

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

E. Realtor Associations

6. Milwaukee Board of Realtors, No Title,  
Describes the U.W. Real Estate Program, and  
dicusses computers and practical applications  
in brokerage, assessment and the real estate  
industry October 31, 1967

I. Ladies and gentlemen of the Board, friends, Father.

A. To be invited to participate in this day of orientation for new members of the Milwaukee Board is a great compliment. My roots are in Milwaukee and many of you can say you knew me when I was setting new records as an under-achiever in high school. To ask me to speak on immediate future developments in real estate is an even greater compliment for it is said "a prophet is without honor in his own country".

B. All careers are a series of beginnings and the rate at which we move to new rungs on the ladder depends on our ability to continually adjust and grow with each new start. For a University, strong starts for new talent is our business. And when a professor has an opportunity to speak to the leaders of his field of interest he should not waste an opportunity to broker young talent.

C. To be exact, talent is a natural gift requiring development that comes of perception, motivation, education, training, and experience. The principal function of University education is to provide talent with increased perception and motivation plus an introduction to the what and the why. Talent is then given the tools of how to do something through training and experience in any chosen field.

1. In our Undergraduate program in the School of Business, we are enjoying a continual increase in the number of students interested in the what and why of real estate. This semester we have 110 students in the Principles course, a 20% increase in one year, and we have seen a similar rate of increase in our more advanced courses.

2. Our Graduate student program is expanding. As you know, we offer an MBA degree with some stress on real estate, an MS degree which specializes in appraisal and real estate investment analysis, and a Ph.D. Our Ph.D. program now has an unprecedented number of six candidates in one stage of the program or another. While our Ph.D. candidates hope to move into teaching, we have a number of seniors and masters candidates who look toward careers in the Milwaukee area in real estate brokerage and appraisal. If you would like to introduce them to opportunities you may offer, feel free to send a letter to me in care of the School of Business, in which you describe the type of position you may have available for the right man.

3. To provide training and education beyond degree programs, the University Extension in Milwaukee is rapidly expanding and intensifying its real estate program under the guidance of one of our best graduates, instructors, and my old office mate, Bob Markwardt. In short, in a few years I hope the University will be a significant source of talent motivated to begin real estate careers, training to advance real estate careers, and stimulus to cause the old guard to try new things for new starts in their real estate careers.

11. A. Now a discussion of manpower is directly related to my <sup>desire</sup> ~~intent~~ today to speak about computers and practical applications in brokerage. Despite the many new talented members of the Milwaukee Board here today, despite the appearances from time to time of too many competitors, the real estate brokerage field is terribly understaffed for the job it has to do in the next 20 years.

1. In the next 25 years we will create in one form or another as many housing units as we have built in Wisconsin since Leif Erikson prowled through to the north. Of course these will require all manner of new supporting facilities, many of them public, many of them requiring appraisal relocation and acquisition through eminent domain. Moreover as we double our adult population, we are creating a more mobile population which will move readily from one community to another, from one neighborhood to another, from one home to another, from one business to another as their needs change. Seldom do we find successive generations remaining in the same family property.

In short the adult population explosion derived from the 50% of the population now under 21 will have a multiplier effect on real estate transactions in which the realtor will have a major role. New research indicates there are approximately 900,000 residential tax parcels in the state and another 150,000 tax parcels in all other classifications. These 1,050,000 possible sale units <sup>are</sup> ~~is~~ increasing at a rate in the neighborhood of 20,000 a year. In ten years, we may have 1.3 million saleable parcels. If only 5% were to turn over each year, you would have 65,000 transactions. The realtor who could close one transaction a week would be a frantic and exhausted wreck. If he could handle 50 transactions a year, we would need 1,300 such supermen fully informed on 1,250 new listings a week. More likely, <sup>sales</sup> transactions will involve 15% or more of these parcels; ~~ignoring appraisals, leasing, etc.~~ *Consider how many appraisals, leases, and loan applications are generated by a single sale!*

2. Look ahead fifteen years. How will you be able to service the number of sellers, buyers, and property owners looking to the realtors for professional service? Unless real estate brokers can improve the efficiency with which it uses its talented people, real estate as a profession will be smothered--a telephone answering service.

B. If you will recall your economic theory, a competitive market economy (what fourth-of-July speakers call free enterprise) requires a knowledgeable buyer and seller dealing in a standard commodity face to face. Where geography intervenes or where a standard commodity to permit buyers and sellers to be always informed does not exist, there is economic necessity for a broker. In short economic theory anticipates that a third party will serve as a clearing house for information about an imperfect market. This function we call "brokerage" and the economic justification of his existence is this ability to supply information about the market place. Information is the tool with which the broker serves the need of his client by using it to solve a problem. The professional service is the application of factual information to a particular need. This is not to be confused with simply selling half secrets.

Ironically many in the real estate fraternity complain that they must make decisions with less than half of the facts they need at the same time that they jealously guard details on their last deal or special angles based on some singular item of gossip or chance information. As the number of transactions multiply, the less opportunity the individual broker will have to know about the market place and the information relevant to a particular client's problem.

Sadly this situation is developing at a time when there is probably more information available than is necessary or appropriate for any particular problem. Often the question is too much confusing information rather than not enough. Misuse of information resources is occurring when there is equipment available now that would organize, analyze, and select real estate market information quickly, economically, and accurately.

C. The multiple listing service is a valuable but limited tool. Often the information is incomplete, inaccurate, and obviously best suited only to current offerings for sale. However there are many other sources of real estate transaction information including public agencies which are buying and selling property, private individuals, planning agencies affecting property values, tax assessors, lenders, and many others which both offer and search for real estate information. Each of these users of real estate tends to duplicate the collection of data performed by MLS, or brokers, or appraisers, or exchangers.

