RES 9860
Spring Semester 2012
Room 203-137 E. 22

COURSE SCHEDULE AND ASSIGNMENTS

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COURSE DESCRIPTION

This graduate course provides a basic overview of the central components and requirements associated with real estate development. Central to this are key investment options and development choices. Market and financial feasibility issues are assessed, including deal-level real estate financing issues. The course necessarily platforms upon development trends in the New York region as they affect real estate development options and decisions.

Central to the course will be student initiated case studies of actual development projects and decisions, including meetings with actual developers to review and understand their choices, costs, and decisions. The course will provide an opportunity to meet with and discuss development options and decisions by real estate professionals engaged in various sectors of the real estate industry.
Students will develop their own deal proposals and present them to a panel of investors at the conclusion of the course

Learning Goals/Objectives:

This course will communicate core issues regarding smaller scale real estate development, in high barriers to entry settings like New York. The course will familiarize students with core concepts in development and managing real estate assets, including residential, office and retail properties. There will be an emphasis upon both a basic appreciation of core processes as well as practical guidance on risks and options. The course will make use of select case studies that require students to evaluate risk and return options. Students will become familiar with data and information sources central to conducting market feasibility analyses. Students will gain an ability to communicate clearly about their real estate development proposals using external reviewers as “judges” of their final course reports and power point presentations.

Required and Suggested Readings:

The assigned textbooks are:


[This text is available at the bookstore or through the Urban Land Institute. ]


[This report will be provided via Blackboard and can be purchased from ULI]


[select chapters will be provided in PDF via Blackboard or handed out in class as the text is currently out of print].

Real Estate Press: Students will enjoy and are also required to read monthly or weekly issues of “The Real Deal”, Crain’s, and select New York Times and Wall Street Journal real estate related stories. This material will likely be the subject of classroom discussion and even periodic quizzes.
Suggested readings also include the following:

ULI’s *Residential Development Handbook*, 2004


**COURSE FORMAT**

The course will combine lectures, case study discussions, and students own development project. The first part of the course will be focused on the basic skills associated with market and financial feasibility analysis. The second half of the course will focus on case studies intended to sharpen the student’s practical skills and the students own mini-development case. Active classroom participation by students, based on prior preparation of the readings and case studies, is required throughout the course.

It is important for students to begin with an expectation that real estate development process is complex, time consuming, and cannot be effectively accomplished by a single person. Project development generally requires the effort of several professionals working in concert and you will therefore have to simulate the necessary team work in your final course paper.

There may be periodic quizzes.

**Course Assignments/Requirements:**

1. **Read the Trade Press on Real Estate:**

Students are of course required to master the texts as well as required to read *The Wall Street Journal, the New York Times* real estate material, the *Real Deal*, and *Crain's New York* which have regular stories on local real estate.

For example, a major current/ongoing issue is “the credit crisis” For the NYTimes summary see: [http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit_crisis/index.html?ref=business](http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit_crisis/index.html?ref=business)
The "Real Deal" is at:  http://www.therealdeal.com. The Sunday New York Times real estate section occasionally has relevant stories on commercial real estate, in addition the Business section contains a regular feature. “Square Feet” that is often of use. See: NYTimes.com. Wednesday’s issue of the WSJ includes real estate issues.

2. Examine Real Estate Trends

The Emerging Trends in Real Estate 2012 report will be discussed in class. Select students will initiate a discussion of the core chapters (not the non-US material). Students will become aware that any report written about the overall US market will have advantages and limitations as it relates to understanding the NY market that they should note. Also, because US macro market trends are moving rapidly, and unevenly, there will be degrees of uncertainty that should be pointed out by students.

To complement the Emerging Trends report, students will be able to also elect to read and report on:

a. CoStar’s 4th Q 2011 reports on the US and NY office and retail markets. Students will have access to free accounts with CoStar for this course.

b. Harvard University’s Joint Center for Housing Studies issues an annual report succinctly evaluating just the rental and ownership markets. The collateral assignment is to read their 2011 report chapters: 2 and 5 on “demographic drivers” and “rental housing”. Copies of these later chapters will be posted to Blackboard also


REIS also provides free access to their regular reports on key parts of the US and NY markets.

Students will be asked to volunteer to report on and critique one of these reading assignments beginning with Emerging Trends.

3. Report on a Foreclosed Property

Foreclosures are a major fact of life for most real estate markets today. Because they are typically sold or auctioned ‘as is’ the condition, therefore their use is uncertain. Each student will prepare a concise (no more than 5 typed double-spaced pages) description of a foreclosed or REO filing within New York City.
Students will have access to a free account with Property Shark for this assignment.

Each student will select one or two contiguous foreclosed properties and make use of the website Property Shark to assess the value and condition of the asset. They will then also describe the potential adaptations, uses, and value or rents from this property. They will select a property that best illustrates how some improvement in value can be achieved (by a novice developer). The analysis will include an assessment of comparable properties as a probable guide to uses and value. Note: simple flipping of the asset is the most minimal real estate use of such assets and reveals little skill and is therefore discouraged.

The issues your report should address include the following:

a. why you have selected the asset and the price you would & could acquire it at (low to high bids and why);

b. comparison with properties within the nearby by market/submarket;

c. your intended use of the property including rents and the timing of an eventual sale;

d. any relevant property code violations or HPD fines that can affect your offer and decision?

e. a short assessment of local market conditions that might affect the pricing, uses and eventual sale of the asset;

f. how long you would hold the property and what types of returns you expect. (assume operating expenses of 25% and vacancies at 10%)

g. a brief assessment of the utility & limits of the foreclosure websites you used.

Depending on time available, each student will make a short power point presentation on what they have learned in class. A written report will also be required and due at midterm time. [There are no waivers or delays allowed.]

