

Center for Real Estate

The Center for Real Estate (CRE) was founded in 1983. Our mission is to improve the quality of the built environment and the real estate industry by providing a forum for education, research, and the exchange of ideas between MIT and the global thought leaders of the real estate industry. We do this with:

- 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 of real estate
- A unique, interdisciplinary research platform that brings together academia and industry to address critical areas of real estate knowledge and decision making
- Outreach that connects MIT with the real estate industry and CRE alumni to develop the profession and to support the center's long-term growth

Strategic Goals and Objectives

The center had three key strategic thrusts for FY2005: enhancement of the MSRED program, building an effective industry support/research program, and establishing a global presence. These directions are reflected in the following more specific goals and objectives:

Enhanced MSRED program—CRE is rebuilding the core of its MSRED curriculum to focus more clearly on the real estate development process. The purpose is to give the MSRED program a unique, world-leading and innovative curriculum built on key new professors the center has engaged over the past two years, Tony Ciochetti and Lynn Fisher. They will add to the work of the superlative preexisting faculty member, Professor Frenchman, in this part of the curriculum to provide a program that will not only give our students a first-rate education but will also improve the center's industry outreach and research initiatives to help build the external funding base of the center.

Industry support/research program—The center will continue to develop its new program of interdisciplinary, industry-relevant, innovative, industry-supported research initiatives: New Century Cities, Housing Affordability Initiative, and Commercial Real Estate Data Laboratory.

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 form alliances and/or working relationships with premier educational institutions such as the University of Cambridge in the United Kingdom and Tsinghua University in China.

Financial sustainability—Through initiatives led by center chairman Tony Ciochetti, with the support of the center's executive committee and research staff, a new industry partner-oriented structure and process is being developed with firms and institutions that have interests aligned with the center's mission. These initiatives, coupled with revenues from the center's professional development courses and increased Institute

support, are expected to lead to a level of financial stability that will support a scale of operations commensurate with a preeminent real estate center.

Accomplishments

Research

Developing an innovative and industry-relevant research program has been the single most important element of the center's strategic actions during FY2005. We identified and developed three high-contribution initiatives that reach beyond CRE to other elements at MIT and in the real estate industry, and which, together, span a range of disciplines and foci that synergize with the center's strategic directions and abiding mission.

New Century Cities

CRE cosponsored, with the Media Lab and the City Design and Development group (in the Department of Urban Studies and Planning), a student/faculty seminar in fall 2004. The seminar studied the interconnections among real estate development, digital technology, and urban design, and culminated in a two-day international symposium in January 2005. During the symposium, thought leaders and practitioners from media and information technology firms, city representatives, and real estate developers came from around the world to discuss the issues emerging around large-scale, technologically sophisticated urban development.

Housing Affordability Initiative

The purpose of the Housing Affordability Initiative (HAI) is to conduct studies on the housing supply and affordability problem, starting with a focus on Massachusetts but expanding to a national and international scope. The initiative is being directed by center research associate Dr. Henry Pollakowski under the auspices of a steering committee chaired by Professor Langley Keyes (DUSP).

- *40B report:* On April 27, 2005, the initiative presented its report quantifying the effects of mixed-income, multifamily rental housing developments on single-family housing values. The findings were presented and discussed by a panel of key housing experts. The event was hosted by MassHousing (Massachusetts Housing Finance Agency) and attracted national attention.
- *Research conference:* On May 25, 2005, the research team presented its prototype Housing Affordability Index, which incorporates access to jobs as a key dimension of the index. The conference was attended by 120 people. We expect the prototype, when fully developed, to comprise a family of indices for a range of income levels and family sizes.

During FY2005, six new center partners provided gifts as part of an industry consortium to facilitate the center's work in the HAI.

Commercial Real Estate Data Laboratory

The Commercial Real Estate Data Laboratory (CREDL) is an initiative to facilitate and promote the gathering and compilation of data and methodologies to quantitatively measure the performance of commercial real estate along a variety of dimensions (investment, operational, environmental). Much of FY2005 was devoted to the development of the major initial product of the laboratory, a transaction-based index of real estate investment performance being developed from a database maintained by the National Council of Real Estate Investment Fiduciaries. During FY2005 data was obtained, development work carried out, and the index prototype was presented at national and international symposia.

Education

MSRED Curriculum Changes

The past year saw significant enhancements to the traditional CRE course offerings. Orientation for the incoming class increased from one week to two weeks. This additional week is being used for a statistics course that prepares students for the real estate markets course. The markets course, which traditionally has been taught in the spring, was moved to the fall. In addition, the legal issues class was moved to the spring term.

Six construction engineering and management (CEM) courses were modified from the former CEM program in the Department of Civil and Environmental Engineering and introduced as MSRED electives. These classes enable the center to establish project delivery and construction as a third track for MSRED students, complementing the finance and development study options.

Professor Ciochetti led a Class of 2005 tour of European real estate projects as a prototype of a minicourse that will be offered during the summer term in the future.

