JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

III. REAL ESTATE DEPARTMENT ADMINISTRATION

K. Evolution of the UW Real Estate Program

3. Other Historical Perspectives by James A. Graaskamp and Mark Eppli

Index

Preparation for a brochure on U.W. Real Estate Program Circa 1970s?

Panel #1

Real Estate Program History

Real estate and urban land economics have a long history at the University of Wisconsin, dating from the turn of the century with John R. Commons, the 1920's with Richard T. Ely, and the spin-off in 1945 of the School of Business with a real estate program chaired by Richard U. Ratcliff. Because urban land economics and real estate were housed in a single department and maintained a close working relationship with departments of urban and regional planning, law, engineering, and agriculture, the course content and academic stature never suffered the decline to trade school status of programs taught by part-time instructors that occurred at many schools during the 50's and early 60's. The School of Business developed one of the leading graduate programs in real estate for both master's degrees and Ph.D.'s by the late 1960's. The department continues to believe that real estate is a multi-disciplinary study which integrates many specialties into management of real estate enterprise. Individual student guidance strives to make businessmen of architects, designers out of business students, marketing men of social scientists, and environmentally aware entrepreneurs from accountants and financiers. Real estate is a field for the eclectic curiosity, the gallant entrepreneur, in short the rennaissance man.

UNIVERSITY OF WISCONSIN - MADISON
REAL ESTATE AND LAND USE MANAGEMENT EDUCATION

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A TRADITION OF REAL ESTATE EDUCATION

At the turn of the century Professors John R. Commons and Richard T. Ely planted the idea that the University of Wisconsin should recognize real estate and urban land economics as a distinct university discipline. These men saw land use as a synthesis of institutional forces and physical constraints, and the concept of land-related enterprise as a multidisciplinary system has continued to prevail in the various programs available at the University. A degree in land economics has existed since 1922.

When the School of Business Administration separated from the Department of Economics in the College of Letters and Science in 1944, it carried with it the urban land economics discipline as well. Professor Richard U. Ratcliff, who had returned to the Madison campus from a stint with FHA and the National Housing agency in 1944, established ties between the School of Business and the Schools of Civil Engineering, Agriculture, the natural sciences, and eventually with Urban and Regional Planning and the Law School. Today there are a variety of degree programs related to land development and land use. They are listed and dated to show the diversity and inauguration of a continuous multidisciplinary viewpoint.

(1922) BA in Economics with an emphasis on land economics

(1944) BS in Construction Administration--a hybrid of Civil Engineering, Business Administration, and Architectural Design

(1945) BBA in Business Administration with a major in Real Estate

(1947) MBA in Business Administration with a major in Real Estate

(1963) MS in Real Estate Appraisal and Investment Analysis

(1974) MS in Land Resources, a multidisciplinary degree with an emphasis on the natural sciences such as soils and forestry as well as Real Estate and the Economics of Public Policy

(1947) Ph.D. in Real Estate and Urban Land Economics

(1974) Ph.D. in Land Resources, a multidisciplinary committee program custom-tailored to convert a specialist in soils, surveying, remote sensing, or other subjects to a generalist in terms of his own specialty

The largest enrollments are in the programs leading to the BS in Construction Administration, BBA in Business Administration, and MS in Real Estate Investment Analysis.

UNIVERSITY OBJECTIVES FOR REAL ESTATE PROGRAMS

Each of our curriculums has aims that are compatible with the objective of university-sponsored programs:

1. To train real estate enterprise managers who can synthesize multiple disciplines.
2. To instill an ethic in tomorrow's managers in terms of land as a finite resource and real estate product as the virarium of society.
3. To reduce the social confict created by university specialists who are advocates of a viewpoint rather than of inquiry by proselyting for integrated decision systems.
4. To recruit and motivate young talent for careers in land use related enterprise.
5. To provide students with the techniques that will make them productive, operational employees in the public or private sectors immediately upon graduation.

We believe it is particularly appropriate that a School of Business at the Universtiy is the catalyst for a synthesis of all the technical specialties for preparation of those who will manage land use decisions in the future. We concur with John McMahan (Urban Land/September, '77, page 13) that business education, to be effective, must always be one step ahead of changes in the world of business and that the real estate industry of the

future will be dominated by financial contraints. Our courses in real estate and urban land economics expand on a central theme of cash cycle enterprise and economic equity among consumers, public infrastructure, and private development.