Websites/Select: Start with Property Shark.com You will find it helpful to check with the Dept of Finance’s Acris website. Realtytrac.com is another fine site on foreclosures. Hotpad.com has been used by some outside New York http://hotpads.com/

Rents: You will also need some sense of rentable comps for which you can use streeteasy.com or zillow.com

There are a number of other websites that provide data on foreclosures that are listed below. There are many more. A number of sites offer a free trial period but usually only for a week. Students must therefore time their access to this free window of opportunity to maximize the information they will gather. One part
of student’s reports will be an assessment of the advantages and limitations of the web sites they have selected to use for this analysis.

See: Foreclosurestore.com; Foreclosure.com; RealtyTrac.com; HUD.GOV homes for sale in NY (note the FDIC website does not currently list foreclosed properties for NY); HomePath.com for Fannie Mae foreclosures by borough, has some multifamily; All-foreclosures.com.

For comparable sales make use of Zillow.com; Loopnet; Zip realty.com; Yahoo real estate has sales by borough & some market data. Again some sites have only short free trial periods which students must use carefully. Some sites will link you back to data from Realty Trac, another major data provider on this issue. http://www.realtytrac.com/ Include a map using Googlemaps or Bing maps.

Additional Foreclosure Sources: There are commercial websites devoted solely to listing and managing foreclosed properties. Some entail a fee or membership cost for the use of such sites. Typical of these is the “National Foreclosure Survey of the Mortgage Bankers Association; see:

http://www.mortgagebankers.org/ResearchandForecasts/ProductsandSurveys/NationalDelinquencySurvey.htm

See also McDash Analytics which offers mortgage and foreclosure data for the US:
http://www.mcdash.com/products/

Www.foreclosurelistings.com/
http://www.foreclosureworld.net
Foreclosurefreereresearch.com

For New York foreclosures, including free information, see:
http://www.newyorkforeclosures.com/introduction.htm

See also NYC Property Research that offers a range of useful, free information. It offers information about surrounding area parcels and comparables, as well as the foreclosed site. It gives information on how taxes were calculated, lists HPD violations against the property, and provides a short title history.

http://www.nycpropertyresearch.com/cgi-bin/indexforcs.cgi
The JER website includes free listings of foreclosed properties for sale:

ed=Out60s

4. Report on Solving Real Estate Development Cases:

Central to real estate analysis is an appreciation of the nature and complexity of decisions about whether or not to invest in a specific real estate asset and how much to offer.

The cases we will examine are contained in the text by Columbia Professor Lynn Sagalyn. *Cases in Real Estate Finance and Investment Strategy.* (Washington, DC: The Urban Land Institute. As the text is no longer published you will receive a PDF copy via Blackboard of the material).

In addition, students in the class will be divided into two teams to each focus on responding to the city’s RFP for the development of the Bronx Kingsbridge Armory. The RFP can be posted to blackboard or is at: http://www.nycedc.com/ProjectsOpportunities/RFPsRFQsRFEIs/Pages/RFPDownload.aspx?guid=E3A0F92E-D751-46E7-90D3-7724586A5906&frmID=RFP&RFPGUID=1289137d-6eea-4c1c-9887-4f768892008b

Individual Sagalyn cases presented in this course textbook will require your assessment of how to analyze the basic facts about several potential real estate deals and decide what recommendation you would make to potential investors or owners.

The assigned cases include questions that must be addressed. The resolution or answers to these cases will form the basis of classroom analysis and discussion. Note that these cases are based upon real deals for which there is a real world answer.

For the Sagalyn cases, a short roughly 2 page written analysis of the case and the issues posed is required at the beginning of the next scheduled class session. All case study course papers must be handed in at the start of the class on the date due.

Students must work independently on the Sagalyn cases; there are no group combined papers or submissions.
Select students will be asked to present their analysis and concluding recommendations in class. They should make use of power point for these presentations.

Note that the first case is on the self-storage market. Reports and current data on this sector are available from the Self-Storage Association website publications: http://www.selfstorage.org/SSA/Browse_Categories/Core/Orders/product.aspx?catid=5&prodid=63

“Sagalyn Case Analysis” issues:

1. Students should ensure that they make careful use of the data, spreadsheets, and evidence that’s provided with each case. Facts regarding the markets, financing, and costs are critical to your recommendation.
2. Students should include a listing and discussion of the pros and cons of the case solution they will recommend.
3. Please be certain that you understand/appreciate the time period in which the case has been set. Do not answer the case as if it is today. That is, you cannot use today’s market characteristics to answer a case set in 1994.
4. Each memo needs to include a clear recommendation from you as to what course of action to take on the property.

Kingsbridge Armory RFP case responses:

Each of the teams will develop the broad outlines of how they would propose to address the redevelopment of this large real site off Fordham Road. The two teams will present the outline of their analysis and solution in class (in power point format), as well as prepare a short report of no more than 10 pages summarizing what their/your assessment of the case issues are and how in principle you would go about addressing them - if you were selected as the winner of this competition. [This is a real living case with actual responses due this March 2012.]

5. Complete your own Real Estate Business Proposal – Deal Book

This is the major course assignment. The course requires that each student develop a real estate investment project proposal as the major assignment for the course. These are individual student projects.
The first stage in the process of preparing will be to identify a parcel of property within the five boroughs of New York City that you will make use of for your development project. The property needs to be “for sale” or currently priced as of February 1, 2012. The parcel can be vacant, occupied, foreclosed, or otherwise situated as a logical site for either new construction or major rehabilitation to a new commercial real estate use that you propose.

These will culminate in a final Real Estate Business Proposal (REBP) or 'deal book" presentation at the final class. Your business proposal will be presented in both a briefing format (e.g. through overheads or power point) as well as in a typewritten/bound form. This final, revised version of your paper will be provided to external judges and to the instructor at the final class. At the time of this final classroom presentation to the reviewers at least two copies of the revised final version are due.

More detail will be provided later on in this syllabus and handouts will also be provided in class. Students will have a series of memos to do, in writing, over the course of the semester.

**Time Flies:** Please note, that this course requires a considerable amount of student research and interviewing to develop an effective, credible deal book. Please do not underestimate how much time it will take or wait until the final weeks to complete this assignment.

