Real estate has historically been an entrepreneurial industry. Great fortunes and enterprises have been created by entrepreneurs who started as contractors, agents, and other service providers in real estate and related businesses. Examples abound including: Hines, the Taubman Company, the Related Companies, Tishman Speyer Properties, and Boston Properties. The industry has changed since the entrepreneurial founders of these companies started their careers. It has become more institutionalized in terms of investment capital. The public markets through CMBS and REITs play a larger role today and have increased transparency. Indeed, globalization of trade and capital has opened new international markets for the real estate entrepreneur.

Although the property industry has evolved, institutionalized and globalized, it remains fundamentally a marketplace where talented entrepreneurs can still build great businesses and fortunes. Nevertheless, while many start their own businesses, relatively few succeed. What is the difference between success and failure? What resources, personal characteristics and business strategies improve the odds of success for the entrepreneur in the world of real estate? To avail themselves of the ever-widening opportunities, today real estate entrepreneurs must frequently go beyond a transactional framework to build companies or investment platforms.

The purpose of this course is to introduce students who have a passion for creating their own real estate business to the challenges and opportunities they will face, and the tools they will need to be successful. Students will be exposed to individuals who have succeeded and at times failed in their entrepreneurial endeavors

The course will expose students to the personal skills, organizational challenges, financial structures and market factors that influence the success or failure of a real estate entrepreneur. Classes will focus on discussion and analysis of assigned cases and readings, and topical lectures. Guest speakers will be introduced to provide first-hand experience in the challenges and opportunities of starting and building a real estate business. Case analyses will be required and must be no longer than three single spaced pages in length. Issues to be addressed in each case will be posted by October 1. In addition, there will be a final presentation due in which the students will be asked to present their analysis and recommendation of a new business concept that they have identified during the course. The presentation materials will consist of a business plan not to exceed 10 pages and the class presentation slides. Students are strongly encouraged to work on the final presentation in teams not to exceed three members.

**Prerequisites:** Real Estate Finance (B8331) AND one of the following: Global Real Estate Investment (B8337), Entrepreneurial Finance (B8345) or Real Estate Investment and
Entrepreneurship (B8334, Project Class). It is presumed that all students participating in the Course have a general knowledge of commercial real estate and are familiar with the contents of the Linneman *Real Estate Finance and Investments: Risks and Opportunities* text noted below.

**COURSE EXPECTATIONS**

**Assignments.** (hard copies) are due at the start of class; no late submissions will be accepted, other than for medical reasons or family emergencies, and in these cases, it is essential to notify the professors before class.

**Attendance.** is required at all sessions and for the duration of the session. If for some reason, you are not able to attend or have to leave early, please notify me as such. Missing more than two classes (other than for religious holidays) is likely to adversely affect your grade.

**Class starts at 4:00 pm!** You are expected to be in your seats when class begins. Arriving late disrupts the class and is disrespectful to everyone who has arrived on time, and to our guest speakers.

**No Cell Phones, Laptops, iPads.** Please place these items in a safe place where they cannot be touched in class. If you intend to take class notes on a computer or IPAD during the semester, please let me know at the start of the course. Our guest speakers are volunteering their time and warrant your undivided attention; it is highly distracting—and quite obvious—to your fellow students, your professor, and guest speakers to use these devices in class to conduct your other business and personal relationships.

**Preparation.** Students must be prepared for all classes. Convenient as it might be, you cannot learn all you need to learn just from listening in class. Class discussion will be based on the assumption that you have thoroughly read these materials and are prepared to answer questions as well as pose questions in class.

**Course Materials, Cases & Readings.** for the course are posted on the course website on Canvas and the required readings for each session are clearly identified on the syllabus.

**GRADING**
Grading will be based on class participation (40%), Case analyses (30%), and Final Presentation and Business Plan (30%).

