

## MIT Center for Real Estate

Nearly 30 years after its founding, the [Center for Real Estate](#) (CRE) is entering its third decade strong and reenergized. During fiscal year 2013, two new faculty members joined CRE, and we hired a new chairman. As part of the focus on making our curriculum more global, our graduate students went on two international trips. CRE's research has been revitalized by our new faculty, as well as by visiting scholars and postdocs. Following are the center's key activities during FY2013.

### Highlights

#### New Faculty, Staff, and Visiting Scholars

CRE is extremely fortunate to have attracted an outstanding young urban/housing economist, [Albert Saiz](#), who was named the Daniel Rose associate professor of urban economics and real estate. Saiz pursues research interests in local public finance, real estate economics, and urban economic development. His research is focused on immigration and immigrant location choices as well as the impact of skills on earnings and city growth. He conducts research and teaches in both the Department of Urban Studies and Planning (DUSP) and the master of science in real estate development (MSRED) program.

[Dr. Walter Torous](#) is a senior lecturer holding a joint appointment in the Center for Real Estate and the Sloan School of Management. As one of the nation's top scholars and researchers in real estate finance, he teaches the graduate course 11.353J/15.429J *Securitization of Mortgages and Other Assets*. Torous was the Lee and Seymour Graff distinguished professor at the University of California, Los Angeles (UCLA), and founding director of the Ziman Center for Real Estate. He is also a professor emeritus at UCLA's Anderson School of Management, where he taught managerial finance, real estate finance, and empirical methods in finance. Torous' research interests include the pricing of financial instruments (options, future, risky debt, mortgages), the reorganization of financially distressed firms, and statistical issues in finance.

After an international search, [Dennis Yeskey](#) joined CRE as the seventh Thomas G. Eastman chair. As the new chairperson, Yeskey lends his leadership and extensive network to promote the center's mission nationally and internationally. He works closely with the center's industry partners and is engaging in efforts to enhance and reshape the value the center brings to them, as well as to expand CRE's membership base. Yeskey provides strategic oversight for the center's new initiatives—the alumni partnership and teaching affiliate programs—and the existing Professional Development Institute.

Andrea Chegut, a visiting PhD candidate from Maastricht University, spent six months at CRE. Professor David Geltner is a member of Andrea's thesis committee. Her work investigates the financial performance and value premiums of [innovation in commercial real estate products](#) ranging from fiber-lit buildings (telecommunications) and data centers to green buildings. She has also explored the economic impacts of dynamic change within the commercial real estate sector.

## Endowment

The endowment of the center continued to be a major initiative during FY2013. In the interest of the long-term stability of the center, the School of Architecture and Planning's resource development team worked successfully with our interim chairman and identified several key donors we continue to cultivate. We anticipate one to three significant donations in FY2014.

## Governance

Tod McGrath (former interim chair) took on the role of chair of the CRE advisory board, which will consist of industry leaders and MSRED alumni. CRE chairman Yeskey continued oversight of the steering committee, which consists of CRE industry partners.

## Professional Development Institute

As a result of a few key tweaks to our marketing strategy and enhancements to our curriculum, our net revenue grew by 270% and attendance by 63% over the past year. For example, we offered a distance learning option for our Real Estate Finance Fundamentals course and dropped a course that had been running at a loss for several years; also, we added two new courses, Mutual Gains Approach to Real Estate Negotiation (taught by MIT professor Larry Susskind) and Community Relations: Winning Community Support for Land Use Projects (taught by MIT professor Phil Clay '75 and Patrick Fox, president of the Saint Consulting Group). In addition, McGrath completed revamped and enhanced the curriculum for our Commercial Real Estate Development course, which he taught this year for the first time. The course was also extended from two days to three days in length.

## Partners Program

During FY2013, 23 real estate firms, with offices both domestically and internationally, were listed as partners and friends of the center. Our newest industry partner, Benchmark Senior Living, increased its partnership level from an affiliate to a supporting member.

This year's [annual partners meeting](#) took place on April 4 and 5. We concluded the first day of presentations with a dinner attended by nearly 100 guests, including industry partners, faculty, staff, alumni, and the MSRED 2013 class. A highlight of the dinner meeting was the introduction of CRE's new Thomas G. Eastman chair, Dennis Yeskey. Terry Eastman, wife of the late Thomas Eastman, also attended. Professor Saiz gave the keynote address, "Economics of Aesthetic Value."

## Marketing

We launched our new website in FY2013. Several marketing initiatives (e.g., a virtual open house and short bios of our faculty), using video posted on the site, are under way to increase applicants to our graduate program. We will continue with the redesign of our 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.

## 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 in 1983 by the MIT Center for Real Estate, the MSRED is the first degree of its kind, fulfilling a need for specialized education beyond the scope of the traditional MBA.

### Enrollment

Twenty-two members of the Class of 2012 received master's degrees in real estate development in September. Graduates are employed with companies such as Samuels & Associates, The Carlyle Group, Jonathan Rose Companies, and Alcion Ventures.

Twenty-four new students matriculated in the fall of 2012, including five dual-degree candidates (from DUSP and the Department of Architecture), four women and 20 men, nine of whom are international students.

In April, the 30th class of MSRED students was selected. Thirty-three individuals from a pool of 66 candidates were offered admission. Twenty-three people accepted the offer, for a 70% yield. The Class of 2014 is composed of eight women and 18 men with an average age of 29 years; 17 of the students are international students. In addition, three dual-degree candidates were admitted from DUSP, bringing the number of students in the Class of 2014 to 26.