**Access to Real Estate Data Sources:**

Real estate development and market analyses rely on a number of data sources to form the core of a sensible analysis. Many of the better sources are proprietary and require registration fees or annual costs. The Department has arranged free access for our students to a number of useful data sources:

**Property Shark and CoStar Data:** Our program enables students to access certain Property Shark and CoStar market data at no cost through a student licensing agreement. Students who wish to access their data or reports should notify me as early as possible as the instructor has to submit your name and an email location for you. See: 
http://www.propertyshark.com/mason/

http://gateway.costar.com/Gateway/

**Access to Claritas or Geolytics Data:** Claritas & Geolytics are long established, private firms that reorganize and sell census data as well as offer census estimates of future market conditions. They provide data down to the
census tract level which is the unit of analysis you will need to use for your market feasibility report segment. Currently I have purchased for your use a student’s license agreement from Claritas. As there will only be a single log on option, you will have to time your access to the data so that only one person is seeking access at a time. These data can form an important part of your reports or REBPs.

**GRADING**

This text, class lectures and discussion, and the student’s own development project are the key means for evaluating student performance. Students’ who volunteer for course assignments will receive extra credit. Grades will be based on written assignments, exams, class engagement & participation and of course for the real estate deal presentation, as shown below:

- Class Participation, Trend Analysis, & Trade Press: 15%
- Midterm exam: 15%
- Foreclosure Analysis: 15%
- Sagalyn Case Analyses: 15%
- Real Estate Business Proposal: 40%

All written assignments must be completed on time in order to receive course credit/grade. The grade of any written assignment submitted late will be reduced by one marking grade (e.g. from a "B+" to a "B").

Class attendance and participation is of course required/expected as you are graduate students [failure to attend or participate in a particular class session will result in grade reduction]. There will be no make-up exams or quizzes.

Note: Some students have noted that when I write notes into your written reports that sometimes my handwriting is hard to read. I will happily meet with students in my office to go over any comments.

**Academic Integrity/Honesty**

It is of course understood that no student will, in any way, cheat in class, quizzes or on homework assignments.

N.B. If any cheating or plagiarism occurs, the party involved will receive an automatic failing grade in the course including referral to College authorities. Plagiarism is defined as the presentation of the work of another as one’s own.
This includes direct copying without acknowledgment, submitting research papers or computer programs/analysis prepared by someone else, and copying written sources with only minor changes in wording, whether cited or not. To do so will result in a failing grade and referral to the Dean of Students.

Students are of course required to attend each class; grade credit will be deducted for unexcused absences.

**COURSE SCHEDULE**

**Jan 31 & Feb 2:**  
**Course Overview and Introduction to Real Estate Development.** This will include an overview of all course requirements including an introduction to the deal book each student will be required to prepare for the final class. Outline of the Sustainable Office Case. For these first classes, to get oriented to basic real estate macro issues, please read:

1. “S&P Case-Shiller Home Price Indices 2010, a Year in Review.” (available on blackboard or at):  

2. Federal Reserve Beige Book for NY region

3. Text, chapter 1

**Feb 7 & 9:**  
**Beginnings: Markets, Financing and Regulatory Environments** for real estate development. This will include initial attention to the unique financing risks in the current markets and to feasible property segments for development.

**Land Use Zoning and Environmental Risks:** Among the earliest issues to face a developer for a site within New York City is the question of what the city’s zoning code will allow. We will discuss how the zoning text operates and limits your choices, what it adds as options, and how you find the information you need to assess your site’s development options, in square footage and its real estate uses.

Property Shark will provide you with data on this issue.

The City’s zoning code can be located at:
The City also recently published a clearly written Zoning Handbook (2011) that explains the code and its many subparts:

Feb 14 & 16: Trends: We will assess & discuss current market conditions as of 2012 as they are central to appreciating development risks and options. For this the reading assignment includes Price Waterhouse Coopers. “Emerging Trends in Real Estate 2012”


There are other reasonably current analyses of national and NY trends. See: Grubb & Ellis. “2012 Real Estate Forecast” CoStar & REIS also have useful 4th quarter 2011 reports on the US and NY office, apartment, and/or retail markets for willing students to volunteer to read and present in class. Other quarterly reports will appear of course over the course of the semester. These firms offer forecasts as well.

Students will briefly summarize and critique one of the four PW chapters.

Feb 21 & 23: Stages of Development, Partnerships, & Beginnings of Market Analysis:

No class 2/21

Reading assignment: Real Estate Development text: in-depth chapter 1. Introduction”, including stage of development” and chapter 2, “organizing for development.”

Students will learn of the various memos and analyses they will need to prepare for their final development deal package. The requirements for the first memo will be described esp. that the project must include a site currently on the market with a broker, lenders, or seller’s price.

Note: The voice of experience would say to you: it is NOT too soon to begin preparing your deal books as the semester will prove quite short.

Feb 28:

Each student will present an initial short (roughly 1 page) memo on the proposed site they will use for their development deal. A short memo is also due to me listing and describing the 3-6 census tracts that you have selected for your Market analysis as well as an explanation as to why you selected the area.

Discussion of proposed site options for each student’s deal book.

Mar 1 & 6:

**Basics of Debt and Equity Financing** for Deals: Your debt and equity requirements for the current market. Initial discussion of total development costs. The CMBS meltdown; & secondary market relevance.

*For this year, students will assume 60% debt financing as a given; you will be seeking 40% equity with no mezz availability.*

Read Peiser text: pp. 52-57; and chapter 3, “obtaining financing” pp. 107-111. Also, in chapter 3 read pp. 81-94.

Each of the chapters, on multifamily; office; and retail also include material on financing, as it is integrated into actual development decisions.

**Market feasibility analysis II:** the core analytic work for beginning real estate development analysts; focus on supply side issues that you must address.

