RES 9980
Real Estate Entrepreneurship
Fall 2011
M W 5:50 – 7:05 pm
Room 108, Building 22
Section PMW, Code 1689

Instructor: Professor Su Han Chan
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Office Hours: M W 3 – 4 pm, or by appointment

Course Description and Objectives

The course builds upon the core issues introduced in Real Estate Development and Real Estate Finance courses. It is based upon the core assumptions, and theory, that since large parts of real estate are necessarily entrepreneurial, that more complex aspects of real estate entrepreneurship will engage the student in issues of risk evaluation at the 'opportunistic' segment of investment choices and financing. Such higher-risk higher-return acquisition and development options require a clear foundation in key dimensions of due diligence from both debt and equity lenders perspectives, as well as a clear appreciation of the ways in which deal structuring can affect the value of and stability of joint ventures engaged in high yield investing and development.

The course is aimed at innovation in real estate investing and deal making. It aims to give students an appreciation of entrepreneurial decision making in both US and international markets. The core techniques at the center of this course include the identification and evaluation of higher yield real estate investment opportunities, related issues of project financing, as well as critical choices associated with developing effective sale or exit strategies.

The course strives to be hands-on by addressing practical issues facing a fledgling real estate entrepreneur who is a risk taker. As such, the course will be primarily case based and will engage students to develop an entrepreneurial real estate investment project on their own. There will also be guest lectures by successful real estate entrepreneurs.
Learning Objectives

First, the course hopes to convey the idea of entrepreneurship as a business approach that is independent of any one individual style. Second, the course is designed to familiarize students with the tools and skills necessary to succeed as real estate entrepreneurs. As such, greater emphasis is placed on integrative abilities and practical skills than in a more traditional academic class, where the focus tends to be more toward enhancing the students’ business knowledge.

To this end, this course makes heavy use of case studies, guest speakers, and a group project to confront the student with the uncertainties and risks of a real estate project in the “real world”. More specifically, the course aims to:

1. Expose students to the issues facing a new real estate venture, but with the intent of fostering a proactive attitude towards such projects. It is hoped that a successful student will leave the course with an appreciation of the core issues associated with how to “make it happen” and will consider real estate entrepreneurship as a potential career model depending on their risk tolerance.
2. Provide the select skills necessary to locate, evaluate and analyze, present, defend and finance, market, and manage a new real estate venture, with particular emphasis on the higher risk, higher return aspects of real estate investment and development markets.

Course Prerequisite

Prerequisite: RES 9776 (FIN 9776), RES 9860, or MGT 9860 or departmental permission.

Course Materials:

No single text does the breadth of the course material justice. Therefore, the course materials will comprise of selected case studies and readings from various books and news articles.

- Assigned case studies to be purchased from www.study.net (See Appendix A for instructions on how to access the cases).

- Suggested reference materials:
  3. Real Estate Finance and Investments: Risk and Opportunities, Peter Linneman.
Course Structure and Classroom Procedures:

This course consists primarily of readings, case discussions, class briefings, student presentations, guest lectures, and an entrepreneurial real estate project. Students are expected to prepare for, attend and actively participate in discussions of all class assignments during class meetings.

Course Policies and Expectations of Student Performance

1. Every student is expected to prepare every case and reading assignment and be ready to discuss or present them in class.

2. I DO NOT HAND OUT SOLUTIONS TO CASES. Your responsibility is to be involved in the case-solving process and to understand why and how the analysis was done. SO PLEASE DO NOT ASK WHETHER YOU CAN HAVE A COPY OF THE SOLUTION OR SPREADSHEET.

3. Please pay attention to the university's policy on academic dishonesty (see below).

4. I will allow a student to drop this class as long as the procedure conforms to the university withdrawal policy.

Academic Honesty

I fully support Baruch College's policy on Academic Honesty which states, in part:

"Academic dishonesty is unacceptable and will not be tolerated. Cheating, forgery, plagiarism and collusion in dishonest acts undermine the college's educational mission and the students' personal and intellectual growth. Baruch students are expected to bear individual responsibility for their work, to learn the rules and definitions that underlie the practice of academic integrity, and to uphold its ideals. Ignorance of the rules is not an acceptable excuse for disobeying them. Any student who attempts to compromise or devalue the academic process will be sanctioned."