MSRED Students

Class of 2004—Thirty-two graduates, members of CRE's 20th class, received their MS degrees in real estate development in October 2004. Graduates are employed in real estate finance, acquisitions, development (as project managers), and as entrepreneurs. Employers include Avalon Bay Communities, a leading provider of luxury residential units; the National Housing Development Corporation, a leading provider of affordable housing; the Winston Hotels; the Mullins Company, a Boston area development firm; and the New York City Economic Development Corporation.

Class of 2005—The 32 members of this class include six joint degree candidates, nine women and 23 men, and eight international students. Seven of these students already hold advanced degrees in architecture, urban and regional planning, geography, medicine, structural engineering, architecture, entrepreneurship, management, and business administration. This class, which will graduate in October 2005, is the first to be charged a portion of the MSRED tuition premium (approved *after* this class had applied to the program). Despite the higher tuition, the MSRED class yield rate was 74 percent.

The center's new chairman is responsible for industry outreach, teaching, and research. During FY2005, he led a Class of 2005 tour of European real estate projects, reviewed and implemented improvements to the MSRED thesis process, and, in collaboration with center director David Geltner, revised the MSRED curriculum to be more responsive to the needs of the development industry.

Class of 2006—In April, the center selected its 22nd class of MSRED students. Forty-five candidates from a pool of 112 were offered admission; of these, 39 accepted, for an 87 percent yield. The class is comprised of 11 women and 28 men. Seven of the students will pursue dual degrees in business administration, city planning, and civil engineering; and 12 of the entering students already have advanced degrees in geology, business administration, accounting, engineering, law, and public administration.

Doctoral Students

During FY2005 the center fully supported one PhD candidate jointly with the Department of Urban Studies and Planning, and partially supported one PhD candidate in the Engineering Systems Division.

Professional Education

The 20th summer of professional development courses brought 274 attendees to campus in June and July of 2004, a nine percent increase from the previous summer's attendance. Attendees enrolled in eight courses, three of which were relatively new offerings: Green Development (last offered in 2000), Entrepreneurship, and Affordable Housing.

Special Events

Alumni Reunion Weekend

In September-October 2004, the center graduated its 20th class. We also announced the newest Spaulding Award winner, **Randy Nichols (CRE '89)**, held an alumni-organized overview of the retail industry, and featured director David Geltner and chairman Tony Ciochetti's overview of the state of the center and their vision for its future.

20th Anniversary

The Center for Real Estate celebrated its 20th anniversary during FY2005. The occasion was marked by a 20th anniversary weekend in March 2005. The weekend featured many illustrious speakers, a day-long conference on vision-driven cities (related to the center's New Century Cities research initiative), and a gala. One hundred and fifty people attended the event, almost all of whom were graduates of the center. The center's alumni number approximately 650. The active participation of the alums in planning and organizing the celebration was crucial to its success. Industry supported the effort via sponsorships that totaled \$66,207.

Other FY2005 Events

Forum on Issues and Innovations in Real Estate (FIRE)—During FY2005 we launched the FIRE events with the goal of engaging and communicating with members of the real estate industry about topics that are timely, noteworthy, and significant. CRE partner

Taurus Investments hosted a FIRE event in Munich, Germany; Merrill Lynch hosted an event in Beijing, China; and a new industry partner, ZK Group, was our host in Shanghai. Our graduates have provided critical support in each of these locations, and CRE graduates have been our partners in hosting events in New York as part of the Urban Land Institute's annual meeting and in Washington, DC.

Class of 2005 tour of European real estate—As noted previously, in late May, 2005, chairman Tony Ciochetti led a group of students to visit European real estate projects. They visited Canary Wharf in London, met with real estate students in Cambridge, and visited projects and firms in Frankfurt and Berlin.

Professional development—We are changing the professional development courses to better mirror the MSRED curriculum. To this end, during the summer of 2005, the center will offer new courses that reflect development building blocks as well as areas of special interest: legal issues, a three-day (versus two-day) course on the development process, and a class entitled Topics in Development that will present hot topics in development, e.g., green development, brownfields, developing for the life sciences, and technology-based or technology-driven projects.

Refresh, REvisit, and Rediscover—This event represented the educational portion of the 20th anniversary weekend. It was opened by Lawrence Bacow, former center director and MIT chancellor and current president of Tufts University. Following his luncheon remarks, five classes were offered in leadership, technology and real estate, finance, technology and construction, and real estate markets. Portions of the event were taped and posted on the center's website.

Administrative Initiatives

Modernizing the Membership Model

In order to reverse the decline in industry financial support the center has experienced, we have reexamined its interaction with industry and begun a new program of industry outreach under the leadership of center chairman Tony Ciochetti. A crucial part of this effort is a redirection of the center's traditional membership program toward a new partnership program. The old model was based on the servicing of member firms, by which member firms received benefits such as meetings and networking, access to other member firms, MIT faculty, students, and the center's intellectual capital in exchange for their membership fees. The human resources required to sustain such a level of service are not trivial and divert center faculty and staff from the center's substantive mission, without yielding sufficient revenue.