See Text chapter 3; on “Project Feasibility” beginning on p. 62

**Beyond the Usual data: How to get at “hidden” demand?**
The sources of data and information useful for market analyses is limited especially when the developer is interested in building in an emerging market or wants to serve as a pioneer in community some consider risky or distressed. What tools can you use to learn about demand in this situation?

Students will be provided a short case from a developer in Oakland California who had this problem. It assumes/requests that some in the class take on the role of the developer and some will enact the role of potential tenant or purchaser. This simulation is intended to allow students to develop specific lines of questions that can be used to ascertain demand levels; amenities; tenant risk assessment; and how much rent or other building features can increase demand for a specific development.

Mar 8 & 13: Brief discussion of real estate foreclosure process & data

Initial written proposal for Real Estate Development deal (outline includes specification of what your propose to build and an initial sketch of development costs) for this assignment)

Sagalyn case #1: Lock & Load (note, for this case on self-storage, there is a very useful source of information from the “Self-Storage Almanac” but only available for a fee: http://www.ministoragemessenger.com/cart/shopdisplayproducts.asp?id=2&cat=Articles)

Mar 15: Sagalyn case #2

Reading: Chapter 4 of text. “Multifamily Residential Development” (pp. 129-211). Two students will be asked to take the lead in outlining and critiquing this chapter for the class.

Mar 20: *Sagaly Case #3* and Kingsbrigde Armory case class presentations

Students will begin to report on their foreclosure analyses


A new firm in 2010, *CPEX*, issued a report on retail activity on the boroughs on NY. Some of the rent data appear invalid though. A copy of this report is nonetheless one of the few there is on this segment of the market.


Students should also focus on retail REIT’s and the work of ICSC. [http://www.icsc.org/index.php](http://www.icsc.org/index.php)

Mar 22: **Green/Sustainable Development Options**: Update on your green development case analysis


See also ULI’s website’s section on sustainability which includes useful reports:


The Cost of Building Green: More practically, there are sources that can help in estimating the costs of adding green features to a development. While the average cost currently runs at 1 to 2% over standard costs, the trajectory is towards price reductions to cost neutrality. See: the Green Building Cost Book.

[https://www.bnibooks.com/payments/payment.aspx](https://www.bnibooks.com/payments/payment.aspx)

More practically, New York City’s Building Code now has a series of sustainability building code requirements: see:

Mar 27: *Development Site Visit:*

Mar 29: *Mid-Term Quiz*

Ap 4 3 & 5: **Begin Presentations of Preliminary/Draft Market Feasibility Analyses:** Demographics/demand and Supply-side interviews. Each student will present a written version of this material as well as a power point presentation.

Apr 6-15: *Spring Break*

Apr 17&19: *Deal level Financial Feasibility Analyses:* Presentations by each student of their draft pro-formas including measures of NOI, IRR, cash on cash returns.

Each student needs to be able to make use of either Excel or Argus pro-forma analysis and calculations of measures of deal return for their deal book. Argus makes student copies available to a reduced cost for a 6 month license. ULI also has a URL which provides access to an excel based proforma spreadsheet useful in calculating measures of return as well as presenting your income and expense data.

Apr 24& 26: *Draft of Student’s entire Real Estate Deal:* Each student will present a 10-15 minute version of their entire deal book summarizing all aspects of the proposed project.

May 1&3: *Detailed meetings with each student to review complete draft of real estate deal books; final changes. (Note: no deal book gets to be presented without the instructors review, comments and approval.)*

Student Presentations in class of draft Real Estate Deals: power point.

May 8: *Final Reviews and Clearance of complete Deal Books Executive Summaries due on May 8* (including final financing & return details)

May 10: *Final review of deal books*
May 15: Deal Book Presentations to External Reviewers

Note: The above schedule is tentative.
Real Estate Business Proposal - Deal Book:

There are a number of component parts that need to be included in each of your real estate business proposals:

The first stage in the process of preparing your REBP is to identify a parcel of property within the five boroughs of New York City that you will make use of for your development project. The property needs to be “for sale” or currently on the market. The parcel could be vacant, for sale, foreclosed, or otherwise situated as a logical site for either new construction or major rehabilitation for a new commercial real estate use that you propose.

Because one semester is a short period of time, it is essential that you begin to identify this site as early as possible; do not wait until the last minute.

The project must involve an actual site currently on the market with a market price as of February 1, 2010 within any of the five boroughs of New York. You may select another city within the region as well. The project can be of any real estate use category but some are not financially viable at this time in the real estate cycle.

Your deal book will, when complete, include the following:

1. **Proposal overview** and identification of the basic proposal including the financing required including investors expected returns. This includes: a. a letter to the investors that highlights the project and expected returns; b. a more detailed executive summary of the project.

2. **The Basic Idea & Site Selection:** What type of real estate development do you propose and why?

   Students will provide the instructor with a short written memo by the middle of September.

**Site Selection:** Among the first issues for you to focus on is site and neighborhood selection. The proposals require a concrete, actual site. Each person will identify a property in an area or neighborhood with which they are familiar and to develop the proposal building on what they know best. Again, for community board information you can use a website like: [http://www.plannyc.org/MN-06](http://www.plannyc.org/MN-06)
The site or property that you propose for development must be “for-sale” as of the time you submit your first memo on this project. There must be an initial asking price. You will provide a short written and verbal description of this proposed site.

3. **Entitlements**: You will need to describe the current zoning for the site and any proposed modifications that you may require. Are there likely to be any other land use issues which would emerge during due diligence? In general you should only seek to propose sites for which as-of-right zoning is required.

Central to this is calculating the relationship between the site’s FAR and any setbacks. For a glossary/definitions of key zoning issues see: http://www.nyc.gov/cgi-bin/misc/pfprinter.cgi?action=print&sitename=DCP&p=117510557600

Make use of the Sanborn maps in the library to get details on the site's zoning. For details on New York's zoning code go to: http://www.ci.nyc.ny.us/html/dcp/html/zone/zonetod.html

4. **Accessibility of the Site**: Indicate how accessible your site is to public transportation, parking, and any key major sources of employment. This requires the inclusion of a map of the site. A useful website to obtain maps on New York is: http://www.oasisnyc.net/mapsearch.asp Google maps are also an obvious source to use.

