Instructor: Nicholas Ordway, J.D., Ph.D.
Office Hours: By appointment.
Office: B-204a, College of Business Administration (This is in Suite B-201)
Telephone: 956-7892
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Classroom meetings and times and place: 6:00-8:45 pm on Tuesdays in D201.

Catalog Description: Development of strategic business plans for the optimization of a firm's real property assets. Includes facilities utilization audits, contingency planning, and the impact of new techniques.

Prerequisites: None
Real estate investments provide the basis for personal long-term wealth and are an important asset class for corporate financial managers. This class provides you with an overall framework for understanding real estate investment theory. It uses Harvard case studies to distill key tactics and strategies in improving one's analytical investment skills. Students will apply theory and analytical skills to real-world data in determining market feasibility of proposed real estate developments. The course identifies techniques and processes that create synergistic value in real estate investments. In addition to analysis of proven investment strategies, the course also evaluates "get-rich quick" schemes that are advertised in the media and sold in best-sellers and in expensive seminars.

Course Objectives:
1. To provide you with an overall framework for understanding real estate investment theory.
2. To apply investment theory to case studies in order to distill key tactics and strategies in improving one's analytical skills.
3. To utilize theory and analytical skills in using real-world data to determine market feasibility of a proposed real estate development.
4. To identify techniques and processes to create synergistic value in real estate.
5. To demonstrate mastery of team-building and communication skills by presenting a coherent development proposal to potential investors or lenders.

Textbook:
Richard B. Peiser and David Hamilton, Professional Real Estate Development, 3rd Ed, Urban Land Institute, 2012 (Referred to as PH, example: PH-1, means chapter one in this textbook).

Note also, select journal articles and handouts are assigned. Required articles must be read; reading optional articles will be beneficial. Articles and papers may be periodically distributed.
Grading:
1. Case or article presentations – 20 points
2. Take-Home Exam – 30 points
3. Feasibility Study – 35 points (5 points are based on peer reviews of your contribution to the study. On the last day of classes you need to turn in a memo to the instructor indicating the grade you deserve and the grade other members of your team earned in contributing to the study).
4. Group Project Presentation – 15 points (Will serve as Final Exam)

Grade-Score Equivalents:
A+ = 98 points and above
A = 90 points and above
B+ = 88 points and above
B = 80 points and above
C = 70 points and above
D = 60 points and above
F = below 60 points
Note: No pluses are awarded for grades below “B”.

Course Pedagogy: Lecture; case presentations and discussions, group project and formal group presentation.

Group Project: Market feasibility study – specifications will be provided during Session Six.

Case or article presentations: You and possibly other students will be assigned the responsibility of presenting cases or articles, beginning with Session Five. It is recommended that a Power Point Presentation be used. An assignment sheet will be passed out by “Session Three.” Students who are assigned cases must turn in a one-page summary of key points about the case on the day of the presentation.

Class Policies:
1. Class roll will not be taken except initially to validate the class rolls. BUT if you are called upon and not present, you will lose points so let me know in advance if you will not be able to attend a class.
2. You have a limited license to tape record lectures for your own personal use.
3. Generally any open time/date is available for appointments. Probably the best way to make appointments is by e-mail.
4. You are encouraged to use e-mail to ask questions. However, e-mail is not acceptable for turning in assignments
5. Grades will NOT be provided by instructor via e-mail or telephone.
6. Syllabus and schedule may vary based on changes in circumstances.
7. DON’T PLAGIARIZE. Provide citations for all sources used.

Note: Modifications may be made during the semester based on changes in the business environment or other factors.
Session One – August 25: Client Objectives

Required Readings:
PH-1: Introduction

Optional Reading:

NOTE: BY THE END OF NEXT CLASS INDICATE WHICH CLASS DAYS YOU MAY HAVE A CONFLICT AND WILL NOT BE ABLE TO PRESENT A CASE STUDY. YOU MAY E-MAIL THIS INFORMATION.

Session Two – September 1: The Stages in the Real Estate Investment Process
Required Readings:
PH-2: Organizing for Development

Optional Reading:

Session Three – September 8: Real Estate Markets and the Highest and Best Use Principle in Land Investments

Required Readings:
PH-3: Land Development

Important Handout: Stephen A. Pyhrr, Stephen E. Roulac and Waldo L. Born, “Real Estate Cycles and Their Strategic Implication for Investors and Portfolio Managers in the Global Economy,” Journal of Real Estate Research, Vol. 18, No. 1 – 1999. Note: This is one of the most comprehensive surveys of real estate cycle literature. We will dissect this article in great detail, so it is essential that you read it before the NEXT class session.

