

## MIT Center for Real Estate

The [MIT Center for Real Estate](#) (CRE), founded in 1984, is entering its third decade strong and re-energized. At the end of fiscal year 2014, the center appointed Professor Albert Saiz as its new director. The mission of the CRE is to be a global forum and a network for intelligent discussion around issues relating to international real estate development, investments, and finance. The CRE aspires to remain the global leader in research and to establish a network of global thought leaders and enlightened entrepreneurs who will shape the future of the industry, capital markets, and the built environment.

CRE students obtain the best education to lead the industry as visionaries who reinvent the built environment and its social, economic, and environmental footprints. The CRE's research and scientific production has had tremendous social impact. Intellectual tools developed here have become common staples in real estate valuation, investments, and development. Real estate economics as a business- and practice-oriented academic discipline was developed at MIT. CRE publications and books are widely used and consulted by students, professionals, and practitioners globally. Our network of partners, alumni, and industry—connecting intelligent and enlightened entrepreneurs and firms in the real estate industry—is unparalleled in quality and in the commitment of its members.

While our educational, research, and outreach efforts are top-of-the-line, we continually strive to improve what we do, and how we do it.

### Highlights

#### Faculty, Staff, and Visiting Scholars

*Albert Saiz, Director.* Albert Saiz was granted tenure as of July 1, 2014. He has agreed to serve as the director of the CRE. Saiz will be responsible for oversight of all academics, research, and industry engagement. As a result of his new role, and after much thought and consideration, the decision was made to eliminate the position of chairman.

*Thies Lindenthal, Postdoctoral Fellow.* Dr. Thies Lindenthal conducted research at the CRE during FY2014, which was sponsored by ICANN (Internet Corporation for Assigned Names and Numbers). Lindenthal possesses a versatile expertise in both virtual and real space. His interdisciplinary research led to the first scientific-grade price index for Internet domain names (IDNX), which quickly gained reputation as the domain industry's leading benchmark. He has presented domain-related research at leading academic and industry conferences and served as an expert witness for domain valuation at US courts. As of July 1, 2014, Lindenthal will be teaching at Cambridge in England.

William Wheaton, Professor Emeritus. Bill Wheaton retired from his position as professor in the Economics Department as of June 30, 2014. As professor emeritus, Bill will continue to teach 11.433 Real Estate Economics for the CRE's Master of Science in Real Estate Development (MSRED) graduate program.

*Michelle Heller, Marketing and Communications Coordinator.* After serving in her current position for a year as a contract employee, Michelle was hired as a full-time MIT employee. She will be working on marketing initiatives, constituent communications, strengthening the CRE brand, events, and supporting the center's Professional Development Institute.

*David Geltner, Associate Director of Research.* David will assume a key role as associate director of research as well as serve as a member of the MSRED Curriculum Committee, along with Albert Saiz and Dennis Frenchman.

*Dennis Yeskey.* After spending the better part of 2013 as chairman, Dennis decided that this role was not aligned with his interests. As a result, he stepped down from that position to pursue other interests in 2014.

### **Endowment**

The endowment of the center continued to be a major initiative during FY2014. In the interest of the center's long-term stability, the School of Architecture and Planning's resource development team worked successfully with interim executive director Tod McGrath and identified several key donors whom we continue to cultivate. We anticipate one to three significant donations in FY2015.

### **Center for Real Estate Governance**

Tod McGrath (former interim executive director) accepted the role of chair of the CRE Advisory Board, which consists of industry leaders and MSRED alumni.

CRE Advisory Board Members include Sarah Abrams '85 (Iron Mountain), Joe Azrack (Apollo Global Management), Bryce Blair (Harborview Associates), Jacques Gordon (LaSalle Investment Management), Doug Linde (Boston Properties), and Jonathan Richter '95 (Deutsche Bank Americas).