Academic sanctions in this class will range from an F on the assignment to an F in this course. A report of suspected academic dishonesty will be sent to the Office of the Dean of Students. Additional information and definitions can be found at http://www.baruch.cuny.edu/academic/academic_honesty.html
A Definition of Plagiarism

Plagiarism means passing off the work of others as your own. The "work of others" means other people's words and/or ideas. "Passing off...as your own" means including that work in your assignment without adequate citation. Therefore, a slightly longer definition would be "Plagiarism means including in your assignment other people's words and/or ideas without citing them correctly." Here are some hints about citation: When you include the actual words of others, be they from a printed source, from the web, or from a live presentation, they must appear within quotation marks and you must indicate from where and from whom the words came. Otherwise you are plagiarizing. When you include another person's ideas, you must indicate where you found those ideas, even when you are paraphrasing them. Following someone else's sequence of ideas, even if you paraphrase them, also is plagiarism. (An example would be paraphrasing a paragraph from someone else's work, sentence by sentence, even if you include a citation of that author.) If you have any questions about these definitions, please discuss them with me. You can also refer to Baruch's online plagiarism tutorial


Course Evaluation

Your final grade will be weighted as follows:

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Presentation and discussion of cases (see Appendix B)</td>
<td>15%</td>
</tr>
<tr>
<td>Case write-up (see Appendix B)</td>
<td>20%</td>
</tr>
<tr>
<td>Attendance and class participation (see Appendix C)</td>
<td>15%</td>
</tr>
<tr>
<td>Project (Appendix D)</td>
<td>35%</td>
</tr>
<tr>
<td>Negotiation case</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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Case studies: All case write-ups are to be done individually.

Attendance and participation: You can only participate if you attend class. Attendance is also required whenever there is an outside speaker. Unexcused absences will severely impact your class participation grade. Students are expected to prepare for class and meaningfully contribute to class discussions.

Project: The project can be done individually or in a group. During the first 2 weeks of class, students will form groups of ## members, depending on class size. Throughout the semester, each group will submit and present drafts that roughly represent parts of a final real estate entrepreneurial venture that the group has chosen from the “real” world. The final project will be submitted to turnitin, which will compare your work against everyone else’s.
## Tentative Class Schedule

<table>
<thead>
<tr>
<th>Session/Week</th>
<th>Topic</th>
<th>Reading Assignment</th>
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<tbody>
<tr>
<td>Aug 29 &amp; 31</td>
<td>Course Overview</td>
<td>What is Entrepreneurship? (Darden UVA)</td>
</tr>
<tr>
<td>Sep 5 &amp; 7</td>
<td><em><strong>Labor day – No Class</strong></em></td>
<td>To Think Like an Investor (Case: Warren E. Buffet, 2008 (Darden UVA))</td>
</tr>
<tr>
<td>Sep 12 &amp; 14</td>
<td>Analytical tools</td>
<td><em>Review fundamental concepts and financial metrics. Reading: Financial Analysis of Real Property Investments (HBS)</em></td>
</tr>
<tr>
<td>Sep 19 &amp; 21</td>
<td>Entrepreneurial opportunity: investment analysis</td>
<td>Case: Shady Trail (HBS)</td>
</tr>
<tr>
<td>Sep 26 &amp; 28</td>
<td>Groups meet to discuss project ideas (See Appendix D)</td>
<td><em><strong>No classes scheduled</strong></em></td>
</tr>
<tr>
<td>Oct 3 &amp; 5</td>
<td>Entrepreneurial opportunity: conceptual framework</td>
<td>Case: Revere Street (HBS)</td>
</tr>
<tr>
<td>Oct 10 &amp; 12</td>
<td><em><strong>Columbus Day - No Class</strong></em></td>
<td>Groups present project proposals</td>
</tr>
<tr>
<td>Oct 17 &amp; 19</td>
<td>Entrepreneurial opportunity: urban real estate</td>
<td>Case: Canyon Johnson Urban Fund (HBS)**</td>
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<tr>
<td>Oct 24 &amp; 26</td>
<td>Entrepreneurial opportunity: emerging market</td>
<td>Case: Soho China (HBS)</td>
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<tr>
<td>Oct 31 &amp; Nov 2</td>
<td>Entrepreneurial opportunity: emerging market</td>
<td>Case: Cinco de Mayo (HBS)**</td>
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<tr>
<td>Nov 7 &amp; Nov 9</td>
<td>Groups present preliminary draft of project</td>
<td>Reading: Deal Structure and Deal Terms (HBS)</td>
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<tr>
<td>Nov 21 &amp; Nov 23</td>
<td>Deal Structuring: A Negotiation Exercise</td>
<td>Case: TBA</td>
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<tr>
<td>Nov 28 &amp; Nov 30</td>
<td>Groups prepare final business plan</td>
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<tr>
<td>Dec 5 &amp; Dec 7</td>
<td>Course wrap-up</td>
<td>Presentation of final business plan (1)</td>
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<tr>
<td>Dec 12</td>
<td>Presentation of final business plan (2)</td>
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<tr>
<td>Dec 19</td>
<td><em><strong>Final Project Due</strong></em></td>
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*Depending on time and progress, the exact schedule may deviate from this plan. Guest speaker dates will be announced on the course's blackboard site. Cases with ** are designated for presentation and case write-up.*
Appendix A:

