Columbia Business School
AT THE VERY CENTER OF BUSINESS™
Paul Milstein Center for Real Estate

MBA Real Estate Case Studies

Columbia CaseWorks

REAL ESTATE IN THE REAL WORLD

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The MBA Real Estate Program instructs students using a broad-ranging collection of nearly 100 teaching cases and notes. Each draws on direct professional experience, showcasing the challenges that practitioners face while revealing how real estate leaders excel—the mindset essential for success.

Each case serves to hone the analytic and technical skills essential to critical decision-making, a hallmark of our graduates. Integral to the Program's dynamic process of educating leaders, cases cover problem-solving issues of acquisition strategy, asset management, development strategy, portfolio and business strategy, restructuring and recapitalization, and securitization.

A distinguished part of the MBA Real Estate Case Studies collection are those published through Columbia CaseWorks. Columbia CaseWorks develops teaching cases and materials for use in Columbia Business School classrooms and at other academic institutions. All material is closely tied to and based on the research and expertise of Columbia's world-class faculty. CaseWorks leverages the energy, creativity, and intellectual capital of the School and provides a bridge between theoretical and practical business knowledge—providing incomparable real-time access to business knowledge.

CELEBRATING A CENTURY AT THE VERY CENTER OF BUSINESS

Pioneering Case Studies from the MBA Real Estate Program

111 Eighth Avenue: Recapitalizing the Opportunistic Buy

Jeffrey Barclay '83, Lynne B. Sagalyn, Jane Yang '10

This case concerns Manhattan's 111 Eighth Avenue, built in 1932 as the original headquarters of the Port Authority of New York and New Jersey. One of the largest commercial office buildings in New York, Taconic Investment Partners and the New York Common Retirement Fund purchased 111 Eighth Avenue in 1997 with a plan to dramatically transform what was then an underperforming warehouse into a Class A office property. By 2003, the investment had outperformed all expectations, and it was time for the partners to consider how best to harvest some of the financial gains embedded in the fully tenanted building. This case asks students to examine the partnership, the asset, the market conditions, and the critical question at the time: what is the best strategy for recapitalizing this venture?

Aligning Incentives: JV Opportunity for a Private Equity Real Estate Fund

Lynne B. Sagalyn

This case challenges students to evaluate the structure of incentives for a real estate opportunity fund. It presents students with the data and terminology required to assess how well incentives are aligned (or not) in a complex deal being considered by a private equity real estate fund. The case is accompanied by an exercise that asks students to outline the incentives for each partner in the proposed deal.

Archstone from 2007 to 2013: Who Said Life was Easy?

Lynne B. Sagalyn, Jared Nutt '13

In 2007, Archstone Smith-Trust, known as Archstone, was the second largest publicly-traded apartment real estate investment trust (REIT) in the United States with an ownership interest in over 86,000 apartment units heavily concentrated in markets with "high barriers to entry." That May, in partnership with Tishman Speyer, Lehman Brothers acquired Archstone in a public-to-private transaction. This case asks students to explore the challenges Archstone faced after it became Lehman Brothers' largest commercial real estate investment, and to consider how Lehman Brothers' Archstone positions may have contributed to its bankruptcy, less than one year after the Archstone buyout. Finally, it asks students to assess what restructuring options would best serve both Archstone and Lehman Brothers.

Battling Over a New York Workout: The W Hotel Strategy

Fred Knapp '12, Lynne B. Sagalyn

In October, 2006, Istithmar, a subsidiary of Dubai World, the flagship investment company of the government of Dubai, purchased the 270-room W Hotel in Union Square from Related Companies for $285 million. At the time, New York City's commercial real estate market was booming. With demand at its peak, New York was attracting record prices, and values appeared to be on a constant upward trajectory. However, following the financial crisis, demand fell sharply, and the W Hotel in Union Square suffered a precipitous drop in revenue. This case concerns LEM Capital, a mid-sized private equity firm led by seasoned real estate professionals, which holds a junior position in the capital stack. The case asks students to explore LEM's strategy to protect its position when, in 2009, Istithmar ultimately defaults on its loan to its primary lender.