### **Professional Development Institute**

In March, the center's Professional Development Institute went international, offering two-day, one-day, and half-day courses in London, England. A new course was also added to the regular summer professional development offerings: Corporate Real Estate Strategy: Responding to the Changing Demand for Office Space, taught by Martha O'Mara, co-founder and managing director of Corporate Portfolio Analytics and founder of Place Strategy Partners, LLC, which specializes in management training and systems development for real estate organizations.

### **Executive Education**

In May 2014, we hosted 13 executives from PricewaterhouseCoopers (PwC) for a [three-day executive education program](#). Based on the success of the program, PwC has become an Industry Partner. We are also in discussions about conducting this program again for PwC in May 2015.

### **Industry Partners Program**

During FY2014, 24 real estate firms with offices both domestically and internationally were listed as partners and friends of the CRE. Five new partners were added this year: UBS Realty Investors of Hartford, CT; Cisco of Lima, Peru; National Real Estate Company of Kuwait; DTZ of Boston, MA; and PricewaterhouseCoopers of Hellerup, Denmark.

The CRE held its 2014 annual Partners Luncheon in London, England, on March 27 at the prestigious Royal Institute of British Architects. The day's events included a tour of London's Canary Wharf. On March 28, co-hosting with the CRE's Alumni Association, the CRE held its annual Real Estate Forum at London City Hall.

### **Capital Campaign**

In FY2014, the CRE collected another \$50,000 toward its total capital campaign goal. During FY2015, the CRE expects to bring in the remaining 24%, for a total of \$1,083,330.

### **Marketing**

The redesign of print material to strengthen the CRE brand and to increase the visibility of the Industry Partners Program, the MSRED Program, and the Professional Development Institute continues. A student-written [blog](#) with stories about MSRED students' experiences at the CRE was also launched this year.

### **Master of Science in Real Estate Development**

MIT's master of science in real estate development is the most concentrated science-based graduate degree in real estate available. Launched by the CRE in 1983, the MSRED is the first degree of its kind, fulfilling a need for specialized education beyond the scope of the traditional MBA.

### **Enrollment**

Twenty-five new students matriculated in fall 2013, including three dual degrees from the Department of Urban Studies and Planning (DUSP). The class consisted of seven women and 18 men, as well as 15 international students from India, China, South Korea, Hong Kong, Singapore, Japan, Brazil, Mexico, Venezuela, and Canada.

In April, the MSRED Program admitted its 31st class. The Class of 2015 is composed of 10 women and 20 men, with an average age of 29 years; 18 of the students are international. In addition, seven dual-degree candidates were admitted from DUSP and the Department of Architecture, bringing the total number of students to 30.

### **Connecting Students with Industry**

One very important service that we provide as a professional graduate degree program is to create opportunities for our students to network with industry. Throughout the academic year, we brought in industry leaders as guest lecturers, held a joint career fair with Harvard, and secured several Independent Activities Period (IAP) and summer internships for our students. Participating firms included Prologis, Hines, AvalonBay Communities, Druker Companies, New Boston Fund, Skanska, The Baupost Group,

Colony Realty Partners, Jones Lang LaSalle, Campanelli, Investbridge Capital, Panoramic Interests, Jonathan Rose Companies, Alcion Ventures, Samuels & Associates, Forest City, Vanke, MITIMCo, TA Realty, Sun Hung Kai Properties, JP Morgan, and City Ventures.

## **Graduate Student Trips**

### ***Brazil***

Lecturer Peter Roth and guest lecturer Victor Eskinazi took 11.303J Real Estate Development Studio: Complex Urban Projects international. Wanting to focus on an emerging market, they took their students to São Paulo, Brazil, to study a site in the Anhangabaú Valley, an area immediately adjacent to the city's historic core. The class worked with various stakeholders promoting development of the site, including Viva O Centro, the chief nongovernmental organization advocating for revitalization of the area. The students responded to a request for proposals crafted by the teaching team that outlined the group's vision for an integrated development of the Anhangabaú site over a 10-year time frame into a landmark project that could catalyze revitalization of the area. During their trip, students met with representatives of the city, as well as leading developers of mixed-use projects in Brazil, including Related Brasil, Tishman Speyer, Odebrecht, Hines, and Urbem, and presented preliminary site investigations to the leadership of the real estate program at the prestigious University of São Paulo and its advisory committee. Subsequent to the trip, students synthesized comprehensive proposals for redeveloping the site and presented their development plans to a panel consisting of our faculty and outside industry real estate leaders.

