REAL ESTATE

A Case Study Approach

William J. Poorvu

Harvard Graduate School of Business Administration

REGENTS/PRENTICE HALL, Englewood Cliffs, New Jersey 07632

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This book is dedicated to Lia
and multigenerations of my family.

A CONCEPTUAL FRAMEWORK FOR ANALYSIS

THE PROJECTS	THE PLAYERS	THE PANORAMA	THE PROCESS
Product	*Stakeholders*	*Industry*	*Conceptual Stage*
Locational Characteristics	Owners	Fragmented	Idea
Business Definition/Time Frame	Investors	Capital Intensive	Strategy Formulation
Design/Physical Conditions	Lenders	Cyclical	Preliminary Investigation
Capital/Operating Costs	Developers	Project Oriented	Projections
Market	Managers	*Economic*	*Pre Commitment Stage*
Target Use/Advisers	Users	Financial Markets	Approvals
Absorption/Demand	Neighbors	Taxation/Subsidies	Detailed Analysis/Design
Competition/Supply/Comparables	Regulators	General, Regional	Resource Assembly
Timing of Entry	Communities	Characteristics	Organizational Planning
Financial	Suppliers	*Sociological*	*Action Stage*
Operating Projections	Designers	Demographics	Resource Acquisition
Sources/Uses of Funds	Builders	Lifestyles	Financial Commitments
Financial Benefits/Returns:	Brokers	Geography	Construction
Cash Flow Operations	Competitors	Education	Leasing
Taxes	*Characteristics*	*Technological*	*Custodial Stage*
Appreciation	Goals	Communications	Asset Management:
Risk/Reward Allocation	Experience	Infrastructure	Operations
Legal	Competence	Workplace	Rehabilitation
Site Control	Resources	Building Materials, Techniques	Reuse
Regulations	Interrelationships	*Political*	Financial Management/Tax Planning
Ownership Structure	Commitment	Land Use Patterns	Harvesting:
Agreements	Time Frame	Regulatory Environment	Sale
	Compensation	Power/Process	Refinancing
	Risk Profile		
	Integrity		
	Skills		
	Analysis		
	Knowledge		
	Decision Making		
	Negotiation		
	Communication		
	Management		
	Leadership		

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PREFACE

The genesis of my attraction to teaching by the case method occurred during my years as an MBA student at Harvard Business School. I found that I prepared more thoroughly for class, paid more attention to the varying points of view expressed by my instructor and co-participants, retained concepts and techniques and learned approaches to solving problems. Not only was I forced to think on my feet, I enjoyed the experience thoroughly.

Although I had no formal courses in the field, after graduation I began working in real estate. I had to start from scratch learning about tenant leasing, mortgage financing, and fixing leaky roofs. However, the training I had received at HBS encouraged me to seek out information in new situations and to be willing to make decisions in a dynamic property world where variable pricing is a given. The multiple negotiations that go on at many levels in the transaction oriented real estate business bear a number of similarities to the classroom. Although the longer time frame before one sees results in the real world is frustrating, and the penalties of failure are more extensive, there is a similar sense of opportunity and excitement.

In the late 1960s when I was given the chance to help start a course in real estate at Harvard Business School on a part-time basis and to write many of the cases, the two worlds came together. Many thousands of students, classes, and cases later, I still feel fortunate to be able to blend two careers, to be exposed to new ideas, and to be continuously challenged by a diverse cross section of people.

To thank only a few of the people who have helped me at Harvard leads to guilt feelings about the many not mentioned. However, I will focus on those who were directly involved in writing cases or notes for this book or providing access to their companies as subjects for our cases.

For many years Professor Howard H. Stevenson has been central to my involvement at the School. His creative and lively mind contributed greatly to the initial structure and teaching of the real estate course and to developing a pedagogical and conceptual framework for looking at the field. Traditionally, the industry had been viewed in academic circles as being too undisciplined and fragmented to lend itself to rational analysis. We focused on the process, asking a common set of questions about the property, the market, and the people that permitted a variety of responses. We saw many firms in the industry adapting their organizational and business practices to the needs of new institutional financial partners, more sophisticated tenants and more demanding regulators. The topic of ethical and socially responsible behavior became an integral part of our class discussions.