**PROFESSOR AZRACK’S CONTACT INFORMATION:**
Email: Jazrack24@gmail.com  Phone: 617-669-1893.

**OFFICE HOURS:** Thursdays, 2-3:30pm, Office TBD

**TEACHING ASSISTANT:** Adam Koplewicz, AKoplewicz15@gsb.columbia.edu
B8426: REAL ESTATE ENTREPRENEURSHIP: CREATING A SUCCESSFUL REAL ESTATE BUSINESS

Adjunct Professor Joseph F. Azrack ‘72

Fall 2014 (B Term)
Thursday, 4-7:15pm
Room Uris 331

Readings


Case Materials

Leadership in Crisis: Ernest Shackleton and the Epic Voyage of the Endurance
Value Retail
The Crescent Hotel
Equity International; the Second Act
The Raiser Organization
Starwood Property Trust S-11 Registration Statement: Summary, Management’s Discussion and Analysis of Financial Condition and Business, and Management sections.
Assignments Types

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<th>Designation</th>
<th>Discussion of concepts</th>
<th>Preparation of submission</th>
<th>Grade</th>
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<td>None of any kind</td>
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Curriculum & Assignments

October 23: Real Estate Entrepreneurship Overview

What makes an entrepreneur? What are the challenges facing an entrepreneur in real estate? What market, financial and personal factors influence the likelihood of success? What business models create a greater probability of success? When failure strikes, what seem to be the main issues and what corrective actions can the entrepreneur take? Examples of both successful and unsuccessful enterprises will be discussed. Discussion will focus on the character, personality and strategy behind different business models.

Readings/Preparation: (Assignment Type B)
Keepers of the Castle- Chapters 1-4
Wisdom of Titans- Chapters 1-6
Emerging Trends in Real Estate 2014

Assignment: At the start of this class, students are required to submit a one page summary of their background, reason for taking the course, and what they hope to learn from it.

Case: Leadership in Crisis; Ernest Schackleton and the Epic Voyage of the Endurance
Assignment: Utilizing information from the assigned readings for this class and the facts of the Leadership in Crisis case, prepare a written analysis of the personal characteristics and skills that are associated with the successful entrepreneur. Explain why each is important and how they can work together to produce a successful result. Please refer to the specific questions attached to this outline for “Leadership in Crisis” to be addressed in this context.

Guest Speaker: Bill Ferguson, Chairman and CEO, Ferguson Partners
Mr. Ferguson will discuss the role and importance of human capital in the creation and growth of a real estate company. Although real estate is an asset intensive business, many believe that the most critical ingredients to success are the people, their expertise, and network relationships.

October 30: How to Capitalize a New Business

Perhaps the Achilles Heel of many entrepreneurs is not fully appreciating the importance of
sustainable funding for their business plan and the multiple alternative financial sources and structures that may be applicable during the life of a business. This class will discuss sources of working capital, seed investment funding, joint ventures, and public and private sources of debt and equity financing, and how sources of funding have changed (or not) over time. RXR, IHP, Bedford Properties, Security Capital, and Wheelock Street Partners, among others, may be discussed as examples to illustrate alternative funding concepts.

Readings/Preparation: (Assignment Type B)
Real Estate Finance and Investments- Chapters 11, 12, 13 and 18, Supplement A
How to Write a Great Business Plan
10 Rules of Successful Entrepreneurship
Wisdom of Titans- Chapters 7-11+

Assignment: Identify alternative funding sources to capitalize a new business, and the pros and cons associated with each. How does one determine the amount of capital that will be needed and the potential sources and uses of capital? What are the tradeoffs between debt and equity capital for a startup and for more established businesses? How can the financial risks for a real estate startup venture be mitigated?

Guest Speaker: Invited: David Hodes, Founder and Managing Partner, Hodes Weill
Mr. Hodes will discuss sources of capital for starting and growing real estate businesses, and the qualifications investors look for in evaluating new enterprises.

November 6: Real Estate Development

Development has always been synonymous with entrepreneurship in the property business. One merely has to look at the skyline of any American city and the landmarks observed are associated with names like Silverstein, Speyer, Zeckendorf, McGuire, Shorenstein or Hines to name a few. However, as those who have created great assets know, there is no great reward without great risk. This class will discuss the confluence of skills necessary to be a successful developer, how the development business has changed in the past 20 years and how developers mitigate their risks.