The move from industry members to industry partners constitutes an important shift in emphasis that will result in a very different interaction with industry. Industry partners are organizations familiar with the center and its work, and that perceive an immediate benefit from working with the center to apply center-derived tools, data, and products to the real estate industry. Firms and institutions that have joined the center during FY2005 on this basis were attracted by the new research initiatives, such as Equity Office Properties for CREDL, New England Home Loan Bank for HAI, and ZK Group of

Shanghai for NCC. One of the first events being planned under the partnership model during FY2006 is a developer focus group meeting that is scheduled for July 2005. The feedback from this focus group will be used to inform the center's development curriculum. The idea behind the industry partners model is to enhance the center's external industry-based fundraising while synergistically furthering the center's mission of education and research for the real estate industry.

Leadership Reorganization

With the appointment of Dr. Tony Ciochetti as the chairman of CRE, the center's leadership team is complete. The other members of the executive committee, which is responsible for CRE's functioning, are CRE director David Geltner and managing director Marion Cunningham.

Communications Technology as a Tool for Outreach and Community-Building

We use the latest technology as a tool for making center activities as accessible to the real estate industry and to the center's graduates as possible. In conjunction with MIT's Academic Media Production Services, we have developed 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 on May 15, 2004. By the end of FY2004, 170 people had joined MITREX and by year-end in FY2005 MITREX membership had risen to 300 people. Working closely with alumni, phase 2 improvements allowing for greater interactivity are planned.

We are also using webcast and video tools wherever possible. This year, we taped portions of our major research events (New Century Cities Symposium and the Housing Affordability conferences) as well as our special events (alumni reunion weekend and 20th anniversary). In addition, we are exploring the use of webcasts as a communications vehicle for the center's leadership time to speak to the CRE community. All these materials are posted on the CRE website.

Finances and Funding

New Sources of Revenue

Partners—During FY2005, the center attracted six partners for the Housing Affordability Initiative. These new partners provided gifts totaling \$80,000 to help support the center's work in the HAI. Other new model partners have joined the center at our new \$20,000/year level to become involved in other center initiatives.

Tuition—The primary competitors for real estate graduate education are schools of business. To reflect the competitive environment and the higher level of service required by MSRED students, the provost approved charging a premium tuition. The premium is being phased; MSRED tuition was five percent higher than the standard MIT graduate tuition in FY2005, climbing to 15 percent in FY2006.

Members

During FY2005 the center halted a steady multiyear decline in industry support revenue. The new membership model involved restoring the center's earlier (FY2002 and earlier) fee structure of \$10,000 per corporate member, and we added a new \$20,000 advisory level. By the end of FY2005, the center had 30 corporate members providing fee income totaling \$287,500.

Alumni

On April 1, 2004 we launched our alumni solicitation program to reach this critical component of the Center's funding model. 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 in multiyear pledges and current gifts. Contributions and pledges continued into FY2005 until pledges totaled \$604,135 from 295 of the center's 628 living graduates; during FY2005, the center received \$261,371 in gift income, bringing total gifts for FY2004 and FY2005 to \$486,400, a 200 percent increase over gifts during prior years.

Personnel Changes

Brian Anthony Ciochetti joined CRE in July 2004 as chairman and holder of the Thomas G. Eastman chair. He was also appointed a professor of the practice of real estate within the Department of Urban Studies and Planning. Dr. Ciochetti has a PhD in real estate and urban land economics from the University of Wisconsin, one of the oldest providers of graduate real estate education in the country. In 2001, he started the real estate center at the University of North Carolina and during his tenure raised almost \$4.5M in funds for it. He has published extensively in the leading journals in the industry, with a focus on the debt side of real estate finance, and his experience as an academic is complemented by ten years of experience as a real estate developer and consultant.

Professor William C. Wheaton was on sabbatical during the fall of 2004. His core course in the MSRED curriculum was taught by assistant professor Lynn Fisher, who received excellent ratings from the students.

Dr. Henry Pollakowski was appointed a research associate with the Center during FY2005 in order to respond to the urgent need for applied research management resources to kick-start two of our research/industry support initiatives: HAI and CREDL. Dr. Pollakowski received his PhD in economics, specializing in housing, from the University of California at Berkeley. He is the editor of the *Journal of Housing Economics* and is recognized as an authority on issues related to housing, residential markets, and affordability. Since joining the center, he has served as director of the Housing Affordability Initiative and is codirector of the Commercial Real Estate Data Laboratory.

Recognizing her leadership and success as an administrator, her potential, and the center's need for additional executive resources, Marion Cunningham was asked to assume additional industry/outreach and executive responsibilities and promoted from assistant director to managing director.

After an extensive search, Jennifer Boyles joined the center as an academic assistant.

David M. Geltner

Director

Professor of Real Estate Finance

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