Since he joined the faculty, Senior Lecturer Donald A. Brown has brought an extensive background in all aspects of real estate development. As developers and property owners face new challenges, our cases and methods of teaching have to adapt to reflect realities. Since the course began, interest rates have ranged between 6% and 16%. There have been major cyclical market fluctuations at both regional and national levels. The concern for the built environment has become a critical part of our process. Government's role has switched from that of a proponent of growth to that of a gatekeeper. Don Brown's insights, enthusiasm, as well as his commitment to our students have added considerably to the course.

I am grateful for Professor C. Roland Christensen's course in "Teaching by the Case Method" which I took and subsequently co-taught with him. This remarkable communicator made me aware of the potential for using cases effectively in the classroom. Case studies are not just histories of a particular event in time, but an opportunity to shape, to involve, and to raise the level of interaction of the participants. They provide a flexible format for the instructor to develop ideas in a variety of ways. As there is no one way to learn, there is no one way to teach. The instructor's ability to listen, to question, and to respond, heavily influences the process.

Dean John McArthur and the Research Department at the Harvard Business School have been most generous in allowing me to hire recent graduates of the School as research associates. They have suggested ideas and helped in writing and editing the cases and notes in this book. Over the years Richard Crum, Leslie Feder, Katherine Sweetman, and John Vogel have been very involved in this effort. Mart Bakal, Jeff Libert, and Peter Aldrich assisted with case development, and have taught in our program. Sam Plimpton not only wrote cases many years ago, but then became my business partner. Elizabeth McLoughlin deserves special mention not just for having written many of these cases but for returning to work with me a second time. Although in a way she has suffered double jeopardy, her collaboration in so many aspects of this book has been crucial. Lastly, Linda Kelly, my secretary for more years than she will admit, has pitched in to bring order out of an environment that is often times more entrepreneurial than academic.

In the last analysis it is the dynamic "people" aspect of both real estate with its ad hoc series of relationships, and academia with its annual migration of new students bringing new questions, new backgrounds, and new interests that keep me enthusiastic. I am especially grateful for the many former students who have stayed in touch, keeping me up to date with what is going on in markets and companies throughout the world. Most of the cases are direct outgrowths of their experiences.

My hope in writing this book is that in reading and discussing these cases, you will be stimulated to learn more about the real estate industry, to become exposed to an important part of our society, and to discover how you yourselves might become involved in this most challenging and potentially rewarding field. There is an opportunity to do well financially, to meet an exciting variety of people, to have the chance to play a positive role in one's community, and to preserve and enhance the built environment.

INTRODUCTION

The real estate industry has been and continues to be a visible and substantial part of the U.S. economy. The fair market value of all U.S. real estate has been estimated at close to $9 trillion as of 1989, of which slightly under $4 trillion is in commercial, industrial and residential investment property. Approximately $5 trillion is in the hands of non-investment residential property owners.

The industry, as we define it, comprises not only those who develop, own, and operate many types of real estate as separate profit making businesses, but also those who provide them with services. It is dynamic, multi-functional, and multi-disciplinary, with few absolutes over the lifetime of a property.

Triggered by a growing demand for space, the past decades have been ones where a vision for expansion and a willingness to take risks were often key criteria of success. An optimistic view of future prospects attracted an ample supply of project capital. The entrepreneurial opportunity to create equity, the short term price inefficiencies, the fragmentation of real estate markets, and the ease of entry to the industry, attracted many participants. Considerable fortunes were made.

But, the cyclical nature of real estate is well known. Upmarkets have typically inspired an inflow of capital, new construction, and major changes in the built environment. Firms, looking for new opportunities for expansion, found that real estate provided entrepreneurial rewards, high returns, and a hedge against inflation. However, the inevitable downturns resulted in contraction in the industry, more constrained cash flows, and lower property values. Downturns have had a magnified impact on leveraged properties and firms with inadequate cash flows to adjust to changing economic realities. It is the ability to ride out the storms, to take a long term approach to the ownership of real estate that maximizes its value to the individual or firm. Ironically, the best opportunities for beginning to create value often arise during periods of problems or discontinuities.

Real estate professionals have had to adjust to changing industry realities.

Society has rightly become more concerned about regulating growth and assessing its consequences. More sophisticated users have also placed greater demands on those providing services or space. More rigorous codes of ethics in both the public and private sectors have established higher standards of acceptable behavior. And finally, as a result of upheavals in most financial markets serving real estate, lenders and investors have required more in-depth analysis and better market information. This has been especially true of institutional investors, who have become major players in recent years.