Student Instructions to Access Case Materials from Study.Net

Welcome. If you have any questions regarding the use of Study.Net, please contact us at:

   e-mail .................................................. customerservice@study.net  
   telephone (9:00 am – 6:00 pm EST) ............... (888) 462-0660  
   telephone (after-hours) ............................. (888) 805-2956

To access your course materials, please follow the steps below:

   a) If this is your first time using Study.Net, register as a student to obtain a login and password. There is a link for student registration on the Study.Net home page. After registration, select your school and course to get started.
   b) If you have already registered as a Study.Net user, login and click on the My Courses button. After the page refreshes, click on the link to purchase or access new course material, then select your school and course.

2. To purchase course materials, complete the billing and shipping information and print a receipt for your personal records after your transaction has been processed.

3. To access any prepaid course materials, enter the “course password” when requested and complete the material purchase process.

4. To order a printed version of your online course materials, select this option during the order process. Make sure that your shipping address is correct. All printed TEXTPAK orders are processed within 48 hours and shipped by USPS Priority Mail for delivery 2-3 days later.

5. Many of the materials distributed by Study.Net are stored in a PDF file format and protected with a “digital rights management” application that utilizes Adobe’s eBook Reader.
   - To view any protected PDF files you must use version 6.0.1 or higher of Adobe Acrobat Reader. We highly recommend upgrading to Version 7.0 if this is possible. Adobe’s eBook Reader must also be activated on your computer to view pdf eBook files. With Adobe Acrobat version 7.0, this process is automatic. With older versions of Acrobat, activation instructions will appear automatically on your computer screen, after logging in.
   - If at any time, you need to review these instructions, click on the link located on the left side of your screen titled, eBook Help, or contact Study.Net Customer Service.

6. After selecting a material to view, the material will be downloaded to a new browser window that will appear on your computer screen. If you are unable to view a file or activate your eBook Reader because of firewalls or corporate proxy limitations, please contact Study.Net Customer Service.

APPENDIX B
Instructions for Preparing a Case Analysis

Case Analysis

1. Read the first few paragraphs, then go through the case quickly, asking yourself, "What broadly is the case about and what types of information am I being given to analyze?"

2. Read the case very carefully underlining key facts as you go. Try to put yourself in the position of the decision-maker in the case. Identify the perspectives involved, including that from which the decision will be made. Analyze the data presented and evaluate it in light of other information included in the case. Try to understand the present situation, as well as its historical origin and development. Use the exhibits to help you understand and/or interpret the text.

3. Decide what the major problems are and, if appropriate, prioritize them. Determine whether the problems stated by individuals in the case are the real problems or whether they are also symptoms of some larger issues that need to be solved. Identify any unstated, hidden problems. Then go through the case again, sorting out the relevant considerations for each problem area.