AN INTEGRATED REAL ESTATE CONCEPT

All students at Wisconsin who wish to take a real estate course, graduate or undergraduate, must take our basic course called The Real Estate Process, which defines and illustrates the basic components of the Wisconsin approach. The course deals with the dynamic interaction of three groups - space users, space producers, and supporting public infrastructures. Space users include both individual consumers and the collective community as it is affected by a real estate decision; space producers include both private and public expertise that develop individual parcels and hardware; and infrastructure relates to the offsite delivery of public services. The basic precepts are:

1. Each of these three decision groups represent at least one enterprise, an organized undertaking. All are cash-cycle enterprises constrained by a need for cash solvency, both short- and long-term.
2. A desirable real estate solution occurs when the process permits maximum satisfaction to the consumer at a price that he can afford within the environmental limits of land while permitting the producer and the government cash cycle to achieve solvency, that is, a minimum cash breakeven after a full payment for services has been rendered.
3. Solvency of the total process, not value, is the critical issue.

Since real estate as a manufactured product is a cash cycle enterprise that involves a process of fitting space-time needs to the money-time dimensions of a cash economy, the real estate business is any business that provides expertise necessary to operate the fundamental truism that space-time equals money-time. The true profit centers in real estate are in the delivery of services, and cash capital or net income is an energy transfer

system. Because ownership is the degree to which one enterprise can divert cash flow to its benefit, ownership is not limited to historical semantics. Not only are general partners, property managers, and mortgage lenders in equity positions, but the public, too, has a direct ownership in every parcel to the degree that it produces real estate taxes and other public revenues and benefits. It is the discounted value of these future benefits to the public coffers that creates the social capital that can be eroded by such concepts as rent control, excessive growth management, or careless placement of public facilities.

The simple traditional concept of highest and best use or wealth maximization for the parcel owner has therefore been replaced with the more viable and expressive concepts of most fitting use for normative economics and most probable use for business decisions.

1. The most fitting (appropriate) use represents the planning concept of effective consumer demand, the cost of production, and the fiscal and environmental impact on third parties. Reconciliation involves the financial cash-flow impact analysis on who pays and who benefits.
2. The most probable use is the pragmatic business concept of use depending on the constraints imposed by current political factors, by the state of real estate technology, and by the bargaining position (solvency and liquidity requirements) of consumer, producer, or public agency.

A School of Business, with its orientation to cash management and enterprise organization disciplines, is in a unique position to integrate the various technical aspects of solving operational problems despite limited resources, social values in conflict, the risk of capital budgeting assumptions, and the discipline of cash cycle solvency. Because the objectives of the administrative policies are generally established by value judgments and major events beyond the control of business, business education must provide

the content necessary for sensitizing the student to the elements of power in the environment to which any enterprise must adapt.

CONVERTING AXIOMS TO PROGRAM

There are a number of techniques that can be exploited in a university program to circumvent the university tendency to specialize and polarize various disciplines into unnecessary confrontation. Conditioning to conflict occurs when planning professors depict developers as Philistines, civil engineers turn paranoid about air and water quality, designers assume the role of the sole spokesman for beauty, and the natural scientists advocate the return to environmental balance at all costs. Worst of all, the faculty and student are conditioned to see real estate in terms of their own frustration with rent levels and a surly janitor at the apartment, the hysteria of purchasing a home, or the shock of a bulldozer in last year's bird hunting paradise. To find a rational and balanced approach to land use enterprise, the University of Wisconsin has used the following techniques:

1. The faculty represents multiple disciplines within the real estate department. It includes a traditional public policy economist, a land resource econometrician, a graduate architect and city planner, a Harvard land use attorney, and an ex-developer with a Ph.D.
2. A basic course, "The Real Estate Process," is cross-listed in many non-business departments. Despite its emphasis on cash flow and a feasibility study term project on selected Madison sites, the course draws 200 students each semester, less than half of which are in the School of Business.
3. Course requirements outside business disciplines are required of real estate majors. These rules force them to explore courses in disciplines such as soils, geography, political science, architectual history, civil engineering, planning. Not only do business students

become sensitized to other disciplines, but they establish a presence in classes of other disciplines where real estate enterprise might not have received fair treatment in the past.

4. A real estate faculty that cooperates with the faculty in other disciplines on various research projects and consulting assignments in order to establish a rapport based on the sharing of common experience. Natural Science, Design, and Engineering faculty have learned that presentation of their disciplines in the context of financial implications to land-related enterprise helps gain credibility and acceptance of their ideas with those who make the decisions about land, and they are therefore willing to cooperate with the Business School.