Although affected by many independent forces, real estate remains a site specific enterprise, which requires not only local knowledge but hands on attention to details of implementation. That is why case studies based on actual properties located in communities throughout the U.S. are so valuable in helping us learn about the field. They combine project specific decision making within the context of broader industry realities.

These real life situations rarely lend themselves to a single solution. People must act at a particular point in time based upon imperfect information and their own limited experiences. Discussions of cases allow us to expand horizons, to see the benefits of rigorous analysis, and to be exposed to multiple points of view of the same problem. Our goals in this book are twofold: to provide a better understanding of the real estate industry, and to develop an enhanced ability to make personal decisions in this challenging field.

The pedagogical framework that we use to examine our cases is divided into four sections: the *project*, the *players*, the *panorama*, and the *process*. For most real estate practitioners the *project* is the starting point. We define the project as specific land and buildings which are owned and developed as separate businesses. A project is typically investigated within the context of a defined market and certain financial parameters. Then, the appropriateness of the project is assessed relative to the proposed *players* involved. Do the background, skills, contacts, and resources of the project team provide the best expertise for making the project succeed? Likewise, the *panorama*—the regulatory, financial, market, and socio-economic environments—influences both project decisions and outcomes. Our concern for the *process* stems from our belief that there are patterns to the acquisition, development, and management of real property, and that these patterns provide guidance for project specific decisions. Throughout this introduction we will expand on the issues that are raised within each section. What is important is to bring the elements together, to see each situation as a totality, in order to explore and maximize the opportunities for success.

THE PROJECT

As stated, we begin by focusing on the project itself. By concentrating on the project, we also hope to mirror the industry practice in which most properties are legally owned and managed as separate businesses, often by small entrepreneurial firms. Since the owner or developer must coordinate all the project elements, our cases emphasize the enterprise as a whole, at a point in time, recognizing that the project, both as a business and as a building, normally outlasts its original owner.

Questions are asked about the location, market, and physical condition of the individual property, as well as the project's economics. Is the property well sited on its lot? Is it visible, accessible? What can we say about the design? Is the building or its equipment obsolete? Other marketing questions might include: What is happening to the local and regional market? What is the extent of the competition today? What is that competition expected to be like in the future? What are the demographics? How should the property be sold or leased? Is the demand for tenant services changing? What level of tenant fit-up is needed? How should the lease be structured?

From an economic standpoint, there are a range of issues to be discussed. What are the present and projected cash flows? How realistic are the projected rents and expenses? What is an appropriate ongoing vacancy level? What will happen when existing leases expire and rents are adjusted to markets? What are the expenses of re-renting space—commissions, down time, and tenant improvement costs? What are the expectations about future value, growth, or capitalization rate? How can the property be financed? What terms need to be negotiated? What are the income tax consequences? These are but a few of the factors which will affect value.

Each geographical area has its own characteristics. Likewise, each project type has its own subset of variables. If developed for residential use, is the product garden apartments, an urban high rise or a single family subdivision? Is it owned in fee, or by a condominium or a cooperative? If commercial, is it an urban high rise or a research park? Is the shopping center a strip, regional or super-regional? How do we differentiate between raw land or land development, hotel or resort investments? What about public or private mixed use investments? Is the project designed for institutional ownership or occupancy, and if so, how does that affect the way the business is run? How does the scale of the project influence decisions?

For the more experienced students, these questions may be second nature, but for those starting out in this field, it is crucial to begin with the basics, to know what to ask. One should not be afraid to ask or keep asking until one has received an understandable and logical explanation that makes clear the assumptions. The alternative can be expensive.

THE PLAYERS

Since each project or business requires different skills, knowledge, resources, and experience, the project team is often assembled anew for each proposal. Rewards in real estate are often related to the success of each individual transaction or project, rather than to the development of ongoing organizations. Project members may never have worked together. While both the owners and their

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support team are working toward a common goal, a single leader needs to take responsibility for the successful management of the project to profitable completion. The developer not only has to have a vision, but must be a hands-on manager. In a way he or she is like an orchestra conductor who may not play all the instruments, but must have reasonable familiarity with all of them.

