

# SUPPLEMENT TO ASI NEWSLETTER

## Fall 2003

### **Real Estate in 3D: The Development of a Discipline Drama**

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#### Prologue

The development of real estate as a discipline may be viewed as a drama in the form of three acts. Act I is the emergence of the discipline and its historical development. Act II is the current condition, especially the institutional arrangements. Act III is the future of the discipline and the role of the Homer Hoyt Institute in that future.

What follows is the outline of the drama with an identification of some of the players. The reaction of some of the players to this sketch will influence how the story plays out.

Act I is already under development. An idea for the first scene comes from Larry Wofford, a Hoyt Fellow who, having read the book titled *Geographical Voices: Fourteen Autobiographical Essays*, asked me what I thought of the idea as a model for real estate. He is proposing a comparable book as a project of the Hoyt Fellows.

Real estate as a discipline is young enough that we still have some pioneers, and some of us personally knew many of the earlier thought leaders. Furthermore, the discipline has had a rough time in academia during the last four decades due to fallout from Ford and Carnegie reports that were quite negative about specializations in schools of business administration.

Over the last four decades the place of real estate in the institutional structure of academia has changed substantially, as has the curriculum. The future is highly uncertain. Among the risks is a further lessening of the role of real estate education in schools of business administration and a narrowing of the focus of the discipline to a subset of finance. Additionally, while urban economics may continue to be taught in economics departments, the risk is that the focus will be so narrow as to exclude much treatment of the interdisciplinary aspects of real estate.

The Hoyt Group, with the right partners, can significantly alter the course of events that will form the future character of the discipline. Our interest is in the quality of decisions relating to real estate. We have a track record of bridging the gap between industry and academia. Much of the change in the discipline comes thru research and related programs.

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\*Dr. Maury Seldin is Chairman of the Board of the three organizations that comprise The Hoyt Group. These are: (1) Homer Hoyt Advanced Studies Institute in Real Estate and Land Economics which houses the Weimer School of Advanced Studies in Real Estate and Land Economics, (2) Home Hoyt Institute, the support organization for the Weimer School, and (3) Hoyt Advisory Services, the R&D unit, a wholly-owned subsidiary engaged in research and consulting. Together, these serve as a think tank in real estate and urban land economics. See the Hoyt Group at [www.hoyt.org](http://www.hoyt.org)

Our history is that we have supported programs that have helped shape the future. Most notable in this regard is the series of Weimer School sessions, starting with an office markets focus (which was noted in the special edition of an AREUEA Journal dealing with office markets). We had Weimer School sessions that took various perspectives of the discipline's development: decision makers (institutional, corporate, and economic development in the public sector), type of land use (office, retail, and residential), and research tools (simulation of city as a system, data development, and geographic information systems). We also supported research in those areas.

Our current research support efforts are focused on capital markets/flow of funds issues. This program not only involves Weimer School Sessions and financial support for research, but provides an outreach to industry designed to integrate industry representatives into the design and the development of the research programs sharply focused in the areas of industry's particular interests.

The purpose of the Homer Hoyt Institute's Capital Flows Research Program is to identify and quantify the sources and cost of funds available for real estate investment during various phases of the economic cycle. This study is part of HHI's continuing effort to gain a better understanding of the system in order to improve the quality of decisions. The program addresses the long-term problem that the real estate industry experiences with recurring over and under supplies of capital as the economic environment changes. The mission is to improve the quality of real estate decision making through the collection, creation, and dissemination of real estate capital flows data and analysis. The real estate capital flows research program operates in part through a website that contains downloadable data and other publications, as well as directions to other sources, some of which may be proprietary. Some research projects are described in an interim capital markets research report on the Institute's website, [www.hoyt.org](http://www.hoyt.org).

The proposal/program of the Hoyt Fellows, as it unfolds, can help in the development of the discipline. A discipline may emerge when a class of systems becomes the focus for a set of questions or issues and a systematic approach emerges resulting in principles and theories about the behavior in the system. The new discipline has a paradigm or framework significantly different from the discipline or disciplines from which it originated. Thus, real estate economics, like labor economics or welfare economics, emerges as a subset of a discipline, but real estate broadens its perspectives beyond that normally included in economics and takes on a life of its own. That happens when thought leaders introduce new perspectives and develop programs that produce new knowledge, theories and new principles. In the case of real estate, new knowledge is blended with a wide variety of disciplines in order to deal with the sets of questions or issues that were involved.

The place to start in understanding the evolution and the methods of making progress is with the history of thought that expanded the horizons of accepted areas of studies. The Wofford proposal as proposed to the Hoyt Fellows could be part of this history of thought and could become part of Act I of the Discipline Development Drama, "Real Estate in 3D."

### Act I: Historical Development

In studying philosophy or the history of economic thought, development of thought is usually dealt with by identifying particular philosophers, or economists and the associated works. These may be classified by century or other eras representing a time dimension, by schools of thought, or by other dimensions that provide a network to connect ideas.