THE GRADUATE PROGRAM

The Graduate MS degree program in Real Estate Appraisal and Investment Analysis has 45-50 students each year. About 20% of these students are returning from industry for graduate work; another 20% are engineers, architects, or construction administration majors who are looking toward careers as developers or asset managers of financial institutions; about 50% have undergraduate majors in Business, and the balance represent a variety of fields ranging from Agriculture to Zoology, with 2 or 3 lawyers each year as well. If an entering graduate student has a previous degree in Business, an MS degree can be completed in two semesters and summer; students without a core of accounting, computers, marketing, business law, organizational theory, and finance require two full years.

A typical schedule of a graduate student in the MS program, who has completed Business School prerequisites, the Real Estate Process course, and some introduction to traditional appraisal, might be as follows:

FALL
551 - Real Estate Finance (3 cr)
554 - Residential Development (3 cr)
557 - Urban Economics & Demographics (2 cr)
741 - Advanced Marketing Statistics (3 cr)
856 - Advanced Real Estate Appraisal (2 cr)

SPRING
850 - Equity Investment (3 cr)
555 - Commercial Development (3 cr)
856 - Land Use Law (3 cr)
857 - Feasibility & Survey Research (2 cr)
757 - Retail & Housing Market Analysis (2 cr)

SUMMER
569 - Environmental Impact Mock Trial (3 cr)
Electives (3 cr)

PROGRAM INNOVATION

The real estate program is able to provide course innovations only with the assistance of outside funding because traditional faculty governments regard real estate as vocational school material or respond negatively to newspaper imagery of land development, high pressure marketing, and insensitive exploitation of opportunity. In recent years the U. W. Real Estate Department has won recognition for a course which is a mock environmental impact trial where the students play a variety of roles as attorney, developer, expert witness, or public interest proponent. After suitable preparation a week long trial is held, chaired by the Wisconsin Chief Examiner on environmental matters from the Department of Natural Resources. In previous summers the Construction Administration and real estate students purchased and renovated two old houses which were then sold as subsidized rehab family housing. In 1977 the Department began a series of three day courses on techniques and materials used in the graduate curriculum for those in real estate who lacked the time to return to school. Since 1970 Departmental Faculty have developed a seminar program for teaching real estate analysts the use of time share computer services, a teaching series called Educare. Since all of these innovations were sparked by small outside grants which overcame University budgets jealously segregated by disciplines or departments. The real estate industry needs to support education in land related enterprise not only to produce future management talent but also to achieve fair presentation now in all university programs.

REAL ESTATE AND URBAN LAND ECONOMICS

The most striking aspect of the field of real estate is the great diversity of professional specialists it includes. Those possessing skill in one of these specialties are in ever increasing demand. The demand is not only from small real estate firms, but from industry and government as well. The areas of specialization include brokerage, lending, land development, and urban planning.

Real estate brokerage of homes and apartments is the common image of the real estate business. While residential brokerage services are significant, industrial and commercial real estate investment sales provide a larger dollar volume and profit. Real estate is the nations largest type of wealth. Brokerage involves the marketing of space by means of sale, leasing, exchanging, and trade-ins. Once the real estate broker relied mainly on his ability as a promoter, but in recent years the real estate broker has been assuming the role of counselor for home owners and businessmen. In larger cities certain brokerage offices specialize in certain types of property. Although the average salary of a real estate broker is in the $8-10,000 range, those brokers who have imagination and an understanding of business or investment real estate needs recieve commissions and fees approaching $100,000 a year.

The loan officer of a mortgage lending institution is a professional financial analyst who must also understand architectural design, urban planning, and marketing preferences of the consumer. Since cities are built with mortgage credit his decisions ultimately control the urban environment. His functions include solicitation, negotiation, and closing of mortgage loans as well as managing existing portfolios of mortgage investments. His decisions affect both the safety and productivity of tens of millions of dollars each year. Trainees begin at $7500 while senior loan officers approach $20,000 a year.

An appraiser is a highly trained individual requiring advanced technical training and often graduate work. The appraiser is often asked to estimate the market price of whole properties or particular rights to use a piece of property to provide a basis for purchase, sale, exchange, insurance, estate settlement, condemnation and the many other decisions affecting real estate. Professional functions include court testimony, coordination of legal and engineering investigations of proposed projects, and often counseling of clients. An appraiser can be independently employed or part of a bigger organization and his pay ranges from $40 a day to $200 a day.