4. With the problems in mind, identify the feasible alternative courses of action. Determine what additional information is necessary to evaluate the alternative courses of action. Obtain that additional information.

5. Evaluate the alternatives to determine their attractiveness and decide what your specific recommendation is to be. In doing so, use your understanding of the alternatives to frame a solution to the problem(s), and predict and evaluate the probable consequences of your solution.

6. Decide how you will organize the presentation of your solution to the case.
Appendix B (continued)

Document Organization for Written Analysis of Case

Executive summary (1 page)

The case write-up begins with a single-page executive summary which must be able to stand alone, and provide a busy top-level decision-maker with a complete briefing of the problem, what course of action to follow and a succinct description of why. Identify the problem(s) concisely, using whatever case facts are necessary to show significance and/or priority.

Analysis

Give a short list of the key assumptions you make in your analysis, the logic of your argument leading to your conclusion and the proposed solution. Assumptions should be justified if possible, and the sensitivity of your recommendation to your assumptions should be assessed. Note that key assumptions are not numerical estimates --- defer numerical estimation assumptions to the tables.

Avoid generalities in your analysis. Be as specific as possible. Express your ideas clearly, supporting them adequately with evidence, explanation, and references to appropriate exhibits. The strengths and weaknesses of alternative courses of action should be developed. The analysis should build to support your recommendation. Reasons for accepting or rejecting alternatives should be stated and, if necessary, defended.

State your recommendation clearly and in detail sufficient to guide implementation. Make specific recommendations and while your recommendations will rest on assumptions, your job as a consultant to the decision-maker is not to give a list of contingent recommendations. Discuss both the positive and negative results of following your recommendation. Explain why your recommendation should be followed. Make sure that the recommendation follows logically from your analysis.

Exhibits

Tables, charts, spreadsheets, or any other supporting materials may be attached as exhibits. Be reasonable on the number of exhibits. Include only those exhibits that are needed to support your arguments and tell the reader in the text of the paper what exhibits to look at and why. All exhibits should be clearly labelled so that readers know what they should learn from them. Also any assumptions and formulas you use to derive figures in the exhibits should be obvious to the reader. Care in preparing your tables is important. A rule of thumb is that the tables should be able to stand alone: i.e., they could be read by someone without reading the text and the reader could discern exactly what they should learn from the table.

The full case report shall not exceed 8 pages (including exhibits). You should take the perspective of an external consultant and write the case solution as a report to the decision maker(s) such as the CEO, CFO, or Board of Directors. The document is to be typed with one-inch margins and double spaced. Use a 10 point font or larger to type the document.
Class Participation

The following general guidelines will be used to grade your participation performance:

1. **Quality of ideas, analysis, and action recommendations**
   This is the core demonstration of mastery. The student talks knowledgeably about ideas and any analysis she/he did, the logic underlying them, and limitations or follow-up actions if any.

1. **Frequency of contribution**
   The student participates regularly in discussions and contributes to the learning of the whole classroom community.

2. **Quality of process and argument**
   The student directs comments to the whole classroom community (rather than to just the instructor) and informs other students about ideas and analysis in a clear and intelligent manner. She/he listens to others and understands what they have said, responds appropriately, asks clear, constructive questions, avoids rambling discourses or class domination, uses proper vocabulary pertinent to discussion, builds on the ideas of others, etc. She/he synthesizes other students’ points and makes useful connections between this and other material.

3. **Intellectual leadership/self-confidence**
   The student is there at important inflection points in the discussion, helping to deal with confusion, reframing the issues, and explaining.
Appendix D

The Project (Business Plan)

1. The project consists of two parts: draft assignments and a group final written business plan. Details on the structuring of these proposals or plans will be presented during class. They will each require a clear evaluation of the proposal risks and returns including cash flow projections, projected returns, capital structure, debt service coverage, and any financing arrangements.

2. Management: Discuss the proposed deal structuring and management structure for your venture, initial phase and long-term operations and risk mitigation.

3. Return and Exit Strategies: An analysis and rationale for the planned return and exit strategy, including future investment options of returns (speculative).

4. Finally, student teams will revise and combine these drafts, including supplementary research and data that is judged critical to evaluate the proposal, into the final written business plan.