5. **Architectural Design**: You will need to sketch a rough drawing of the type of property you plan to build. You will need a basic floor plan and layout of units (not necessarily to scale and not of course to meet AIA standards).

A basic source on site design is Thomas Wang, “Plan and Section Drawings”: http://books.google.com/books?id=Tc6ldU9P14C&lpg=PA19&ots=noXsWH9- &dq=drawing%20site%20plan%20for%20housing%20development&pg=PP1#v=onepage&q=drawing%20site%20plan%20for%20h ousing%20development&f=false

Your floor drawings should convey the approximate number of floors, entrances, parking spaces, retail and other major design features of
your project. There are some websites that offer standardized architectural drawings/"blueprints" on line such as Smart Draw or “room arranger”
http://www.roomarranger.com/

Or Google Sketch-Up:
http://sketchup.google.com/support/bin/answer.py?hl=en&answer=116174&ctx=cb&src=cb&cbid=-1ab9n4k7e71l7&cbrank=4

6. Market Feasibility Analysis: Central to the REBP is an analysis of the market feasibility of this project. Given the fact that your project will not be completed and come on line for roughly two years, be certain that you pay close attention to probable trends in supply and demand over the next several years. This is indeed hard but under these market circumstances essential.

As you now know there are a wide range of sources of information about NY markets and submarket areas. The market area you describe must be relatively small and manageable.

For macro market conditions see the quarterly Beige Book reports of the Federal Reserve of New York; CoStar and REIS area reports. You may also benefit from the analyses of the firm CPEX real estate services, which includes reports on the industrial sector. These are sales data:
http://www.cpexre.com/research_items

Another important and useful source for current demographic zip code based information, quarterly national cap rates, and LTV is:

Another important source of free information is the NY Department of City Planning "District Profiles" for each NYC large neighborhood. It offers census numbers including change from 1990 to 2010. It provides some census tract information as well.

Demand: Analyze the potential demand for your project. One source of census information is available from a free data source, infoshare:
http://www.infoshare.org

Demand is at its core people, population growth, their incomes and any special demographic characteristics. US Census data form the core
for this analysis. Their data are managed for analytic purposes by private sector firms such as Claritas; I believe I will have access for you to a free copy of their data and mapping.

ESRI.com offers in its business analyst on line program data on market areas as well as linked mapping capability.  

You will need to report the population living in the area as of the 2000 and the last, most recent census of 2010. Be sure to use more current data to get at trends since the 2000 decennial census. You will compare the information from your 4 census tracts with trends in the borough or community district.

Information about the people/population and housing in the borough. This is obtained from census Quick facts whose URL is:  
http://quickfacts.census.gov/qfd/

Go to Census Quick Facts for the NY borough you are interested in, e.g. the Bronx at:  
http://quickfacts.census.gov/qfd/states/36/36005.html

This site will provide you with a lot of information or “people quick facts.” Select those facts that are most important for a new real estate developer to understand before deciding to undertake possible real estate investment in the borough.

NYU’s Furman Center provides a summary of information about "The State of New York's housing and neighborhoods" that you will find really useful to get data on large community districts.

Their data can easily be found at their site: NYCHANIS:  
http://www.nychanis.com/place?category=4205

Another report on each of New York’s larger community districts is at:  
http://www.law.nyu.edu/realestatecenter/SOC_intro.htm

**For census tract data**, you will need to use Claritas or InfoShare On Line, which offers a range of demographic data for different levels of analysis.  
http://www.infoshare.org/
The Federal Financial Institutions Examination Council or FFIEC, also has **census tract data**. They as well offer a tool to take a regular street address and convert that on line into the census tract numerical designation: See:

http://www.ffiec.gov/census/default.aspx


A fairly user friendly site that offers a way to access census data and other useful real estate information is from the UNHP at:

http://www.unhp.org/crg/housing.html

New York City Oasis project site also offer valuable local area market related data:

http://www.oasisnyc.net/

**Supply:** You will also need to assess the current and potential supply. This includes information on the proportion of the local area stock that is, say, rental or for sale; the local area vacancy rate; and most importantly the rate of absorption.

A central source of market data that is provided quarterly is Portfolio & Property Research (or PPR). Their market assessments offer concise, reasonably current data on market demand and pricing. They also provide, though their ‘Construction Trac data’, information on supply side projects moving from planning into actual occupancy. This includes listing projects canceled or withdrawn. These reports are provided at no-cost to the Department, for teaching purposes only, and will be shared with students as required. REIS also provides pipeline supply data.

For the condo and coop market one source for New York area market reports on pricing and absorption is Miller Samuels Appraisers & Consultants (part of Prudential Douglas Elliman). See:

http://www.millersamuel.com/reports/

You will also find that the site: *Streeteasy.com* offers useful comp data for sales and rentals, a report on new developments, and a quarterly report:

http://streeteasy.com/nyc/sales
Citi Habitats provides some current data on rents and vacancies by submarkets mostly within Manhattan. See their: http://www.citi-habitats.com/market.php

Also in your section on supply side you will need to compare your property with comparable units to ensure you can show that your rents, square footage, and amenities match the market. What if any particular amenities or characteristics will your projects need to have; is there a market niche you plan to fit into?

**NB: You will need to calculate your rents and those of your comparables as rent per square foot annually (not monthly)**

For comparable properties you may use the website: NYBits.com or local brokers.  http://www.nybits.com/

Building permits are another indicator of supply and can be found usually only by county for current month and cumulative year at: http://censtats.census.gov/cgi-bin/bldgprmt/bldgsel.pl

They are also provided for NYCity only by the NYTimes website: http://realestate.nytimes.com/permits/search/index.asp

**Neighborhood Services/Amenities:** To fully describe the market for your project please provide a description of its accessibility of mass transit, the proximity, if any, of local parks, the availability of local retail stories, and the location and quality of local schools.

