Real Estate Lab:

Ninth Annual Booth/Kellogg Real Estate Challenge

Background: For nearly a decade, selected students from the business schools of Chicago and Northwestern universities have competed each spring in a real estate “challenge.” Initially, the students would present the redevelopment proposals for a site owned by the City of Chicago. These sites have included properties located in areas such as: the south loop, “six corners,” Bronzeville and the near West Side – having lent themselves to a variety of proposed residential, retail and office uses/developments. However, as the viability of many private-sector development proposals has waned considerably over the last several years, there has been a conscious effort to move in a different direction and, accordingly, the last two years have been a bit different: The 2008 students analyzed the proposed Olympic Village, as part of the City’s efforts to secure the 2016 Olympiad and the 2009 students evaluated redevelopment plans for Presidential Towers (a 2,346-unit apartment project located in the west loop).

Each team – usually six students – utilizes the spring quarter to hone their proposal and their presentation. Resources for these activities include interested faculty members as well as local practitioners familiar with various aspects (design, construction, leasing, financing, etc.) of the proposed project. The proposals are ultimately evaluated by a panel of five judges – one of whom has typically been a City representative (but, in the last two years’ competitions, a member of the sponsoring organization (Chicago 2016 – the non-profit entity organizing Chicago’s Olympic bid – and Waterton Associates) has acted as the fifth judge).

Goals/Objectives: Participating students typically find the experiential nature of the project to be intellectually rewarding as well as quite helpful when interviewing with prospective employers. With this in mind, the goals and objectives of the Real Estate Lab include:

- fostering interest in real estate and real estate-related careers among students at both schools,
- promoting the real estate programs and the student organizations at each school,
- enhancing the awareness and profile of the formal study of real estate,
- enhancing networking opportunities among students interested in real estate, and
- providing an opportunity for students to apply classroom instruction to a practical situation with potential for implementation.
This Year: We have tentatively agreed with several real estate investment firms – ProLogis, Transwestern and Wateron Associates – to provide one or more actual underwriting packages on variety of actual investment opportunities. The properties will range from “core” to “value-added” and, therefore, offer a range of expected returns and risks. The teams objective will be to rank these projects on a risk-adjusted basis (net of the “promote” or “waterfall” structure) – as if you were a presenting these opportunities to the firm’s investment committee.

Consequently, this task should be viewed as approximately equivalent to the underwriting and due diligence process employed by sophisticated real estate investment managers. As a result, it should also be good preparation for those of you considering a career in acquisitions, portfolio management and/or investor services within an advisory firm, a REIT or private-equity firm.

Course Specifics: This will be a full-credit class, supervised by Professor Pagliari. The time commitment to a well-considered proposal accompanied by a professional presentation should not be underestimated. Selected team members will meet at least weekly with Professor Pagliari and often more frequently with fellow team members as well as local practitioners. Those part-time students whose schedules permit them to attend all (or nearly all) such meetings (which, most typically, will be held during regular business hours) are also encouraged to apply – as are first- and second-year full-time students. Additionally, each team member must abide by the Booth Honor Code and Challenge Rules at all times during the completion of the Challenge. And, given the sensitive nature of the Challenge’s topic, it is expected that each team member will be required to sign a Confidentiality Agreement. Lastly, the formal presentations have been tentatively set (subject to the availability of judges and other factors) for Friday, May 28th. Absent an emergency, you are expected to fully participate in these presentations.

Application Process: If you are interested in participating in this year’s Challenge, please so indicate to Professor Pagliari. Your email note (to joseph.pagliari@chicagobooth.edu) – sent no later than March 8th – should contain as attachments: 1) a resume and 2) a two-paragraph statement as to why you would like to be involved in this year’s Challenge and what you might offer to your teammates in terms of expertise, perspective, contacts, etc. From these applications, Professor Pagliari – in consultation with the Dean’s office – will select the six-member team which is regarded as likely to best represent the School in this year’s Challenge. (In so doing, preference will be given to those students active in the real estate clubs and/or taking (or having taken) the real estate classes.)

Previous Presentations: Should you be interested in viewing Booth presentation from 2007-9, please visit Professor Pagliari’s website: faculty.chicagobooth.edu/joseph.pagliari/.

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1 For more information about ProLogis, see: http://www.prologis.com/en/default.aspx

2 For more information about Transwestern, see: http://www.transinvestco.com/

3 For more information about Waterton, see: http://watertonassociates.com/. Additionally, David Schwartz, one of the firm’s founders, is a Booth alum.