

Center for Real Estate

The Center for Real Estate (CRE) was founded in the fall of 1983. The center's mission is to transform the quality of the built environment and the real estate industry by providing a forum for education, research, and the exchange of ideas among the leaders of the global real estate community.

We do this through the following:

- A specialized, globally recognized, one-year Master of Science in Real Estate Development (MSRED) program that emphasizes the creation, operation, and management of the physical product
- A unique interdisciplinary research platform that brings together academia and industry to address critical issues and areas for the advancement of real estate knowledge
- An outreach structure that connects MIT with industry and alumni to develop the profession as a whole and to support the center's long-term growth and sustainability

Strategic Planning Initiative

Over the course of the past year, the Center for Real Estate has engaged in a rigorous strategic planning effort. As a result of this initiative, there have been four key areas of emphasis: (1) renewed attention to the MSRED program; (2) revitalizing the center's research agenda; (3) improving the value proposition offered to graduates of the MSRED program—our alumni; and (4) improved connections and communication with the real estate industry. These areas of emphasis are reflected in the goals and objectives that were outlined at the beginning of the academic year:

—*Research Thought Leadership.* Members of the CRE community will be sought out for their thought leadership in both academic and applied research. They will be referenced and cited frequently in the popular and industry press and their research output will find its way into daily usage in industry. This will be accomplished by developing a research platform that is interdisciplinary, industry relevant, and cutting edge.

—*Global Presence.* CRE will have a global perspective in both its research agenda and its programming, with particular emphasis on Asia and Europe. We will have formed alliances with premier educational institutions, such as Cambridge University in the UK and Tsing Hua University in China, for the delivery of coursework, executive education, and research.

—*Enhanced MSRED Program.* CRE will attract the top students and place its graduates in key positions in industry. This is a result of having enhanced its MSRED program through a renewed emphasis on the physical product; the introduction of new courses in construction and global real estate, and special electives (e.g., housing, investments, and

international). Knowledge of the entire development process is a “key deliverable” of the program.

—*Financial Sustainability.* Through a combination of an effective value proposition for members, sponsored research, and premium educational offerings, the CRE will achieve a level of financial sustainability that will support a scale of operations commensurate with a preeminent real estate center.

—*Effective Governance Structure.* CRE will have an effective governance structure in place that has a very high level of legitimacy, credibility, and prestige and that advocates for the effective execution of the value propositions for each of the CRE’s constituencies.

Education

Thirty-three members of the Class of 2003, the 19th class of MSRED graduates, received their MS degrees in real estate development in October 2003. Chosen from a strong applicant pool, in April 2004, 47 people were offered admission to the CRE Class of 2005; 38 people accepted, a yield rate of 81 percent. The Class of 2005 includes 7 joint degree candidates, 15 women and 23 men, and 9 international students. Thirteen incoming students already hold advanced degrees—in architecture, urban and regional planning, geography, medicine, structural engineering, architecture, entrepreneurship, management, and business administration.

The center fully supported one PhD candidate with a joint appointment in CRE and the Department of Urban Studies and Planning and partially supported one PhD candidate with a joint appointment in CRE and the Engineering Systems Division.

The 31 members of the MSRED Class of 2004 will graduate in October 2004. The Class of 2004 is the 20th class of MSRED graduates, and their graduation will be the catalyst for a number of celebratory events.

In July 2003, assistant professor Lynn M. Fisher joined the faculty of the Department of Urban Studies and Planning (DUSP). Dr. Fisher is also supported by the Center for Real Estate and specializes in real estate development and economics. She received her PhD from Pennsylvania State University. Her current research focuses on real estate finance, housing economics, and brokerage agency.

Over academic year 2004, the new director of the center, Professor David M. Geltner, appointed a committee to review the center’s core curriculum. This committee was chaired by professor of the practice of urban design Dennis Frenchman. Working over the course of the academic year, the committee made substantial recommendations about the content, focus, and organization of the core curriculum. As a result, during academic year 2005 a number of the courses will be taught in the fall as opposed to spring semester and the incoming class will have two weeks of orientation instead of one week to prepare for the academic year.

In addition, during academic year 2004, the Civil Engineering Department decided to discontinue its Constructing Engineering and Management program. The Center for Real Estate worked with Professor Fred Moavenzadeh and department head Patrick Jaillet to integrate the construction engineering courses into the center's curriculum, providing the center with the opportunity to offer a third area of interest— construction—to complement the finance and design and construction study options.

Research Activities

Developing an industry-relevant, interdepartmental research program has been one of the single most important elements of the center's strategic plan. Our goal is to identify and develop some specific high-contribution, high profile, real estate–industry-relevant projects that reach out beyond CRE to the Schools of Architecture and Planning, Engineering, and Sloan. During FY2004, the Center for Real Estate was the catalyst for the following five research initiatives:

—*Housing Affordability Initiative*. An interdisciplinary team headed by research associate Dr. Henry Pollakowski and including Langley Keyes (DUSP head of HCED), Lynn Fisher, Tod McGrath (MHFA & CRE lecturer), and Mark Baranski (Boston apartment developer and CRE alumnus) is in the initial stages of inquiry. The work of this group may lead to a major housing conference (perhaps ongoing at regular intervals), the regular publication of an index of housing affordability for Massachusetts, or the development of other policy-relevant research output.