On school quality use the scores on reading and math. E.g. reading scores can be found at: http://schools.nyc.gov/Accountability/YearlyTesting/TestResults/ELATestResults/default.htm

Math scores: http://schools.nyc.gov/Accountability/YearlyTesting/TestResults/MathTestResults/default.htm

For a variety of other sources of information on specific markets, including maps see:
http://recenter.tamu.edu/hguide/hblocation.html

7. **Development Budget - Hard and Soft Construction Costs**: You will need to provide estimates of the Development Budget including the hard and soft cost of construction for your project. You will receive a handout on what this includes.

A useful, free site for hard costs is that of RS Means. (R.S. Means is one of the US’ leading suppliers of construction cost information. Means provides accurate and up-to-date cost information that helps owners developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects): http://www.rsmeans.com/ It is essentially a high cost, medium cost and lost cost estimate of hard costs. Soft costs typically should be roughly 30% of hard.

They have a "Quick Cost Calculator," as well as an on-line dictionary. Provides an initial square foot cost estimate after you register. It is a professional, free, ball-park estimate. You may reduce these new construction, union labor rates costs. Most of you will make use of non-union labor as this has become a standard practice for smaller developments in New York. Many students supplement these estimates with insights provided by local general contractors.

If you are doing a rehab or remodeling as those costs are lower; you may estimate $100 to $125 per square foot.

In addition Marshall Swift also has an on-line calculator for construction/building costs but it requires a modest fee: http://www.swiftestimator.com/

Such sites as http://www.sweets.com/ provide a "Commercial Construction Cost Estimator" some parts of which are free. There is a limited amount of free information about construction cost data from the FW Dodge Company. http://costest.construction.com

There is of course a good deal of information on construction costing that can be purchased.

For any proposal for the development of condominiums, please be sure to include roughly $100,000 in expenses for filing with approval
from the NY State Attorney General. For any REBP that includes addressing an existing tenancy with rent controlled or stabilized tenants in place, be sure to include a contingency for their temporary or permanent relocation during the construction phase of your project. These expenses can be quite high but are variable (allow $150,000).

Note that the cost of construction materials has risen quite dramatically recently and there are no easy guarantees that costs are fully predictable; do the best you can.

**Green construction costs:** The consensus of most sources is that the addition of a simple set of green or sustainable building features adds relatively little (zero to 2%) to the total cost of most buildings. This does not extend to building to a LEED Platinum rating where builders estimate a 7% cost increase. Students are encouraged to think seriously about how to best manage energy and utility costs as these can be a substantial part of on-going building operating costs. While the average cost currently runs at 1 to 2% over standard costs, the trajectory is towards price reductions to cost neutrality. See: the Green Building Cost Book: 2010

[https://www.bnibooks.com/payments/payment.aspx](https://www.bnibooks.com/payments/payment.aspx)

Certificate of Occupancy: One technical end point for the development process is obtaining a permanent or temporary Certificate of Occupancy (C of O) for NY City. There is insufficient time to go into detail on the city’s various building code requirements but you can find some basic information on the C of O at:


**Building Operating Expenses:** There are two sources of published data covering the operating expenses of buildings. The first is a periodic national survey done by ULI and labeled, The Dollars and Sense of Multifamily (or retail) buildings.

The second only covers New York City and is the “Income and Expense Study” released electronically by New York City’s Rent Guidelines Board. Here is the URL for their 2010 report:


You can also use their 2010 “Price Index of Operating Costs”
In addition building mangers may provide some useful data.

**New York Real Estate taxes:** With the abolition of 421 (a) tax abatements for most buildings in NY, students will need to get a current estimate of the property taxes for the building you plan to buy and then build. The NY City Dept. of Finance is the agency that provides that information: See: [http://www.nyc.gov/html/dof/html/property/property_info_info.shtml](http://www.nyc.gov/html/dof/html/property/property_info_info.shtml)

You will need the building’s block and lot number which you can also get from their website by typing in the building address.

You can also more easily make use of Property Shark website which shows approximate taxes on structures, for the current and pending tax year. You may use the taxes calculated for a comparable building. You will need to register for the site to access more of their information/data.

You may calculate your city taxes by using the following site: [http://a836-acris.nyc.gov/Scripts/CoverPage.dll/calculate](http://a836-acris.nyc.gov/Scripts/CoverPage.dll/calculate)

**Construction Schedule/Project Timeline:** Please provide an approximate timetable for the completion of your building, including an estimate of when sales or leasing will begin. Note that most rehab or remodeling construction jobs should take 12 months or less due to the simpler issues not associated with ground-up, new construction. New construction should and will typically require closer to two years because of more complex design, permitting and inspection issues.

8. **Financial Feasibility:** You will need to calculate the expenses and income for your property over a ten-year period, the industry standard, and to provide the investors with your assessment of their likely rate of return. This will not apply for condos but for condos you will nonetheless need to do a companion estimate of rental incomes and expenses to see what the breakeven point might be if the project has to be done as a rental. That is, for deals that are planned as condos, it is necessary to also run an analysis as if the project were being developed as a rental property. That is, you need to learn who
the deal would work if it had to be a rental in case the condo market weakens further during your period of development. Argus runs/analyses are required including the calculation of measures of return including cash on cash returns and the IRR for the deal.

You must make use of Argus and/or excel based software programs to estimate the rental NOI and returns for this project. The following is a sensible URL where you can access a version of excel designed for real estate analyses:

**Calculating IRRs:** This is made available to you by ULI at:

http://www.uli.org/Books/Books/Professional%20Real%20Estate%20Development.aspx

You may use either Argus or excel. For simplified versions of the calculations see:


http://www.uli.org/Books/Books/Professional%20Real%20Estate%20Development.aspx

NB: the step in which they show you how to calculate the loan amount, you may skip as I will allocate roughly 60% of the total project cost. Also the simple ratio step can be skipped because you do not need it for the assignment. Finally do not spend time on the detailed tax implications of the deal as they are relevant for specific investor’s tax profile.