### ***Africa***

CRE lecturer John Kennedy and Campbell Mayer DUSP '11 have initiated a collaborative project with the University of KwaZulu-Natal to empower rural and local economic development initiatives and to give CRE students an opportunity to play a vital role in bringing development solutions to the people of South Africa. Called CREATE (Cultural, Research, Entrepreneurship and Technology Exchange), the project aims to foster economic self-sufficiency through entrepreneurship and innovation in local markets.

For the second year, Kennedy brought seven MIT students, including three MSRED students, on a two-week trip to Durban, South Africa, in May. They engaged with grassroots entrepreneurs in multidisciplinary teams to bring skills training and strategic consulting to local community groups and aspiring new ventures. MIT students worked on projects that included developing infrastructure at the Brook Street informal market in Durban, increasing productivity for farmers in Shepstone, and developing approaches for funding of startups in Ballito. Together with graduate students from the University of KwaZulu-Natal and local entrepreneurs, the first phase of the project identified deep connections between real estate markets/land use and barriers to economic and community development. Marcella Barrière MSRED '13 based her thesis, titled "The Economics of Housing Lower Income Populations in South Africa: Challenges and Opportunities in KwaZulu-Natal," on this experience. New research is focusing on urban informal marketplaces (specifically the Brook Street informal market in Durban) and the socio-economic value they create for the municipality compared to formal public-private partnership commercial redevelopment of informal markets. At the

tail end of the trip, Kennedy and Mayer lectured to practicing entrepreneurs at the University of KwaZulu-Natal on the ecosystem of MIT entrepreneurship and how it relates to their practices. The CREATE workshop is engaging real-world scenarios where real estate is the nexus of emerging-market development challenges.

### **Alumni Association of the Center for Real Estate**

More than 950 graduates of the MSRED program are members of the Alumni Association of the Center for Real Estate (AACRE). Approximately 20% live outside of the United States in more than 14 countries. There are significant concentrations of alumni in New England, New York City, Washington, DC, San Francisco, Toronto, Beijing, Seoul, Tokyo, and Hong Kong. The alumni group is an all-volunteer organization represented by the AACRE.

### **Annual CASE Competition**

The semifinals and finals of the 2014 [CASE competition](#), an annual real estate competition organized and hosted by the AACRE, were held in London, England. In the preliminary round, held in Boston on February 11, 42 graduate-school teams from around the world analyzed and underwrote the redevelopment of the London Television Centre site. From this group, 12 semifinalist teams were selected to present at the 2014 MIT Real Estate Forum in London on March 27. On March 28, the top three finalist teams presented before judges and a live audience at London City Hall. This year, in a new twist, the non-finalist teams were permitted to ask questions of the finalists. Georgetown came in first, Harvard came in second, and Columbia took third. One of the two MIT teams placed a very close fourth.

### **Events**

On May 8, 2014, a breakfast panel, "[Real Disruption: The Big Ideas Disrupting Real Estate](#)," was hosted by MIT AACRE, The Real Reporter, Urban Land Institute (ULI) Boston, and the Society of Industrial and Office Realtors (SIOR) at the Boston Society of Architects' (BSA) Fort Point Room.

The 2014 MIT Real Estate Forum, held on March 28 at City Hall in London, England, was a day packed with talks given by industry leaders on various real estate topics. This year, one panelist was Skyped into the discussion, and attendees were able to access the program on their smartphones via a smart code on the back of their nametags; this technology will be status quo going forward. For the benefit of the many graduate-level students in the audience, the forum ended with a question-and-answer session with three industry professionals whose careers spanned the corporate ladder.

On October 16, 2013, the AACRE teamed up with ULI Boston and the Boston Society of Architects to host Boston mayoral candidates John Connolly and Marty Walsh for a breakfast discussion about the future of Boston's real estate development. Both candidates offered the audience their vision for the future and fielded questions from representatives of the AACRE, BSA, and Urban Land Institute.