A key element for success is the careful selection, direction, and coordination of the players who can help a project to succeed, such as investors, lenders, brokers, and attorneys. The capabilities and goals of the ad hoc team that is put together must be matched with the unique characteristics of each project. Which players would fit best with this particular project and with each other? Who could make the necessary commitments of time or money, given other obligations? Some participants may have a vested interest and influence over the project, and may benefit little or even lose something from its successful completion. Who are the stakeholders and what are the stakes? What are they betting on? As in venture capital situations, the split of equity among investors, promoters, and workers is to be negotiated upfront.

Real estate projects, owned and managed as entities in and of themselves, enable the allocation of control and returns to many participants. Even a small initial equity contribution can become quite valuable as many projects are highly leveraged. Financing has historically been based on, secured by, and tied to the value or cash flow of an individual project, as well as the experience and history of the borrowers. If personal guarantees are given, the degree of recourse to other assets owned by the borrowers must be considered when evaluating probable risk and return.

A flat organizational structure resulting from a "project team" approach tends to have few preexisting relationships and no existing hierarchy. This creates an informal atmosphere, which greatly influences the process, the results, and the fun one can have working in this field. Even larger financial firms with other institutional characteristics are structured to provide entrepreneurial experiences and rewards. The project leader can tie the financial success of the participants to the performance of the project.

The incentives available to attract high quality participants range from equity participation for financial and development partners to fees for service professionals. Each player may be compensated differently—the architect who understands the site and its potential, the attorney with the appropriate specialties, contacts and experience, or the financial intermediaries who help raise the money. The key is to retain the flexibility to assemble the most appropriate project team and to draft an agreement which will satisfy the project players and bind them together for the common cause.

The well drafted ownership agreement, often structured in the form of a limited partnership, should accommodate the changes that will inevitably take place over the long time frame of property ownership or development. It must deal with management, control, and continuity. The owners should have a strong commonality of interest. The cash distributions, tax benefits, and sharing of future value must reflect the contributions of those involved in the project. Since the project may unexpectedly demand more of one participant than another over time, or may require an additional participant, all parties must understand that ownership interests may need to be restructured at some point. How one gets out of a deal is often more complicated than how one gets in. Changes in bankruptcy laws have altered traditional borrower/lender relationships and the ways in which the parties deal with distressed situations.

In a field of project specific partnerships, there could be the temptation to act only within the letter of the law or the agreement, to find loopholes, and to cut corners. Reputations, like real estate values, are acquired over time, and grow more valuable when well maintained. The value of the individual's word can be his or her most important asset. Ethical behavior and an awareness of the environmental and social impact of real estate can be seen as good business practice, as well as a moral prerogative. What is built, for whom and how it is managed affects others, and economic criteria should not be the only standard for measurement.

Changing attitudes toward development often require close working contacts at the local level. Building regulations, zoning codes, and environmental requirements have to be considered in the planning. The neighboring community acts through its regulators, expressing opinions through the formal approvals process. More informally, neighborhood groups, historical societies, and civic associations have become increasingly sophisticated consumers of the built environment around them. Growth is often regarded as a negative. Who has the power, at what level, and how it is used varies not only from place to place but over time within the same community itself. It is now common to expect the imposition of extra charges or linkage payments to satisfy the demands of a multitude of parties affected directly or peripherally by the project. Managing these tricky and crucial relationships requires tact, sophistication, and cooperation. The project team must expect and have the staying power to withstand a long drawn out process of approval.

Clearly, both the individuals and the organizational structure must be well-matched to the needs of the project. How will real estate firms be structured in the future? What staffing should best be filled in-house as opposed to being purchased from the outside? What types of jobs will be available, and what backgrounds will be needed to fill them? Can a management company experienced in commercial projects handle a shopping center, hotel, or life care center, each of which has operating distinctions that makes it a separate business? Is success dependent upon persistence, instinct, experience, and the willingness to take and juggle risks, or is it a function of being in the right place at the right time? Finally, what degree of risk is the individual or firm willing to take? Whether to work on a fee for service basis or for a share of the upside depends on many factors. How much of one's personal time or resources to commit is always an issue. The scale of project, type of real estate, or geographic locale must be looked at in personal as well as economic terms. Is one more comfortable in an institutional environment, or a small local setting? As has been said before, one can eat well or sleep well, rarely both.