Regarding cap rates, you will need to determine current reasonable rates for your property type; these have been running below 6% but will fluctuate.

**Sensitivity Analysis required:** You must use “sensitivity analysis” or stress test your exit cap rates as deals may survive at a 6% cap but fail at 9-11 cap. Do both.

You will need to make use of a site like Direct lender.com to also estimate the affordability or cost to a borrower for any mortgages portion for your project. That is, what income do purchasers need in order to be able to afford to buy one of your units? Because of the
turbulence of financial, debt and equity, markets in 2009/2010 this will require considerable care and thought.

[Note: Office buildings operate with leases that assume a ‘loss factor” which is typically from 18-20%. This means that of the total square footage in the building a given percent will be allocated for the basement, roof, mechanical systems, and stairway shafts. Landlords allocate such ancillary areas proportionately to the usable area to calculate a tenant’s rentable area. The rentable area is therefore larger than the ‘usable’ area – the difference between the two is the loss factor. Loss factors usually are calculated: Loss factor = (rentable area - usable area)/rentable area.]

NB: Rent Inflation: You should in all cases assume that the rent inflator or escalator for your rents will be higher than the inflation factor you use for your building operating expenses.

9. Investors Role/Share: You will need more equity than has been customary this year; 40% of the total deal costs.

You will need to decide whom you will seek as sources for both equity and mortgage/debt financing. You will also need to give thought as to what form of partnership or investment you will offer them. You will need to describe clearly what role the investors will play in the development; will they be equity partners?

How will you structure the financing so that their returns are ensured?

Most importantly you need to decide what level of equity financing you will require from them, and what return you can offer them, and when this will happen. Under current debt environment, new development projects should not expect to obtain more than 60-70% or so debt financing.

http://www.equitycity.com/

10. Marketing Theme and Agents: Include as part of your REBP, a short description of the key advertising and marketing themes you will use to market the property to buyers, renters, or other users. Discuss how your site will be pre-sold, rented or leased.

11. Final Recommendation and SWOT: Provide the investors and lenders with a clear, persuasive and accurate description of the
feasibility and returns from your project. Address any major strengths, limitations, opportunities and threats (macro and micro) that you see; the latter can be most easily presented in a table.

12. Sources of Information Used: List the major sources of information and data that you made use of in the preparation of your reports. This may include Dodge, Experian, census information, and newspaper stories on your area. Most importantly it must also include interviews with brokers, owners, or managers, etc. Include the name and phone number of the real estate broker or seller of the property you are proposing to purchase so that the same price and parcel availability can be verified when necessary. This information will appear as endnotes.

Appendix: Market Feasibility Site Data Report:

Each student will begin to assess the market feasibility of a real estate development project. A short memo is due to me in October listing and describing the 3-6 census tracts that you have selected for your Market analysis as well as an explanation as to why you selected this area. Please include a local area map.

There are a number of types of development projects which are not approvable for your REBP:

1. Students may not propose a simple, unchallenging single family property acquisition in which the sole “value” added by the student is cosmetic repairs and then promptly selling or “flipping” the property. Such projects demonstrate virtually none of the capstone requirements aimed at detailed financial, spreadsheet analyses, a comprehensive market assessment, and a thoughtful development idea that adds value. That is, single family home purchases or conversions/rehabs are not acceptable as a submission.

2. Projects which depend for their financial viability on direct government subsidies, such as senior housing bond financing, tax credits, HUD assistance, or Section 8 rental assistance, are not approvable as they are not a private market, commercially viable deal.

3. Projects may make use of tax abatement (421a; J51), zoning/ULURP changes, or possibly historic or Brownfield’s tax credits but note there are major limits on using any of these.

4. Projects are not approvable which are based on a project which your family or employer is currently working on as part of the normal course of
their business. You may not make use of family information as a major source, debt or equity financing from family, or other parts of the deal package which are essentially being done by your family or firm as part of a deal they intend to pursue. You must do a project independent of any such inputs and assistance. When or if in doubt, please check with me. Typically the equity investors may not include family members.

Market Feasibility Site Data Report: In this assignment, students will assess the market feasibility of a real estate development project. Obtaining current information on both the current demand and supply forces in a sub-market, as well as accessing those who have personal information and insights is critical to effective market analyses.

A short memo is due to me in late February listing and describing the 3-6 census tracts that you have selected for your Market analysis as well as an explanation as to why you selected the area.

Macro Market Conditions: Because of the volatility of macro market conditions recently, students should expect to provide a short assessment at the beginning of their case of key macro market conditions or risks. Two free sources of data on this are the NY Federal Reserve Board’s quarterly Beige Books and the NY City Economic Development Corporation (EDC). On the latter see their “snap shot” reports.

Demand: This assignment involves making use of publicly available data and information on the population living in any specific neighborhood within New York City. The core of this assignment is for students to prepare a description of the potential demand for residential housing in either their own neighborhood or a neighborhood where you feel there are opportunities for development. This includes the basic size of the population living in the immediate neighborhood or census tract. You will need to report the population living in the area as of the last, most recent census of 2000 and offer an estimate of change up until the present. Students will benefit from using data from a private vendor, Claritas Solutions, which offers students free limited use of their market report data. [http://www.claritas.com/Default.jsp](http://www.claritas.com/Default.jsp)

Information about the people/population and housing in the borough. This is obtained from census Quick facts whose URL is: [http://quickfacts.census.gov/qfd/](http://quickfacts.census.gov/qfd/)

Go to Census Quick Facts for the NY borough you are interested in, e.g. the Bronx at: [http://quickfacts.census.gov/qfd/states/36/36005.html](http://quickfacts.census.gov/qfd/states/36/36005.html)
This site will provide you with a lot of information or “people quick facts.” Select those facts that are most important for a new real estate developer to understand before deciding to undertake possible real estate investment in the borough.