Readings/Preparation: (Assignment Type B)
Confessions of a Real Estate entrepreneur- Chapters 9, 15, and 20
What’s Next? Getting ahead of Change

Case: The Crescent Hotel (Assignment to come)

Guest Speaker: Scott Rechler, Founder and CEO, RXR
Mr. Rechler will share with the class his experience in the real estate development business having been raised in a real estate family, run a public company, and most recently started a major New York owner and operator of office properties.

November 13: Real Estate Investment Management

AEW, AMB, Clarion Partners, Starwood, and Metropolitan Partners: what can the prospective investment management entrepreneur learn from these models and their experiences. Specifically, what types of new business opportunities were created by the financial crisis of
Readings/Preparation: (Assignment Type B)

Keepers of the Castle- Chapters 5-8
The Future of Real Estate Investment Management


Guest Speaker: TBD

November 20: Markets and Relationships

Not infrequently, new real estate businesses are begun by entrepreneurs with close market demand relationships or with the perception of an unmet demand in the market. This guest speaker and the assigned readings will discuss the importance of thoroughly understanding your market and establishing relationships and credibility with the companies and individuals that create the demand for your product or service.

Readings/Preparation: (Assignment Type B)
What’s Next? Real Estate in the New Economy
Real Estate Finance and Investments-Chapter 21, Supplement A

Case: Value Retail (Assignment to come)
In addition to preparing the Value Retail case assignment to be provided in advance of class, be prepared to discuss market, economic and technology trends that are influencing the future supply and demand, and sources of capital for real estate. Identify potential new business opportunities and competitive disintermediation that may be associated with these emerging trends.

Guest Speaker: Scott Malkin, Chairman and CEO, Value Retail
Mr. Malkin will discuss his experience in conceptualizing and executing the strategy for Value Retail with special attention to the importance of tenant relationships

December 4:
Part A: International Markets Issues and Opportunities

Part A of this class will focus on the unique characteristics of building a business outside of the United States. Topics to be covered include tax and regulatory environment, capital markets, business risks, and near term challenges and opportunities.

Readings/Preparation: (Assignment Type B)
Emerging Market Real Estate Investment-Chapters 2 and 5
Equity International; the Second Act (Read only)

Assignment: Prepare a summary analysis of the risks and opportunities unique to conducting
business in emerging markets (e.g., Brazil or China). What factors create demand for real estate in these markets? What risks are unique to doing business in these markets? What are the advantages to being in one of these markets? What market or regulatory variables need to be underwritten and understood to evaluate the potential opportunity in a foreign market? Are these markets suitable for all foreign real estate companies or more so for some but not others? What different strategies might a real estate business use to enter a foreign market? What are the key factors that determine probable success or failure?

Guest Speaker: Tom Shapiro, Founder and Managing Partner, GTIS Partners
Mr. Shapiro will discuss how he started GTIS Partners, became focused on the Brazil market, and the particular opportunities and challenges he experienced in entering the Brazilian real estate market.

Part B: Family Real Estate Businesses

Part B of this class will focus on the issues associated with running a Family real estate business.

Case Assignment: The Raiser Organization (Assignment Type B)

Assignment: Using the Raiser Organization as a case in point, describe what is different about a family owned and operated real estate business? What management challenges does it present for different generations of family members and non-family managers/advisors? Why do so few family businesses survive beyond the second generation? Are there particular management or financial strategies or organizational structures that are better suited for a family business? In particular, how would you handle succession planning while you were alive if you had been the patriarch of the Raiser Organization? How should one generation prepare the next for a family business to sustain itself?

December 18: Summary and Class Presentations (Assignment Type A)

Presentation by students of their Entrepreneurial “Best Ideas”, Class Feedback and discussion, followed by Summary of the course.

Assignment: Each student/Team will be required to submit 10 days in advance of the class a business plan and power point presentation each not to exceed 10 pages presenting a new entrepreneurial real estate business concept and how they would apply what they have learned from the course to this venture.