

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

- q. "Real Estate Research: Theoretical and  
Applied", presented to Executive  
Research Symposium at Wisconsin Center,  
April 23, 1974



EXECUTIVE RESEARCH SYMPOSIUM  
April 23, 1974  
WISCONSIN CENTER

Real Estate Research: Theoretical and Applied

Associate Professor James A. Graaskamp

- I. Research areas of Current Concern in the Department of Real Estate and Urban Land Economics
  - A. Re-casting of basic urban land economic theory and structure
  - B. Development of operating techniques for application of contemporary appraisal theory advocated by Richard U. Ratcliff
  - C. Selection of applied research problems to provide field experience for graduate students of Real Estate Valuation and Investment Analysis
- II. Restatement of Urban Land Economic Theory
  - A. Shift from classical deductive economics of value allocation to inductive micro-economics of a single real estate enterprise in a non-price system.
  - B. Real estate is defined as artificially delineated space over time to contain an activity - a space-time product
    1. Real estate process involves three major elements, land as a public resource, cultural need and preference for space, and money capital for all forms of improvement.
    2. Cultural need and preference is expressed through government regulation and private market transactions.
    3. Government regulation determines land use suitability and tempo of development.
    4. The Real Estate business is concerned with the conversion of space-time products to money over time. It interfaces people and the land.
    5. The Real Estate business is the producer, the occupant is the user, and regulation represents the collective public interest in land resource utilization and reduction of ecological losses.
    6. Space consumer, space producers, and government are all cash cycle enterprises. Therefore the real estate process is at equilibrium when all three enterprises are solvent as a result of any given project decision. Real Estate investment is therefore not made on the basis of optimizing value to the investor but on the basis of a satisficing distribution of cash surpluses among each of the

vested interests.

- D. These premises of Real Estate seriously undermine the assumptions of appraisal fair market value and therefore the premises of traditional real estate tax assessment.
    - 1. The cubage concept for prorating tax revenue requirements to land consistent with planning determination of use suitabilities.
    - 2. Evaluation of improvements on cost to acquire for the user or percentage of cash income from tenants.
- III. Professor Richard U. Ratcliff postulated that the function of the appraiser was to predict a value under conditions of uncertainty, to assist in decisions about Real Estate.
- A. Purpose of appraisal defines value. Majority of appraisals involve forecasting probable sales price.
  - B. He suggested only two theoretical approaches to estimating probable sales price.
    - 1. Inference about future sale prices from past sales behavior of comparable buyers in the market place is preferred.
    - 2. In the absence of market evidence, the simulation of buyer decision criteria by modeling their decision process.
  - C. The Real Estate Department has been one of the leaders in developing applications of techniques in other fields to implementation of Ratcliff's theories to Real Estate.
    - 1. Consumer and investor marketing research.
    - 2. Data processing techniques for inference and simulation.
    - 3. The development of EDUCARE, a non-profit foundation funded by the professional appraisal societies to instruct on campus the use of the computer terminal in small appraisal office operations.
- IV. Applied Real Estate Research for Wisconsin Industry
- A. Our M.S. degree program and our Ph.D. program presently have over 60 graduate students per year on full time program who are all required to take on actual real estate problems in the field.
  - B. Some of the projects handled this year have included:
    - 1. Definition of consumer profile and unit mix of a planned unit development in Waukesha for a Milwaukee architectural firm.
    - 2. Appraisal of radio station complex for tax assessment review.
    - 3. Identification of business investment opportunities in Mineral Point, Wisconsin.
    - 4. Development of economic cash flow models to negotiate land development proposals with a municipality.
    - 5. Development of an automatic market comparison valuation system for tax assessment purposes.
    - 6. Actual development proposal for the 600 block of University Avenue.
    - 7. Analysis of turnover periods for different single family residential types to improve marketing of single family homes and explore alternative methods for charging brokerage commission.

For further information, call Professor Graaskamp at 608-262-6378.

JAG/slw