Development of The New York Times Building: Common Ground before Breaking Ground

Jeffrey Barclay '83, Yasmine Uzmez '01

In 2001, Forest City Ratner prepared to develop a new headquarters for The New York Times on Eighth Avenue, between 40th and 41st Street on the West Side of Manhattan. For reasons explained in the case, The New York Times had agreed to construct its headquarters on this site, which was part of the publicly initiated 42nd Street Development Project, in any market condition. No one could have imagined the devastation wrought to New York when disaster struck on September 11, 2001: by then, all parties had shaken hands on a deal but no legally binding documents had been executed. The case asks students to evaluate the situation from the standpoint of ING Clarion, a potential equity partner. Specifically, students must evaluate the project's feasibility, the parties' different agendas, whether and how their interests will align, and, importantly, to decide whether ING should move forward with its equity investment.

Fractured Condominium Investment Opportunity: Sierra Vista

Troy Daniel, Michael Gusich, Lynne B. Sagalyn

The case puts students in the shoes of investors who must decide, under pressure, whether to pursue an acquisition of a fractured condominium/apartment investment in a rapidly growing U.S. Southwest community. As seasoned investors, their intuition has led them to believe this is a great opportunity; however, there are many moving parts, and they must decide quickly. The case is written like a prospectus; students are required to consider the multifamily operating issues presented and then propose well-reasoned recommendations on several key business dimensions of the investment opportunity.

Soho Loft Building: Pricing the Entrepreneur's Development Risk

Eric D. Hadar '89, Lynne B. Sagalyn

An entrepreneur has an opportunity to buy the mortgage on a distressed property and complete the conversion of the loft structure to condominium apartments. At this point in time, Soho is an up-and-coming neighborhood, but the market has not yet recovered from a severe real estate downturn. To capture the value of this opportunity, the entrepreneur will need to contend with a host of regulatory and community issues in addition to the financing and construction issues attendant upon a complex renovation project. This case provides students with background information on the gentrification of New York's Soho neighborhood and the details of the renovation project, and asks them to assess the risks of executing on the transaction and to price the worth of this opportunity.

Structuring the Burnswell Joint Venture

Lynne B. Sagalyn

For this potential redevelopment deal, students are asked to design a flexible joint venture (JV) structure for developing a new office building on a prime urban site housing two small-scale office buildings. Timing of the development is uncertain and future costs are only soft projections, yet the commitment to acquire the parcel must be made immediately.

Tigre Logística

Camille Douglas

In 2009, in the wake of the international financial crisis, Benjamin Griswold, then 28 years old, considered joining a team of investors to invest $14.5 million in a high-quality warehouse space in Buenos Aires, Argentina. This multifaceted case of global investing explores the risks and opportunities Griswold weighed as he negotiated this deal and faced a series of unexpected issues in the process.

The Trianon

Lynne B. Sagalyn
Madison International Realty, a New York firm founded by Ronald M. Dickerman, is presented with the opportunity to buy an equity position in the partnership that owns the Trianon, a 45-story, trophy-quality commercial office building located in the central business district of Frankfurt, Germany. Students are asked to value the asset and recommend pricing for the acquisition of a fractional interest in the Trianon. Though the pricing for this acquisition would be at a discounted price to the original purchase price of €620 million at an attractive cost basis, Madison must weigh other considerations in its due diligence. Students are asked to recommend what the firm should do.

Zenith Center

Lynne B. Sagalyn
It is September, 2009, a time when most commercial real estate investors remain wary and battle-scarred by the dramatic real estate collapse of 2008, and Summitt Investors, a closely held private REIT, is considering making opportunistic purchases. At the top of its list is Zenith Center, an office building located in a major Southwestern U.S. city, which they hoped to purchase through a joint venture. After examining physical and market information, students are asked to draft a concise business memo identifying the due diligence issues and to develop an acquisition strategy and work plan for a high-risk investment.

"Infusing the academic experience with innovative real-world materials keeps students in step with change and new ideas. Columbia is in the perfect position to leverage its exceptional intellectual capital with practical examples through the MBA Real Estate Case Study Project."

Jerry I. Speyer '64 Tishman Speyer