THE PANORAMA

It is critical to think about how a specific project under consideration fits within the broader context of economic, sociological, technological and political trends. Attitudes toward growth vary depending on the times and the specific locality. The development of new construction materials, more efficient building systems, computerized designs, or new applications of construction management techniques affect both the bottom line, and the project's ability to compete in the marketplace. Compliance with handicapped access codes and environmental standards has significant cost implications. Incentives to encourage subsidized housing or historic rehabilitation affect what will be built. Demographic shifts, the availability of capital, projected vacancies in office and hotel space, and innovations in technology all create opportunities for the individual project. The federal government, through the provision of tax subsidies, setting of tax rates and depreciation schedules, and determining the deductibility of interest costs, has a dramatic effect on the profitability of a project over time. Federal and monetary policy influence the rate of inflation. Higher rates of inflation increase the cost of new construction and, eventually, when existing space has been absorbed, result in an upward movement of existing property values.

The fragmented and localized nature of products and markets makes risk assessment and access to capital markets most uneven, a situation that also creates opportunity. The discrepancy between the timing of the infusion of capital into the industry with the needs of the market, especially at the local level, leads to cycles of growth and contraction. In the late 1980s, for example, excess capital availability resulted in the building of products for which market demand was absent. In past decades, inflation, tax subsidies, and growth in demand have often rescued shaky projects. There might not be such easy outs in the future.

It is not easy to incorporate national or industry level trends in the decision making process for an individual project. However, changing financial markets and global shifts in economic power require real estate practitioners to know how and why investment and development practices differ between the U.S. and other parts of the world. Since the individual property owner cannot control many of the events which will affect the property, he or she needs to know how to read the signs, identify the trends, and understand the implications for his or her piece of Main Street, U.S.A. These are often difficult and abstract issues that a busy professional rarely has the time or information to consider. And yet it is often these large exogenous trends that have a significant effect on companies and individuals. To succeed in real estate requires extraordinary skills, common sense, and an understanding of the environment in which we operate.

THE PROCESS

The challenge of making short term decisions in an environment of long term uncertainty is not unique to real estate—just ask any fashion designer, car manufacturer or book publisher. What is special in real estate, what greatly increases the risk, is that after an exploratory period, the major capital commitments and pricing decisions must be made up front based on long term projections of uncertain future cash flows. Real estate has traditionally been an extremely capital intensive business with high fixed costs and few, if any, economies of scale. Once started, it is very difficult to redesign a development to meet changed market needs, and years may pass before major renovation becomes feasible. Thus, the need to determine in advance the optimal combination of variables is crucial.

The first step is to gather and analyze as much information as possible early in the project life cycle. Based on that information, steps can be taken to minimize and reduce risk through options, pre-leasing, and the recruitment of financial partners. The strategy for acquisition or development has to take into account many factors which can be reviewed systematically. The more information that can be established at the outset, the greater the certainty of project returns. Experience with the local market helps enormously at the conceptual stage, especially since it is important to keep out of pocket costs low. A site visit, some phone calls, a couple of meetings and a few back of the envelope calculations cost little, but can be sufficient to make at least a preliminary decision to investigate further or to abandon a deal.

If it is determined that further investigation is worthwhile, questions which were raised at the conceptual phase are investigated more thoroughly, and new questions are asked. The market is reexamined. What similar products are also planned or under construction? How will competition affect this project? How reliable is the market data? How does the location compare to competitive sites? What compromises may be necessary, how much would they cost, and how long will they take to resolve? What approvals are necessary? A hefty premium is often paid for experience and contacts since delays are costly. Because the (often highly leveraged) project may face significant short term debt obligations, efficiently managing the timeline of development is crucial.

The local approval process adds considerable uncertainty and cost to real estate projects. What can be built is not just the decision of the property owner. The U.S. regulatory system continues to limit the property rights of the individual. Zoning regulations, building code requirements, and environmental impact concerns need all be satisfied. Issues of design, scale, and community impact are matters of interpretation, are not easily quantified, and are controlled both by regulations and a legal system that makes it easy for objectors to delay and obstruct through challenges in the court. Cost constraints on local government encourage the shifting of costs to the private developer, be it funding of infrastructure or providing economic benefits to the community.

Since it is hard to find financing for unimproved land, and the major financial commitment from outside lenders and investors is often not finalized until the entire project is ready to move ahead, the developer usually will need to spend his or her own money in the pre-commitment stage. Depending on the situation, the developer may also need to acquire control of the site during this stage through a substantial commitment of resources. Hedging devices which mitigate the need for upfront cash, such as contingent purchase contracts or option agreements can be arranged, but at a price.

