follow presentation from introduction through conclusion, assertion support chain evident	Information presented in logical, interesting, and flowing sequence from introduction through conclusion & content depth supports assertions and recommendations
Research, Subject Knowledge, Resources (20%)	Presenter does not have an accurate grasp of information and cannot intelligently answer questions about the subject, plagiarism	Basic knowledge of subject is demonstrated, but elaboration is minimal or presenter fails to answer questions, references missing or limited research	Presenter demonstrates in-depth subject knowledge, is at ease with material, answers questions thoroughly, solid research with cited references	Presenter demonstrates expertise in subject through clear and concise explanation, elaboration, question and answer, and key points delivery. Credible, in-depth, and accurate research and data analysis with cited references that supports presentation
Visual Aids (20%)	Presentation has spelling and grammatical errors, is irrelevant, or difficult to interpret	Limited visual aids support presentation	Presentation has relevant visual aids that provide evidence to support assertions and recommendations	Clear and creative visual aids enhance the presentation, reinforce key points, and engage the audience
Delivery (40%)	Presenter reads slides, mumbles, speaks too quietly, has little to no eye contact, and has many non-word or filler interjections (um, uhh, ahh, well, so, etc.)	Presenter's pace is too slow or fast, jumps around, voice is low or unclear, multiple interjections distract audience, or fails to elaborate on key findings.	Presenter clearly and effectively communicates key ideas, speaking and pace comfortable for audience	Presenter clearly and effectively communicates ideas and engages the audience, concise highlighting of key points is engaging

Etiquette for Real Estate Entrepreneurship:

The Kellogg Code of Classroom Etiquette has been established, to assist student and faculty alike to foster appreciation for the learning environment that enhances the learning experience for all students. Attention to the code will add value to the course by creating a more meaningful and constructive discussion. Students, therefore, are expected to demonstrate etiquette based on the following principles:

I. Attendance: Students are expected to attend every class throughout the term. When unable to attend, the student should notify the professor in advance.

II. Punctuality: Students are expected to arrive on time.

III. Exiting and Entering: Students are expected to remain in the class for its duration. If a student must depart early due to unavoidable circumstances, the student should inform the instructor prior to the event. Leaving and re-entering the class or meeting is not permitted, except in an emergency.

V. Disruptive Behavior: Students should demonstrate respect for the professor, speakers, and fellow students during class. Students, therefore, should refrain from distracting behavior such as disruptive eating, using laptops to surf the Web or check e-mail, and texting.

VI. Respect the Facilities: Students are expected to help maintain the appearance of the classroom and office. After class students should discard all trash.

VII. Cell Phone and Laptop Use: Cell phone use is prohibited during class or meetings. Laptop use is prohibited except for presenting.

The Kellogg Honor Code:

All students enrolled in this course agree to abide by the Kellogg Honor Code. The Kellogg Honor Code governs student conduct pertaining to all academic, placement, and extracurricular activities associated with the Kellogg School of Management. Each student agrees:

Not to seek an unfair advantage over other students, including but not limited to giving or receiving unauthorized aid during completion of academic requirements;

to truthfully represent fact and self at all times;

to respect the property and personal rights of all members of the Kellogg community; and

to uphold the Kellogg Honor Code by reporting all material violations, and by fully cooperating with and protecting confidentiality of any Honor Code proceedings.

Enrollment in the course requires acceptance of the terms of this syllabus.

Student Liaison: A volunteer to be student liaison is requested. The total time commitment over the quarter will not exceed 2 hours and include the opportunity to:

a. Be a sounding board for the faculty member on student related issues
b. Communicating any scheduling conflicts to the instructor
c. Organizing dates for lunches or meetings with the instructor and team
d. Collecting TCE's and turning them in to Student Affairs during the last class
e. Responsibilities are similar to Academic Rep responsibilities in 1st quarter core classes

Instructor Availability:

The best approach to reach me outside of class is email: william-bennett@kellogg.northwestern.edu. I will normally respond by the next business day. I am available to meet at other times by appointment, which you can arrange by email. For any urgent issues, please call me on my mobile phone: 512.773.9374.