A useful source of real estate related information for specific neighborhoods is from NYU: They provide a summary of information about "The State of New York's housing and neighborhoods."

http://www.law.nyu.edu/realestatecenter/SOC_intro.htm

Basic sources on data for New York City community boards and neighborhoods are:

a. info share: http://www.infoshare.org

b. there are community district needs reports for each of the city's districts see:

c. Myciti.org is a user friendly method of getting neighborhood information and mapping:

d. New York City Oasis project site also offer valuable local area market related data: http://www.oasisnyc.net/

e. A number of other sites offer thumbnail descriptions of local neighborhoods that include relevant summaries. See for example the NAR site (Realtor.com) offers a "Neighborhood Summary" under their 'Find a Neighborhood' link.

Supply: To learn about what the supply is likely to be, a useful site is Property Shark:

http://www.propertyshark.com/cgi-bin/index.cgi

You can also obtain some building permit information. To begin the process of assembling relevant information students will access two types of information from the US Census Bureau, which is available at www. census.gov.

A. Once you are at the site, click on “Access Tools.”
   http://www.census.gov/main/www/access.html

B. You next go to Censtats.
When you are there the first information you will gather is building permit information for the borough on the borough or county within New York in which you are interested. This will tell you how many residential permits were issued in the most current month for which there are data. It will also tell you how much residential building has occurred in your borough for the last year as well as an estimate of costs.

Crime: Another source of hard information or data you need to collect is Neighborhood Crime statistics. The level of crime in a neighborhood is one, of several, key sources of information you need to include in your real estate business plans. For the area you select, report on the most recent crime data and the level of change or decline over the last several years. This information is available at:

Weekly Crime Statistics

The weekly crime statistics (CompStat) are posted on the Monday two weeks after the closing date.

Meet with real estate professionals for your assessment of broker/property managers views on local market conditions: This assignment involves interviewing, or talking with, at least two to five real estate professionals in the area you have focused upon for your market analysis.

The person you interview is to be asked about their views on the demand for residential, retail, or commercial office space in your local area and about the supply of new housing as well as current sales prices for residential real estate in your community:

a. who is moving into and looking for housing in the area you are interested in and what types of properties are they looking for including rents, price levels and amenities? and,

b. what is the supply side like in their micro market. Who is buying, remodeling, or building housing, retail or office space in the market area/neighborhood?

The purpose of these interviews is for you to learn about any new projects being developed in the immediate area, current pricing and rent levels, any rent allowances or other incentives being offered, and the typical package of amenities offered. Much of this information is not available from public sources. Just as important, their insights and information can often support,
challenge/dispute, or supplement the information you collect from publicly available data sources.

To assist you in evaluating current prices for residential real estate a useful site is powered by Freddie Mac’s nationwide data base of sales prices and tax records that date back to 1972. You need simply to enter the address and the site will provide a reasonably current estimate of the property’s current market value. You may do this for a number of nearby properties;
http://www.homeadvisor.msn.com

Real Quest provides a Property level screen with helpful information on your or competitors assets. It also has a “comparables” screen. It has a neighborhood screen with select tract level information, and a transaction history. It also offers a street map for sites.
http://www.firstamres.com/products/realquest.jsp

These are the elemental, simple parts of what must be included for your report to be complete.

1. This report cannot of course be a recitation of facts nor is it an assembling of a lot of tables, maps and charts.

There are a number of major does and do not's: take note as they will affect your grade:

1. You may not use as the area for your Market Feasibility Analysis (MFA) a city, an entire borough, or a zip code. Please select from 3 to 6 census tracts as the micro neighborhood in which you will be do analysis of supply and demand dynamics. That is, you may not do all of Passaic, Flushing, Bayridge, or Buswick.

2. You must include decennial census information. www.census.gov

In addition use the NYU Furman center Report on Housing and New York City Neighborhoods" as a beginning point.

3. You must do trends covering from 1990 to 2000 and them from 2000 to the present.

4. You must compare your few census tracts with the patterns and trends in the borough as whole. (This is how does your part of Astoria compares with what is happening in all of Queens.)

5. You must include reference in your report to the following census type information or variables:

- Population size and growth from 1990 to 2000& to 2010;
- Income in the area and change from 1990; use median income and income quintiles;
- Household composition; number of married couples; singles; non-married couples, etc.
- Age: Median and number of your adults, children and elderly.
- If ethnicity/race or immigration (%foreign born) matter to demand explain why

Include a sensible map of the market area.
6. **Supply**: This is the harder of the two core parts. You must include information on vacancies, absorption time, and the key issue of what other projects are or may be planned for your immediate area. Property Shark and Craig’s List can help as can local brokers.

Describe what rentals or condos may be on line to open, what their design is, amenities, when they will come on line, and at what rents or prices. This is central: they are your competition. [If they come on line 9 months before your project is due, and there is rapid absorption, there is no concern. If their doors will open the same time yours will, and there is slow absorption, you will have a problem in selling this to investors.]

7. You must interview at least 2-5 local area brokers or property managers.

8. Your report must include a separate caption/section addressing the area’s zoning and any current changes; e.g. up or downzone and their impact on any planned development

9. Risks and Area Weaknesses: Your report must include an analysis of any weaknesses or problems in the area. This includes crime data. You must make use of local NY city crime data and not summary FBI numbers. For crime you must do the last year, 2-3 years; and the last 12 years.

**Editorial Issues:**

Your report must be organized: this means making use of captions or section headings.

All charts and tables must be labeled saying what they are.

Please do not use first person singular; as in "I feel that; or I believe that…”

Use endnotes for a detailed explanation of what exact sources you use and include any URL’s. When citing sources, you must include the broker’s names, firm, date you talked to them, and their phone numbers.

Put all detailed tables into appendices. Keep in mind that the reader is an investor and not a professor.

Round of all percentages to one place: so: not 9.47% but 9.5%.