Property development includes both the creation of new projects and the creative operation of existing projects. Real estate is a dynamic resource which is always subject to reshaping for better profits or decline in the face of neglect. A property developer manufactures urban real estate from raw land or obsolete buildings while property management involves the continual process of marketing and operating real estate space over the years in order to achieve the expectations of the lender, investor or developer. He has an exective function of organizing services, maintenance, and tenant relationship so as to provide real estate space at a profit for a long term period of time.

Real estate experts are also in demand by urban planners. In most communities, outmoded zoning laws must be revised while plans for various subdivisions must be approved with the overall master plan kept in mind.

This brief summary is meant only for introductory purposes. As a new student here at the "U", you should study the various specialties in real estate as well as other fields in the School of Business in order to find out what YOUR real interest is.

Amended description of real estate careers suggested by Professor Graaskamp. For Rick Dike.

Written by Mark Eppl
Doctoral Studen
1987

THE REAL ESTATE AND URBAN LAND ECONOMICS TRADITION

AT THE UNIVERSITY OF WISCONSIN

I. INTRODUCTION

"...we could not for a moment think of recommending the dismissal or even the criticism of a teacher even if some of his opinion should, in some quarters , be regarded as visionary. Such a course would be equivalent to saying that no professor should teach anything which is not accepted by everybody as true. ....Whatever may be the limitations which trammel inquiry elsewhere we believe the great University of Wisconsin should ever encourage the continual and fearless sifting and winnowing by which alone the truth can be found."

- selected comments held in the 1894 exoneration of Richard T.Ely, of which are inscribed on a tablet in Bascom Hall.

II. THE INDUCTIVE THOUGHT PROCESS AT WISCONSIN

A. Problem solving oriented
B. Holistic/multidiscipinary in approach
C. Socially responsive

III. THE ACADEMIC TRADITION

A. Richard T. Ely
1. Yankee upbringing
2. Education at Columbia University and the University of Heidelberg
3. Professor at John Hopkins University and the formation of the American Economics Association
4. Comes to the "wild and woolly" country of Wisconsin
5. Meets legislator Robert LaFollette
6. Goes before the Board of Regents
7. Establishes the "Institute for Research in Land Economics and Public Utilities" with the following purpose: "The ultimate objective of this field of study is a group of integrated policies by national, state, and local government and by local business interests for the most effective utilization of all natural resources."

B. Richard U. Ratcliff
1. Madison youth
2. Education at the University of Wisconsin and the the University of Michigan
3. Private and public sector employment
4. Professor at the University of Wisconsin
5. Contributions to real estate appraisal and valuation; an exerpt from the foreword to his book Urban Land Economics:
"...The institutionalist is not one to seek solutions or sound decisions under the classical assumption that economic behavior is constrained by a fixed body of timeless and "place-less" principles; the economics of the institutionalist is human behavior in an environment of ceaseless and pervasive change. There is no present; there is only past and the future."

C. Richard B. Andrews
1. Born in upstate New York
2. Education at the University of Buffalo and University of Wisconsin
3. Private and public sector work during and after the depression
4. Dual commitment to the School of Business and The Department of Urban and Regional Planning
5. Significant writings in Situs and Land Use Succession; an exerpt from his 1962 book Urban Growth and Development underlines his commitment to land use succession: "...It is the writer's further hope that thought sharpened in exchange will make us begin to think more deeply of what we want our cities to become -- no longer the products of imponderable biologic and social forces but the handiwork of hard thinking human beings with a stern desire to control their environment rather than be ruled by it."

D. James A. Graaskamp
1. Wisconsin heritage
2. Education at Rollins College, Marquette University and the University of Wisconsin
3. Becomes Chairman of the Department of Real Estate and Urban Land Economics and founder of consulting company
4. Obtains industry-wide recognition for progressive real estate applications; the following is a quote from a 1978 Urban Land Institute article on the University of Wisconsin real estate and urban land economics program: "A desirable real estate solution occurs when the process permits maximum satisfaction to the consumer at an affordable price within the environmental limits of land. It must permit the producer and the government cash cycle to achieve solvency, that is, a minimum cash breakeven after a full payment for services has been rendered. Solvency of the total process, not value, is the critical issue."

IV. SUMMARY

A. Similarity of analysis approach
B. Continuity of a concept held through time
C. Timeless nature and scope of real estate and urban land economic issues