The next step, schematic design, usually generates sufficient documentation to submit a credible financing application. The schematic designs, however, lack sufficient detail and scope to obtain accurate construction cost estimates. At some point, the developer has to make the judgment as to when to commission expensive working drawings and specifications. The dilemma is whether to commit funds for working drawings before permanent financing is assured, or to try to get financing without being sure how much money is needed.

The transition from the preliminary stage of investigation with a low level of exposure to the time when resources are committed is critical. The decision must be made at each major investment increment or phase of the process to proceed or, alternatively, to abandon the project and cut one's losses. Inevitably, a decision which should be logical and rational takes on an emotional tone. The optimistic developer may have already invested so much in time, money, pride and reputation that it becomes emotionally difficult to abandon the project. It may even be that the developer cannot afford the loss of money borrowed to fund the preliminary costs, which will be returned from construction loan proceeds only if the project goes forward.

As stated earlier, the developer is working during this difficult period with an ad hoc assembly of consultants, partners, agents, and contractors. Most expect to be paid as their contribution is completed. Some may be willing to forego these payments for higher fees later or promises of equity if the project moves to completion. While most of these arrangements are informal and not legally binding, the integrity with which one maintains these relationships determines the ability to work with the best in the future.

In addition, potential lenders and investors may want some evidence of market interest in the project in the form of pre-leasing commitments. Maintaining a marketing program and keeping all the other elements of the project moving on parallel tracks is a creative challenge for any developer. When to lock in financing, at what level, and on what terms is difficult to determine. Many negotiations must be conducted simultaneously. Experience, contacts, reputation, and pre-leasing can minimize the marketing risk and ensure realistic sale or leasing projections.

When the project proceeds to the action stage, different challenges arise. The developer, or the appointed project manager, must monitor construction progress and problems, and generally oversee and participate in the marketing effort. This requires coordinating the various business functions and monitoring project teams within the context of an overall development schedule, construction budget, and marketing strategy. Regularly scheduled meetings involving all the participants are important to ensure coordination. Depending on the size of the project and the type of tenants sought, a sales force may be dedicated to marketing the space, and must be held accountable for its efforts. Realistic concessions attuned to market conditions are essential tools for the leasing or sale of space.

Once significant construction funds have been committed, the flexibility to adjust the physical project to changes in demand or to the economic climate is limited. The pressure is on to complete the project on time and on budget even if that requires cutting out some of the amenities or reducing the quality of the work. Construction decisions which require modifications to the original plan may result in unanticipated cost overruns, a rethinking of marketing strategy, or the need for more funds. If arrangements have to be made to bring in additional financing, the rights of many parties may have to be renegotiated. For example, institutional partners have needs, resources, and time frames that differ from those of the developer. It is important to have a lender or financial partner that understands the uncertainties in the process and is willing to be flexible.

When construction is completed, the owner's task is not. Work is still required to maintain and enhance value. Proper management looks both to the short term and long term viability of the project. The extent and timing of capital improvements is dependent on many factors. The ability to anticipate and react to real estate cycles is crucial, especially in negotiating tenant leases. The owner's ability to retain tenants minimizes vacancy, marketing costs and commissions, and the need to retrofit the space for new users. In a highly leveraged project, small swings in cash flow can have a major effect on the value of the equity.

The owner needs to assess periodically a harvesting strategy which might include sale, refinancing, or restructuring the equity participation of the partners. What are the advantages, disadvantages, and dangers of each? What is the "real" price in a field of non-standard pricing? Whichever form the harvesting takes, the owner as custodian during the holding period must consider how management decisions may affect returns.

SUMMARY

Much of the discussion in this section has focussed on analyzing properties during the development cycle. The analysis is also applicable to the potential acquisition of existing income properties. Even though the initial construction and marketing risks may have been eliminated, the prudent investor needs to take into consideration the fact that the roll over of leases will require an ongoing marketing strategy, and that the depreciation of property will dictate periodic redevelopment. And, from a competitive standpoint, each site is affected by the new development of others. For investors and developers alike, there is the need for a comprehensive analytic perspective that reflects the dynamics of the field. As one must take into account all elements of the *project*, the *players*, the *panorama*, and the *process* in a field where the capital commitments are upfront, and the returns long term.

Individual success in the industry is dependent on many factors, some of which we have identified below. While not presuming to achieve ten commandment status, the following might help describe the challenges of this most exciting field.

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