

**PLAN A6377.001 PRIVATE EQUITY & CAPITAL RAISING  
FALL 2017  
WOOD (Lecture 1 to 5) and 113 AVERY (Final Presentations)**

September 11<sup>th</sup> to October 20<sup>st</sup>, 2017

By Marc Weidner and Michael Clark

**Overview**

This course will expose students to the fundamentals of real estate private equity, basic terms, players in the industry, philosophy of investment and the legal and financial aspects of real estate private equity in today's environment. The professors will give students a broad base of understanding in the concepts, terms and fundamentals that govern the real estate private equity markets. The course will be taught from the perspective of the General Partner managing funds and investments and the Limited Partner investing in funds.

The class will focus in particular on current fundraising issues as well as on the structuring of private equity transactions. The course should be of particular interest to students who want exposure to real estate private equity in the future, either as a General Partner, Limited Partner or Local Operating Partner domestically or internationally.

Core curriculum will cover the lessons below in five sessions of two hours each, plus final presentations.

***Schedule:***

Monday, Sept. 11<sup>th</sup>, 4pm to 6 pm: Overview of the Private Equity Real Estate Marketplace

Monday, Sept. 18<sup>th</sup>, 4pm to 6 pm: Life as an LP

Monday, Sept. 25<sup>th</sup>, 4pm to 5:30 pm: Life as a GP

Monday, Oct. 2<sup>nd</sup>, 4pm to 5:30pm: Life as a Placement Agent

Monday, Oct. 9<sup>th</sup>, 4pm to 5:30 pm: Putting it all Together

Friday, Oct. 20<sup>th</sup>, 1pm to 5pm (Specially Scheduled): Final Presentations

*\*\*\*In order to be eligible for a grade of HP, students must attend all five lectures as well as the final presentations.\*\*\**

Although no prerequisite is required, the class is intended to move at a fast pace and students are expected to come to each class prepared to discuss assigned reading material.

### **Lecture 1 (September 11<sup>th</sup>): Overview of the Private Equity Real Estate marketplace**

Definition, background, size, key players, intermediaries, types of funds, scope, and overall foundation for the balance of the class.

#### **Assignments Due:**

Individual Assignment HW1: Read Linneman Paper, 3 Howard Marks Memos and Zell article. Respond to the Linneman paper: what do you think could be improved with the Real Estate Private Equity model. Also, write your overall reaction to the Marks and Zell papers, and identify the aspects you agree with and disagree with. **Due on September 18<sup>th</sup>.**

Group Assignment GA1: Form groups of four. As a GP, what is your best idea for a real estate fund? The two critical components of this assignment are:

- 1) What is the market opportunity?
- 2) What is your strategy for tapping into this opportunity?

Explain your idea in an executive summary. **Due on September 18<sup>th</sup>.**

### **Lecture 2 (September 18<sup>th</sup>): Life as a LP**

Institutional players, open end, closed end, sovereign funds, HNW, family offices, how LPs select GPs.

#### **Assignments Due:**

Individual Assignment HW1: Reaction to Linneman/Marks/Zell Papers.

Individual assignment HW2: Read Greycourt paper on selecting best in class managers. Discuss your observations and reactions to it. **Due on September 25<sup>th</sup>.**

### **Lecture 3 (September 25<sup>th</sup>): Life as an GP**

Investment philosophy, raising capital for a specific deal and drafting a term Sheet: Waterfalls, J-curve vs. Cash Flow, preferred returns, IRRs, multiples, clawback and negotiation between LPs and GPs and Operators.

#### **Assignments Due:**

Individual assignment HW2: (Reaction to Greycourt paper)

Group Assignment GA2 (exec. summary of fund/investment strategy).

#### **Assign:**

Individual assignment HW3: Read the Berkshire PPM. Write your evaluation of this fund offering and your recommendations as though you are an LP considering an investment in this fund (for the purposes of this assignment, assume you are making the investment in 2016). In particular, focus on term sheet, strategy, track record and team. **Due on October 2<sup>nd</sup>.**

Group Assignment GA2: Provide an analysis of market data supporting your group's investment thesis for your proposed fund idea (2 pages maximum). Utilize market data and research to support your conclusions/interpretations of the opportunity that supports your investment strategy. **Due on October 2<sup>nd</sup>.**

#### **Lecture 4 (October 2<sup>nd</sup>): Life as a Placement Agent**

Financial structuring, implications and how capital is raised.

#### **Assignments Due:**

Individual assignment HW3 (Berkshire PPM evaluation and recommendations)

Group Assignment GA2 (market analysis of investment thesis)\*

**\*EACH GROUP SHOULD COME TO CLASS PREPARED TO PRESENT THEIR INVESTMENT THESIS**

**Assign:** Waterfall exercise (HW4). Students will be provided with a waterfall model in order to run several scenarios and then answer questions pertaining to the various outcomes. **Due on October 9<sup>th</sup>.**

#### **Lecture 5 (October 9<sup>th</sup>): Putting it all Together**

Financials (discussion of waterfall exercise), fund formation, RFPs, due diligence and negotiation. Feedback on fund summaries. Recap and conclusion – putting it all together.

#### **In-class Exercise: Case Study GP/LP Term Sheet negotiation**

#### **Assignments Due:**

Waterfall exercise (HW4).

#### **Assign:**

Based on the feedback given in class on the fund summaries, finalize group fund pitches and presentations in preparation for Final Presentations on **October 20<sup>th</sup>.**

#### **October 20<sup>th</sup>: Final presentations**

Students will pitch their fund offering and investment strategy to the professors, who will act as limited partners looking to invest.

#### **Assignments Due:**

Group projects: final pitches for funds, presentations.

### **Materials and Grading**

1. Students will be handed various relevant reading materials (articles and fund documents), and prepared reading composite to review before each class on the topic for that class.
2. Each class, students will be asked to turn in a paper or assignment on a topic assigned in the prior class.
3. Grades will be determined through class participation, assignments and the final presentations.
4. Please submit *individual* papers as a PDF document uploaded to Courseworks with the following file naming format:

**Lastname\_Firstname\_HW1**

5. Please submit *group* papers as a PDF document uploaded to Courseworks with the following file naming format:

**Groupname\_GA1**

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### **Conclusion:**

At the end of five classes, students should have a good understanding of the private equity marketplace and process to enable them to understand concepts that will be introduced to them throughout the balance of the program. The goal will be to teach them how and why money flows to real estate through private equity so that they can better access it, understand which side of the table they want to represent and incorporate the concepts from this class to better understand how to utilize the private equity structure to invest in real estate investment strategies.