The Wofford proposal emulates the approach taken in geography and could be part of the first act. Another part of the first act, suggested by Marc Louargand, another Hoyt Fellow, might be to trace the linkage of the academics. That may be done by tracing from mentor to doctoral student and then from that doctoral student to the next generation of doctoral students. Such a chain is one way of organizing to show the evolution of thought.

Another way to represent the connections is to focus on the academic institutions with successive leaders over time. Of course, there is a hybrid approach, and the option of using more than one approach in parallel.

The story line for Act I is being sketched out. Indeed, Norm Miller, the ASI vice president for public relations and Weimer School faculty member, with his co-author just published an article in the *Appraisal Journal*, "*The Academic Roots and Evolution of Real Estate Appraisal*," that may be considered a scene in Act I. Also, Maury Seldin, president of ASI and Weimer School faculty member, has written a monograph, "*A Challenge to Our Thought Leaders*," published by the Home Hoyt Institute. It includes a substantial discussion of the plight of real estate education in academia over the last forty years. That is done in the context of a discussion of the changing academic environment and some more points about interdisciplinary development in the approach to improving the quality of decisions. Both the Miller article and the Seldin monograph are available as background for the jointly sponsored program next year and the 3D drama. [Electronic copies are available through the Hoyt website. ([www.hoyt.org](http://www.hoyt.org))] While that work may play a role, the focus is on developing the first act of the drama to include the program desired by the Hoyt Fellows and to be consented to by ARES and, hopefully, AREUEA.

The process towards a mutually approved program on development of real estate as a discipline has already started in that we met with Elaine Worzala, the newly elected Vice President/Program Chair. We discussed arranging a time slot for the ARES program to be held on Captiva Island in Florida during the week of April 18, 2004. As the discussion emerged, the possibility of a plenary session on the opening presentation date of Thursday, April 22, 2004 is under consideration. We have met with a warm reception on the idea of a co-sponsored session.

The warm reception may in part be attributed to recognition of the importance of making progress in understanding the historical development of the discipline as a step towards influencing the future. Recognizing that potential, Elaine suggested that AREUEA be invited to join the Hoyt Group and ARES in the sponsorship of the session. As soon as we have something to describe the proposed program with enough information for AREUEA to act, the invitation will be extended.

## Act II: The Present

The story line for Act II is even sketchier than that for Act I. Some societal changes come through the managed institutions that stake out territory for operations. Shifts in what they do account for a great deal of the change that takes place. Act II may deal with a state of the art report on what various institutions are doing that relates to the development of the discipline.

Since domestic real estate programs have been so heavily influenced by the shifts in the wake of the Ford and Carnegie reports, we might start with a look at real estate programs in foreign countries. This look

should include real estate centers as well as degree programs. The diversity of degree programs in other countries should be enlightening as to a variety of domestic options.

Domestically, in addition to the degree programs, we should also look at non-degree programs and centers. The non-degree programs and the industry programs will give us a sense of what industry sees as important in the body of knowledge. Some of this non-degree education is through centers.

Some real estate centers focus on dissemination rather than development of knowledge. Our interest is in the direction of knowledge development and strategy for selection of research programs. Program operations and changes may account for a great deal of the discipline development. These are studies that might be done for presentation at a co-sponsored session.

### Act III: The Future

The future of the discipline is a major concern of the Homer Hoyt Institute. Homer, himself, was a pioneer in the development of the discipline by creating theory as well as applications. His work is still used beyond real estate, especially in geography and sociology.

Art Weimer started the movement towards an administrative approach to real estate in contrast to the then prevailing mix of economic, transaction, and legal approaches. It was he who told me that a major justification for studying real estate in higher education was that understanding real estate would help in understanding other areas. He has educated more real estate faculty than anyone before or since his time, as well as more business school deans.

The Institute has, with limited resources, placed its major efforts in the support of the Advanced Studies Institute that houses the Weimer School of Advanced Studies in Real Estate and Land Economics. This is a leveraged operation in that by educating the educators, the influence of the Institute is magnified. The Institute has operated through a number of programs, both through ASI and directly, especially through research roundtables and research grants. These are programs that have the potential to alter the course of events and further the development of the discipline.

The latest addition to the Institutes arsenal of weaponry in the battle to improve the quality of decisions is the creation of the Hoyt Fellows out of the HHI Advisory Board and its expansion. The Hoyt Fellows have now reached a scale that enables them to make a significant difference in the development of the discipline. A major component of the next development plan of the Institute is the development plan of the Hoyt Fellows.

The Hoyt Fellows have already adopted the web-based program on Capital Markets / Flow of Funds to Real Estate, and at the May meetings endorsed a program to better understand the development of the discipline and the factors that influence its future.

There is a hope to include a close connection with ARES and AREUEA. Through these partnerships will come a better understanding of the history of development of the real estate discipline, its present situation as a field of study, and its future development. And, as with a mystery drama with various endings, all of those active in the field of real estate research and education will write the concluding act of this drama.