Alumni Back to School Day, co-hosted by the AACRE and Saul Ewing, was held at the New York City Athletic Club on November 16, 2013. The keynote speaker was Daniel Rose, chairman of Rose Associates. The event was well attended by CRE alums, industry leaders, MSRED students, and CRE faculty. Alumni Back to School Day will be an annual event on both the East Coast and the West Coast.

### **Outstanding Thesis Award**

Each year, the AACRE selects a current MSRED candidate to receive the Outstanding Thesis Award. Thesis advisors nominate the submission that best represents both excellence in academic achievement and the practical application of advanced techniques and analysis to the field of real estate. A panel of AACRE members selects the winner and grants the award during the graduation dinner. In August 2013, Sarwesh Paradkar received the award for his thesis, "Risk Adjusted Asset Valuation Using a Probabilistic Approach with Optimized Asking Rents and Resale Timing Options."

### **Faculty Awards**

Professor Albert Saiz was appointed a Class of 2014 Hoyt Fellow by the Maury Seldin Advanced Studies Institute.

The George Bloom Award was presented to Professor Wheaton during the presidential luncheon at the 2014 meeting of the American Real Estate and Urban Economics Association (AREUEA) in January. Wheaton, who was selected by the executive nominating committee, was presented with a plaque in recognition of his distinguished service and contributions to the AREUEA during his career.

### **Faculty Lectures and Presentations**

#### **Professor David Geltner**

- "International Real Estate Markets Before and After the Great Financial Crisis (GFC): Remarks on Transparency in Real Estate Investment Markets," Ozyegin University, Istanbul, June 17–20, 2014
- "Characteristics of Depreciation in Commercial and Multi-Family Property: An Investment Perspective," Homer Hoyt Institute, May 15, 2014
- "What Is Fair in Waterfall Return Splits?," MIT Center for Real Estate Partners Meeting and AACRE Annual Forum, March 27, 2014
- "Risk Is Better Than Uncertainty: Innovations in Real Estate Investment Information: New Developments in Commercial Property Price Indexing," [Smart, Connected and Green Symposium](#), cosponsored by MIT Center for Real Estate and Maastricht University's European Center for Corporate Engagement, Maastricht, the Netherlands, March 25, 2014
- "Characteristics of Depreciation in Commercial and Multi-Family Property: An Investment Perspective," Pension Real Estate Association Spring Conference, Boston, March 19, 2014

- “Using New Data to Evaluate Risk and Flexibility in Large-Scale Real Estate Development Projects,” MIT Industrial Liaison Program Conference, November 13, 2013
- MnM (MarketsandMarkets) Conference, October 24–26, 2013
- Interview with Real Estate Bisnow reporter Susan Diesenhouse about finding the true value of Real Estate Investment Trust assets, October 23, 2013

### **Dr. Thies Lindenthal, Postdoctoral Fellow**

- Lindenthal, T., and C. Loebbecke (forthcoming 2014), “Pricing Quality Attributes of Internet Domain Names: A Hedonic Model of Words,” Americas Conference on Information Systems (AMCIS), Savannah, GA
- Eichholtz P. and T. Lindenthal (forthcoming), “Demographics, Human Capital, and the Demand for Housing,” Journal of Housing Economics
- “Constrained Cyberspace: The Primary Market for Internet Domain Names,” International AREUA Conference, Reading, UK, July 9–11, 2014
- “Virtual Space: No Limits - but Scarce,” Smart, Connected and Green Symposium, sponsored by MIT Center for Real Estate and Maastricht University’s European Center for Corporate Engagement, Maastricht, the Netherlands, March 25, 2014
- Interview with New York Times reporter Natasha Signer about domain names being valuable internet real estate, August 2013

