

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing

4. Education Topics

- b. "A Tradition of Real Estate Education",
1974

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

~1974

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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 conflict 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 constraints. 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, architectural 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.