

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

5. Market Analysis/Urban Economics/Real Estate  
Process

g. "The Outlook for Real Estate", June 15,  
no year

Tuesday, June 15, 10:40 and 11:40 a.m.

1982

## THE OUTLOOK FOR REAL ESTATE

**JAMES A. GRAASKAMP**, Chairman, Department of Real Estate and Urban Land Economics, School of Business, University of Wisconsin -- B.A., Rollins College; M.B.A., Marquette University; Ph.D., University of Wisconsin. President and founder of Landmark Research, Inc.; co-founder of a general contracting firm, a land development company and a farm investment corporation. Member of the Board and Executive Committee of First Asset Realty Advisors, Board of Directors and Treasurer of the Wisconsin Housing Finance Agency. SREA, CRE and CPCU.

- I. Outlook Implies a Perspective
  - A. Economic premises as to where we are
  - B. Investment attitudes about where we are going
  - C. Strategic constraints on how we will get there
    1. Acceptability of political risk
    2. Degree of channelled demand
    3. Degree of management intensiveness
    4. Size and character of capital pool available to exploit opportunity
    5. Sensitivity to taxes
  - D. The perceived role for real estate in your travel plans
    1. Housing an activity as part of a larger system or process
    2. Captive customer for services
    3. Bond surrogate (portfolio theory)
    4. Long-term commodity straddle
    5. Small business investment with warrants
    6. Tax shelter leverage for estate accumulation and distribution
- II. The Medium is the Message -- Control or Risk Aversion
  - A. Proprietorship, general partnership, joint venture
  - B. Limited partnership, SBIC, and real estate trust

C. Financial corporation, product corporation, service corporation and finite corporate fund

D. Collateral trust, commingled funds, closed-end funds, spread funds

III. Emerging Sophistication in the Control and Sharing of Real Estate Risks

A. Old mortgage theory -- pleasure, pain and bail out

B. New mortgage story

1. Risk defined

2. Negative variance in cash flow planning shifted by contract

3. Positive variance incurred through incentives

4. Mutual risks allocated by expertise, capacity and profit share

5. Interest risk--controlled by lender through matching, hedging, programmed interest deferrals and surplus participation

6. Money risks controlled by indexed loans, participating loans, convertible loans

7. Business risks -- pooling of expertise and private-public co-development

8. Market risks -- research of needs and market gaps

9. Political risks -- product compatibility with perceived needs

IV. Market Risks and Opportunities

A. Retail and commercial markets overbuilt, overpriced, under engineered (life, safety, HVAC, height)

B. Special industrial markets (under built, relocated, subsidized demand)

C. Housing trends

1. Return to some type of subsidy for the middle class

2. Reduction of larger units to duplex accessory housing

3. Segmentation of the singles market

4. Shift from production subsidies to consumption subsidies

5. Funding media available as an incentive

6. Changing income tax laws as incentives and disincentives

- D. The reorganization of real estate professionals
  - 1. The inevitable collapse of commission rates
  - 2. Restatement of appraisal principles and procedures
  - 3. Further intrusion of regulations by securities dealers and pension funds regulators

Recommended Readings:

Jaffe, Austin J., and Sirmans, C.F., Real Estate Investment Decision Making, 1982, Prentice-Hall, Inc., Englewood Cliffs, N.J.

ULI - the Urban Land Institute, Community Builders Handbook Series, Industrial Development Handbook, 1975; Shopping Center Development Handbook, 1977; Residential Development Handbook, 1978; Downtown Development Handbook, 1980; Recreational Development Handbook, 1981; Washington: Urban Land Institute.