### **Professor Albert Saiz**

- Paper “[Interest Rates and Fundamental Fluctuations in Home Values](#)” referenced by Janet Yellen, chair of the Federal Reserve Board, in her inaugural speech, “[Monetary Policy and Financial Stability](#),” on July 2, 2014
- “Immigrant Locations and Native Residential Preferences in Spain: New Ghettos?,” Barcelona Graduate School of Economics, Barcelona, Spain, June 16, 2014
- “Interest Rates and Fundamental Fluctuations in Home Values,” London School of Economics, London, UK, June 12, 2014
- “Housing Supply and Policy,” Policy Institute Trinity College, Dublin, Ireland, June 10, 2014
- “Immigrant Locations and Native Residential Preferences in Spain: New Ghettos?” Trinity College, Dublin, Ireland, June 9, 2014
- “Interest Rates and Fundamental Fluctuations in Home Values,” Deutsche Bundesbank, Eltville, Germany, June 5, 2014
- “Economics of Aesthetic Value,” George Washington University, Washington, DC, April 18, 2014

- “Interest Rates and Fundamental Fluctuations in Home Values,” Harris School of Public Policy, Chicago University, Chicago, IL, April 8, 2014
- “Interest Rates and Fundamental Fluctuations in Home Values,” University of Connecticut, Storrs, CT, March 25, 2014
- “Interest Rates and Fundamental Fluctuations in Home Values,” University of Illinois at Urbana-Champaign, March 21, 2014
- “Immigrant Locations and Native Residential Preferences in Spain: New Ghettos?” University of British Columbia, Vancouver, Canada, March 14, 2014
- Interviewed on [Freakonomics Radio](#) discussing how a second language can increase your earning potential on March 13, 2014
- Interviewed for blog post “[Johnson: What is a foreign language worth?](#)”, The Economist, March 11, 2014
- Paper “The Geographic Determinants of Housing Supply,” published in Quarterly Journal of Economics, was cited in the Wall Street Journal article “Place Bets Carefully on Home Builders,” February 27, 2014
- “Immigrant Locations and Native Residential Preferences in Spain: New Ghettos?”, University of California Riverside, February 21, 2014
- Quoted in Boston Globe article “[BRA cuts deals at expense of affordable housing](#),” December 22, 2013
- Spoke with [Bankrate.com’s Claes Bell](#) on how supply and demand plays a role in the recovery of the housing market
- “Women and Power: Unpopular, Unwilling, or Held Back,” Northeastern University, Boston, November 25, 2013
- “Interest Rates and Fundamental Fluctuations in Home Values,” Penn State, State College, PA, October 2013
- “Interest Rates and Fundamental Fluctuations in Home Values,” Federal Reserve Bank of Cleveland, June 2013

### **Dr. Walter Torous**

- “Complexity in Structured Finance: Financial Wizardry or Smoke and Mirrors?”, Western Finance Association Meetings, Monterey, CA, June 2014
- “Second Mortgages: Valuation and Implications for the Performance of Structured Products,” American Finance Association Meetings, Philadelphia, January 2014

### **Professor William Wheaton**

- “How Will the US Economy Grow: Implications for Real Estate,” Alcion Partners, Boston, March 2014



- “Recovery in the US Housing Market,” MIT Industrial Liaison Program Conference, Boston, January 2014
- Spoke with NPR’s Morning Edition on “Error Correction Models of MSA Housing ‘Supply’ Elasticities: Implications for Price Recovery,” January 24, 2014
- “The Outlook for US Housing,” Back to School, New York, November 2013
- “Renting versus Owning,” National Multi Family Housing Council, Chicago, October 2013
- “Energy Costs and Urban Form,” MIT CRE Partners, Boston, September 2013

As a catalyst of brainpower, the CRE will build bridges between the challenges and opportunities of technology and the environment as they relate to real estate development and investments. I believe the solutions to current economic, social, and environmental challenges will come from the industry and its innovative, enlightened entrepreneurs. The CRE can be a stimulant for connecting the existing brainpower and entrepreneurship in the industry with the research communities devoted to these issues.

**Albert Saiz**

**Director**

**Daniel Rose Associate Professor of Urban Economics and Real Estate**