

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

H. Presentations Sponsored by Other Universities

4. "Real Estate Decision Making -- A Seminar on Issues of the Next Five Years", sponsored by The Wichita Board of Realtors & Center for Management Development, January 12, 1976

REAL ESTATE DECISION MAKING

A Seminar on Issues of the Next Five Years

Sponsored by:

The Wichita Board of Realtors &
Center for Management Development
Wichita State University
Monday, January 12, 1976

Instructed by Prof. James A. Graaskamp
University of Wisconsin School of Business

- I. Introduction to the Basic Concepts of Real Estate
 - A. Real estate defined
 - B. Real estate enterprises identified
 - C. The real estate process described
 - D. The real estate business defined
 - E. Real estate investment
 - F. Real estate risk

- II. Fitting the Form of Real Estate Decisions to the Context
 - A. The handicap of old terminology
 1. Highest and best use vs. most fitting use
 2. Fair market value vs. most probable sale price
 3. Normalized net income vs. cash flow projections

 - B. Elements of real estate context in the late 70's
 1. Strategic objectives
 2. Market trends
 3. Merchandising monopolies
 4. Legal-political process
 5. Physical-technical innovation
 6. Community compatibility
 7. Federal income tax modification
 8. Reverse leverage investment
 9. Separation of ownership and management
 10. Greater professionalization of real estate

- III. Real Estate Strategy
 - A. Shift from quick nickel to slow quarter profit centers
 - B. Shift from new construction to recycling existing structures
 - C. Local combination of public objectives soliciting private investors
 1. Subsidized housing
 2. Public financing by a tax increment bonding
 3. Impact zoning
 4. More skillful use of user charges and subcontracting of public functions to private industry

D. Market trend-changing definition of efficiencies

1. More housing tradeoffs of location and size against energy costs
2. More subsidy for lower income families
3. More direct and indirect penalties on corporate surplus real estate
4. More comprehensive analysis of full space cost/benefits
5. Small scale, short term time horizons

E. Merchandising monopolies - think small !

1. Precise market segmentation
2. Direct consumer research
3. Rifled advertising

IV. Technical Innovation and Modifications

A. Improved definition of private and public rights to land

B. New devices for regional land planning

C. Drastic modification of building styles for energy conservation

1. Subsidy of existing structure modernization
2. Economic constraints on new structure design
3. Intensive reeducation of professionals on thermal design and transportation economics
4. Decentralization of business + compression of residential densities

D. Land use planning innovations

1. Negotiated zoning densities
2. Impact zoning allocation of imputed costs

V. Necessity of Sophisticated Financial Analysis

A. Replacement of federal income tax gains with concern for inherent income productivity of investment property.

B. Ownership - control of profit centers and diversion of cash flows

1. Private investment and private ownership
2. Banking institutions diverting cash flows through reverse leverage - hence more equity dollars per deal

C. Appreciation of the limited partnership as an equity device rather than a tax device.

D. Real estate tax as a form of public ownership and modification of assessors qualifications.

1. A classified real estate tax system
2. Development of common data banks

E. Profit center enterprise - further separation of ownership and management or total integration of ownership and management.

1. Consolidation of management either way means greater professionalization of management skills
2. Consolidation of marketing skills with other profit centers will lead to significant restructuring of brokerage fee systems.
3. Real estate management science will learn by analogy to other fields such as risk management, investment banking, consumer research, architectural service contracts, etc.