Optional reading:

Session Four – September 15: Real Estate Cycles

Required Readings:
Phyrr handout

Discussion on the Phyrr et al. article.
Suggested Readings:

*Instructor Case Presentation: Canary Wharf – Live by the Cycle and Die by the Cycle.*

**Session Five – SEPTEMBER 22: Five Levels of Synergy Potential in Real Estate**

**Required Readings:**

**Case Presentation:** ANDERSON STREET
503 CRICKET ROAD

**Session Six – September 29: Static Synergy Principles to Create Real Estate Value; Dynamic Synergy Principles to Create Real Estate Value**

**Required Reading Handout:** *Real Estate Feasibility Seminar* by James A. Graaskamp

*Instructor Case Presentation: Walt Disney Case*

**Session Seven – October 6: THE FRONT DOOR AND BACK DOOR APPROACHES TO REAL ESTATE PRICING**

**Case Presentation:** TEXTILE CORPORATION BUILDING

**Session Eight – October 13: Multi-Family Projects**

**Required Readings:**
PH-4: Multifamily Residential Development

**Case Presentation:** THE MILLEGIN CREEK APARTMENTS

**Session Nine – OCTOBER 20: Office Development**

**Required Reading:**
PH-5: Office Development

**Case Presentations:** GRAYBAR SYNDICATIONS
TWINBROOK METRO
Session Ten – OCTOBER 27: International Real Estate Investing

Case Presentations: PETERBOUROUGH COURT
                    THE DOMIK PROJECT

Note: EXAM WILL BE DISTRIBUTED

Session Eleven – November 3: Industrial Development
Individual Exam Is Due on this date

Required Reading:
PH-6: Industrial Development

Case Presentations: SOUTH PARK IV
                    THE SCHNEIDER BUILDING

Session Twelve – November 10: Retail Development

We will go over the exam.

Required Readings:
PH-7: Retail Development

Optional Reading:

Instructor Case Presentation: Ray Kroc and Financing the Expansion of McDonalds

Session Thirteen – November 24: Hotel Developments

Case Presentation: TYSONS CORNER

Session Fourteen – November 17: Political and Social Issues

Required Readings:
PH-8: Trends and Issues

Optional Reading:

Case Presentation: FAN PIER
Instructor Case Presentation: Sustainability and Disruption

Session Fifteen – December 1: Get Rich Quick Schemes

Session Sixteen – December 8

Group case presentations
REAL ESTATE INVESTMENT DECISION STAGES

Stage One - ORGANIZATION:
- Investment Philosophy
- Business Objectives
- Entity Selection
- Internal Team
- External Human Support Group

Stage Two – INVESTMENT ENVIRONMENT
- General Economic Conditions
- Cycle Considerations
- Market Opportunities and Constraints
- Government and Political Issues
- Infrastructure Support

Stage Three – SCREEN ALTERNATIVES
- Evaluation Criteria
- Establish Priorities and Tradeoffs
- Consider Sustainability Issues
- Target Markets
- Target Investor Partners
- Search Procedure

Stage Four – SELECT PROBABLE CHOICE
- Determine Type of Development
- Establish Pricing Range
- Find Sites Meeting Criteria
- Select Negotiation Strategy
- Do Preliminary Feasibility Analysis
- Analyze Financing Alternatives
- Negotiate Basic Contract Terms

Check for Consistency With Stage 3
Stage Five – **DUE DILIGENCE**
- Physical Inspection
- Phase I Environmental Assessment
- Examine All Leases and Contracts
- Analyze Public Sector Risks
- Validate Market Assumptions
- Identify Insurable Risks
- Determine Uncertainty Areas
- Anticipate Probable Litigation Risks
- Identify Value-Added Opportunities
- Apply Discounted Cash Flow Models & Ratios

Stage Six – **STRUCTURE THE TRANSACTION**
- Negotiate or Renegotiate Final Terms
- Negotiate Government Concessions
- Finalize Financing & Lender Covenants/Conditions
- Structure to Maximize Tax Benefits
- Risk Assessment and Acquire Appropriate Insurance
- Negotiate Asset Management Contract

Stage Seven – **CLOSING AND ACQUISITION**
- Finalize All Contracts
- Hire Property/Asset Management Team
- Closing and Punch List
- Resolve Conflicts
- Grand Opening/Brand Positioning
- Reinforcing Tenant Relations
Stage Eight – OPERATIONS
- Stabilize Operations
- Vesting of Public Entitlements
- Identify and Correct Physical Defects
- Value Engineering
- Periodic Asset Reviews
- Monitor Market and Competition

Stage Nine – MODIFICATIONS
- Physical Changes (Renovation)
- Market Repositioning
- Tenant Mix Adjustments
- Refinancing
- Seek New Government Concessions

Review Stage 2

Stage Ten – END GAME CONSIDERATIONS
- Portfolio Balancing
- Major Capital Modifications
- Disposition (Sale-Leaseback, Exchanges, etc.)
- Buying Out Partners or Other Internal Restructuring

Go Back to Stage 3