The real estate profession must organize itself to meet the information explosion with limited numbers of personnel if it is to offer a professional service in an urban society. There is no one here today who knows the relative total supply and demand for any particular class of property in Milwaukee County with any accuracy. *all of 4:30 last morning*

D. Think what could be done if real estate information were simply reported and organized according to a geographic grid and a parcel number. If all users of real estate information simply organized this information according to a standard index, a push of a button could retrieve from a computer tape an inventory of general information for a single property or a class of property. This information could be collected from:

1. Multiple listing service property sheets.
2. SEWRPC data on soil type, typography, existing utilities, trees and vegetation, rent levels, zoning, number of apartments, etc.
3. Essential tax assessment data on age, living area, improvements, etc.
4. Insurance classification and rates.
5. Lenders, loans, and other financial liens and transactions.
6. Title insurance and critical exclusions.
7. Liens for official maps, utility easements, right-of-ways, etc.
8. Individual parcels could be combined into areas identical with census tract detail to provide population, income and employment averages and characteristics.
9. Condemnation awards for public assemblages.
10. Building and demolition permits with information on units of space added or removed.

These same sources of information are users of information and each is collecting this data today. Many of them are using computers. All we need add to the present effort is a uniform system of identification and organization. Everyone deeply involved in real estate matters would benefit from more complete information and many would avoid the cost of duplicating what others are doing now.

The computer has an infinite capacity to classify, aggregate, and analyze organized information so that:

1. The computer could produce running inventories on the total supply of various types of real estate units for different districts.
2. It could then estimate vacancy rates, price trends, absorption rates, population shifts and any other items from this data.
3. Is this 25 years away? No. Following the example of the California Board of Tax Equalization, we already have an agreement with a Wisconsin community to develop a tax assessment system which could reappraise every property every year based on sales for the previous twelve months. There is every indication that it can be more accurate than individual appraisers and much less costly while producing assessments always representative of 100% market value.
4. Planning agencies have already developed models which can project land use trends graphically with an accuracy only limited by the amount of information available. If you can determine land use accurately, you can predetermine value and forecasting value is the name of the game.
5. Moreover, this information need not only be statistical. It is possible to include microfilm photos of properties, floorplans, plot plans, etc. as part of an IBM card.

E. The hardware in terms of electronic data processing equipment is available now. Information inputs and retrievals can be done from a keyboard in your office via the telephone line now. A system of pooling costs of a central data bank through a system of small user fees is already operating in other fields such as pharmacy, stock brokerage, insurance sales and many others. The technology is here. An appreciation of the need for such a device will rapidly spread through the industry.

What is needed now is a first step.

F. The legislature is now considering replacement of the federal stamp tax with some degree of disclosure to occur at the time a real estate transaction is recorded. (Senate Bill 42S).

1. There are those who would dispense with any such recording, taking real estate sales data underground with the objective of selling information rather than service. The argument is the privacy of the individual should be protected.

2. However, we all know that real estate sales prices are public secrets. Appraisers, brokers, and all those sophisticated in the market simply trade information to discover prices and terms they wish to know. State agencies all have access to tax sales information when dealing with the public and must share it ~~with~~ eminent domain proceedings.

3. What is needed is a system of recording transaction details to provide uniformity and equity of information available to all parties. The computer would make it possible to separate information about real estate from information about the persons involved. A processing delay of only one or two months would be adequate protection for those assembling parcels where disclosure would be damaging to bargaining position.

Therefore I propose that any state law require that all property be identified by a uniform tax parcel number system and classified by a refined version of percent tax assessment property types. All those individual efforts at computerizing real estate information could then relate to a standard index so that at some future date each of these individual and incomplete data banks could be integrated into a single computer system.

The question of public disclosure is irrelevant. Electronic data processing procedures can easily protect the truly private affairs of property owners. The question is whether the real estate profession will be able to continue offering any professional service without adequate comprehensive transaction data.

G. Present legislative discussion on transaction term disclosure and a documentary tax offers an ideal opportunity to take the first step in providing for the collection of real estate market information, without which you have no future in real estate brokerage. Milwaukee County already requires each real estate transaction to be identified by tax parcel numbers. This practice should be extended statewide. Moreover the Legislature should instruct the state tax authorities to relate tax parcel numbers to a grid system which will locate each transaction on the surfact of our state. With a reference number and a spatial location which all groups interested in real estate can follow and use, all aspects of land planning, real estate ownership, public policy and real estate marketing can make productive use of the information explosion.

*The real estate industry is no different than any other in this country. It must match the best, new talent available with the best technology available if it is to serve the Wisconsin public's will. The university looks forward to an increasing role as a source of talent and technology for the real estate industry.*

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February 28, 1967

Professor James Graaskamp  
Room 101  
School of Business  
University of Wisconsin  
Madison, Wisconsin 53706

Dear Professor Graaskamp:

Enclosed is a 31 page real estate sales report dated January 11, 1967.

*(not included  
in JAG  
Collection)*

As I had mentioned to you, in our last discussion, the sales are sorted out in the following sequence:

1. Quarter-section
2. Use
3. No. of units
4. No. of bedrooms
5. No. of rooms

The last three sorts, of course, apply only to residential properties.

Because this material is being obtained from confidential sources, we request the opportunity to review any materials you may develop that you may wish to publish.

We hope this material may be helpful in your studies.

Very truly yours,

MILWAUKEE COUNTY EXPRESSWAY COMMISSION

Robert W. Brannan, Expressway Engineer

BY: Glenn H. Jacobson  
Glenn H. Jacobson  
Assistant Right-of-Way Engineer

GHJ:va

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CC: Mr. Robert Scheidt