Edward St. John Real Estate Program
The Real Estate Development Matrix

Daniel B. Kohlhepp
Real Estate Development Process
A Value Creation Process

Land Banking

sells

continues

Potentially Developable Land

Land Packaging
Real Estate Development Process
A Value Creation Process

- Land Banking
  - sells
  - continue
  - LandPackaging
    - sells
    - continue
    - Land Developer
      - sells
      - Potentially Developable Land
      - Land with a Plan, Approvals, Studies
Real Estate Development Process
A Value Creation Process

- **Land Banking** sells to **Potentially Developable Land**
  - continue

- **Land Packaging** sells to **Land with a Plan, Approvals, Studies**
  - continue

- **Land Developer** sells to **Building, Lots, Pads, Bays**
  - continue

- **Building Developer**
Real Estate Development Process

A Value Creation Process

Land Banking \(\rightarrow\) Potentially Developable Land

Land Packaging \(\rightarrow\) Land with a Plan, Approvals, Studies

Land Developer \(\rightarrow\) Building, Lots, Pads, Bays

Building Developer \(\rightarrow\) Fully Constructed Building

Building Operator
Real Estate Development Process
A Value Creation Process

Land Banking → Potentially Developable Land

Land Packaging → Land with a Plan, Approvals, Studies

Land Developer → Building, Lots, Pads, Bays

Building Developer → Fully Constructed Building

Building Operator → Building Needing Renovation/Re-Marketing

Building Renovation→ Sorry, Worn-Out Property

Property Redevelopment
Real Estate Development Process
A Value Creation Process

- Land Banking
  - Potentially Developable Land
    - Land Packaging
      - Land with a Plan, Approvals, Studies
        - Land Developer
          - Building, Lots, Pads, Bays
            - Building Developer
              - Fully Constructed Building
                - Building Operator
                  - Building Needing Renovation/Re-Marketing
                    - Building Renovation
                      - Sorry, Worn-Out Property
            - Property Redevelopment

continue

sells

continue
Real Estate Development Process
A Value Creation Process

Land Banking → Potentially Developable Land

Land Packaging → Land with a Plan, Approvals, Studies

Land Developer → Building, Lots, Pads, Bays

Building Developer → Fully Constructed Building

Building Operator → Building Needing Renovation/Re-Marketing

Building Renovation → Sorry, Worn-Out Property

Property Redevelopment → Property Ready to be Redeveloped

continue

sells
In each stage, the Developer must answer the questions:

1) Can I do what’s got to BE DONE?

2) Do I have the SKILLS, RESOURCES, TIME, TEAM SUPPORT?

3) Can I take the RISK of FAILURE?

4) Can I create REAL VALUE?
Tasks in the Real Estate Development Process

I. Acquisition
II. Financing
III. Marketing
IV. Environmental
V. Approvals and Permits
VI. Physical Improvements
VII. Transportation and Accessibility
VIII. Sales and Dispositions
Tasks of Development

I. Acquisition Tasks
   - Feasibility
   - Underwriting
   - Contract
   - Due Diligence
   - Closing
Tasks of Development

II. Financing Tasks

- Financial Projections
- Capital Formation and Accumulation
- Management and Reporting
Tasks of Development

III. Market Studies & Marketing Strategies
   - Market Conditions
   - Strategies
   - Promotion / Advertising
IV. Environmental Tasks
- Phase I, II and III
- LEED
- Subsurface, Surface, and Atmospheric Conditions
- Cultural and Historic Conditions
V. Approval and Permits

- Federal
- State
- Regional
- Municipal
- Private
Tasks of Development

VI. Improvements
- Land Planning
- Architectural Design
- Engineering
- Construction
Tasks of Development

VII. Transportation and Accessibility
   - Location, Location, Location
   - Off-Site
   - On-Site
Tasks of Development

VIII. Sales and Disposition Tasks
- Seller Due Diligence
- Marketing
- Contract
- Development Agreements
- Closing
Development Matrix

STAGES of Development [ACROSS]

1. 2. 3. 4. 5. 6. 7.

I. II. III. IV. V. VI. VII. VIII.

TASKS of Development [DOWN]
Stages of Development

In each cell:
- Expenditures are made
- Risks are taken
- Value is created (or destroyed)
Development works DOWN the Matrix:

Stage 1
Task I. Acquisition

Stage 2
Task II.
Task III.
Task IV.
Task V.
Task VI.
Task VII.
Task VIII. Disposition

Disposition

Stage 7
Acquisition
Disposition
Real Estate Professionals work ACROSS the Matrix:

Stage 1  Stage 2  Stage 3 ........ Stage 7

Bankers/Financiers
Lawyers
Brokers
Appraisers
Engineers
Contractors
Market Researchers
The Third Dimension

Tasks

Stages of Development

Product Type

Mixed-Use
Residential
Warehouse / Industrial
Hospitality
Retail
Apartments
Office
Next Steps

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