—*Commercial Real Estate Data Laboratory (CREDL)*. Henry Pollakowski and CRE director Geltner are working with the National Council of Real Estate Investment Fiduciaries (NCREIF) and the Pension Real Estate Association to develop a real estate investment research laboratory that will use the NCREIF database and special data contributions by NCREIF members to allow MSRED students to work on proprietary investment returns data. One possible product of this initiative could be that CRE would regularly produce with NCREIF a new type of real estate investment return index based on transaction prices rather than on appraised values, an information product that could be very useful for both academic and industry research in the institutional real estate investment industry.

—*WorkingSPACES: Office Space Design Principles Project*. CRE has provided seed funding to a research initiative in office space design and corporate real estate being undertaken jointly by Sloan professor of human resources Diane Burton and visiting professor Frank Duffy in the Department of Architecture.

—*New Century Cities*. The center has provided seed funding to assess the impact of technology on the urban fabric.

—*House Price Movements – MRAC Database*. The center funded research conducted under the direction of Professor William Wheaton that looked at the distribution of house price movements within metropolitan areas. One potential outcome of this work would be the ability to better predict house prices within metro areas.

Professional Education and Industry Interface

The 19th summer of professional development courses brought 251 attendees to campus in June and July of 2003, a 13 percent increase from the previous summer's attendance. Attendees enrolled in five courses.

The center hosted a lively meeting in April, in partnership with the Boston Council of the Urban Land Institute, for corporate supporters, current students, faculty, and the public. The conference was organized to discuss the future of Boston's convention business with the opening of the new Boston Convention Center. Panelists included Heywood Sanders from the University of Texas, William Mitchell (MIT), and Maureen McAvey, ULI fellow.

Membership

Income from membership has continued to decline. During the last fiscal year, the center lowered its membership fees in an attempt to make membership more attractive to more companies. However, at the close of FY2003, the center had 61 members; at the close of FY2004, there were 54 member companies, an 11 percent decline.

To increase membership, a new and restructured membership program is essential. As the center entered the new calendar year, we used this opportunity to make the 2004 calendar year a transition year for membership. The center leadership is working with Fred Pratt, former US president of Lend Lease, to rethink its membership program. To this end, the director and incoming chairman have developed a new business plan for the center to complement the membership model that is being tested among a select group of industry leaders. The goal is to have a new, viable membership model in place January 1, 2005.

Alumni Outreach

The alumni are a critical component of the center's funding model. Recognizing their significance to the center's future, in December 2003 the center surveyed its graduates for their input on the center's strategic direction regarding the MSRED program. Approximately 91 people responded to the survey. While generally positive, respondents noted the need for improved relations with the Sloan School, improving the curriculum to better integrate case studies and finance into the program, and creating an internship program for students to encourage continued contact with the real estate industry.

On April 1, 2004, we also launched our alumni solicitation program. To prepare for the campaign, we worked with the School of Architecture and Planning's development officer, assistant dean Kathleen Luce, to develop the NewVisions fundraising campaign. Our goal was to raise \$1.2 million from alumni and industry. As of fiscal year-end, \$575,000 had been pledged and/or contributed to the campaign by 292 of the center's 628 living alumni.

In addition, we have embraced technology as a tool for communicating with the graduates of the center. To this end, we have worked with the Academic Media Production Services group at MIT to develop a web-based data management tool that can be accessed by center graduates and member representatives. This tool, the MIT Real Estate Exchange or MITREX, was launched May 15, 2004; at year-end, 170 people had joined MITREX.

Finally, the center conducted its first thesis webcast on May 25, 2004. The webcast featured a sample of the student theses and invited the webcast audience to be a resource to the students as they conducted their thesis research. A second webcast, reporting the results of the thesis work, is planned for the fall of 2004.

Administration

At the beginning of fiscal year 2004, John T. Riordan assumed the voluntary position of honorary chair. With this move, the center initiated a search for a new chairman. After an extensive search, Dr. Brian Anthony Ciochetti was approved by the Academic Council as the new Thomas G. Eastman chairholder and chairman of the Center for Real Estate. The approval of Tony Ciochetti represents a historic change in the nature of the chairman position. It is the first time a senior academic, as opposed to a senior industry practitioner, has been the chair of the center. Dr. Ciochetti has a PhD from the University of Wisconsin and will be responsible for industry outreach, teaching, and research. He was also appointed a professor of the practice of real estate in the Department of Urban Studies and Planning.

Professor William C. Wheaton ended his 11-year tenure as director and was succeeded by Professor David Geltner in July 2003. Professor Wheaton will continue as the director of research for the center; he will be on sabbatical during academic year 2005. Associate director Marion Cunningham continued in her post this year, and Virginia Leavy, the associate director for programs and publications for 19 years, retired.

David M. Geltner
Director
Professor of Real Estate Finance

More information about the Center for Real Estate can be found on the web at <http://web.mit.edu/crel/>.