### Faculty Awards

Professor Saiz was nominated and appointed as a Hoyt Fellow by the Maury Seldin Advanced Studies Institute.

### Faculty Lectures and Presentations

Professor Geltner lectured at a December 2012 symposium held at the Korea Development Institute and was a moderator/discussant at the January 2013 annual conference of the Allied Social Science Associations (ASSA) in San Diego. Also, he presented "A New Approach for Constructing Home Price Indices in China: The Pseudo Repeat Sales Model" at Tsinghua University (December 2012) and "What Is Fair in Waterfall Return Splits?" at CRE's annual partners meeting (April 2013).

Visiting scholar Thies Lindenthal participated in the "Advances in House Price Modeling" panel session at the ASSA annual conference (San Diego, January 2013).

Professor Saiz presented "Economics of Aesthetic Value" at the MIT Center for Real Estate annual partners meeting in April 2013.

Dr. Torous presented "Why Did Household Mortgage Leverage Rise from the Mid-1980's Until the Great Recession?" (with CRE postdoctoral fellow Sheharyar Bokhari and professor William Wheaton) at the 2013 ASSA annual conference and "Mistakes in Housing Consumer Finance: What, Who and Why?" at CRE's annual partners meeting in April.

Professor William Wheaton made the following presentations: “The Outlook for US Real Estate” (Alcion partners meeting, Boston, October 2012); “The Shape of the Coming Housing Recovery” (MIT Independent Activities Period, January 2013); “5 Significant Themes in Future Real Estate” (GLL partners meeting, Boston, August 2012); “The Changing Demand for Apartments” (MPF Research Apartment Conference, Chicago, May 2012); “The Volatility of Real Estate Markets: An Exact Decomposition” (ASSA annual conference, San Diego, January 2013); “How Can the Global Economy Grow?” (US Corporate Board meeting, New York, October 2012); “Multi- and Single-Family Housing: More Connected Than You Think” (National Multifamily Housing Council annual conference, Boston, May 2013); “How Will the US Economy Grow?” (CRE annual partners meeting, April 2013); and “The 5 Most Important Real Estate Questions” (AEW meeting, Boston, March 2013).

### Graduate Student Trips

Wanting to focus on an emerging market, professor Dennis Frenchman and CRE lecturer Peter Roth took students from their 11.303J Real Estate Development Studio: Complex Urban Projects class to São Paulo, Brazil, to study a site in the city’s Anhangabaú Valley. The city has issued a request for proposal outlining its vision for an integrated development of the Anhangabaú site over a 10-year time frame into a premier project that will catalyze the revitalization of downtown São Paulo. During their trip, the students met with the city’s deputy mayor, Fernando de Mello Franco, and with Marco Antonio Almeida of Viva o Centro, São Paulo’s downtown management and business association. Subsequent to their trip, they formed teams and presented their own development plans for the site. Each team made a presentation at the end of the semester to a panel consisting of CRE faculty and outside industry real estate leaders.



*Figure 1. Professor Dennis Frenchman and Peter Roth with students from their Real Estate Development Studio in São Paulo, Brazil.*

CRE lecturer John Kennedy initiated a collaborative project with the University of KwaZulu-Natal to empower rural and local economic development initiatives and to give students an opportunity to play a vital role in bringing solutions to the people of South Africa. The mission of the project, called CREATE (Cultural, Research, Entrepreneurship and Technology Exchange), is to foster economic self-sufficiency through entrepreneurship and innovation in local markets. John took seven MIT

students, including three MSRED students, on a two-week trip to Durban in May. They participated in multidisciplinary teams to bring skills training and strategic consulting to local community groups and aspiring new ventures. The first phase of the project identified deep connections between real estate markets/land use and barriers to economic and community development. MSRED graduate student Marcella Barriere '13 based her thesis, "The Economics of Housing Lower Income Populations in South Africa: Challenges and Opportunities in KwaZulu-Natal," on this experience.



*Figure 2. Lecturer John Kennedy and his students in Durban, South Africa. Left to right: Grace Fu, Morgan Pierson, Maggie Tishman, John Kennedy, Karen Lynn Johnson, Campbell Mayer, Catherine De Wolf, Marcella Barriere, and Clara Suh.*

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

There are 924 graduates of the MSRED program. 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 [Alumni Association of the Center for Real Estate \(AACRE\)](#).

### **Annual Case Competition**

For AACRE's annual case competition in April, 32 graduate school teams from around the world analyzed and underwrote the redevelopment of the J. Edgar Hoover Building site on Pennsylvania Avenue in Washington, DC. The field was narrowed to 12 teams in March and to three in April, with teams from MIT, Cornell, and Georgetown emerging as finalists. On April 5 at MIT, the finalists made their presentations to a judges' panel of the country's top real estate executives. Cornell took first place, the MIT team came in second, and Georgetown was third.

According to the *Washington Post*, the MIT team proposed the most balanced mix, with retail space, offices, condos, apartments, micro-units, and museum space. The team's proposal was also deemed perhaps the most accessible, with wide pedestrian entrances to the site on all sides and the greatest number of shopping opportunities, as well as a 30,000-square-foot museum focusing on FBI history. By deploying efficiently designed micro-unit floor plans, the team's proposal would also have provided an array of economical living options not currently available in this prime submarket, making in-town living accessible to a wider socioeconomic demographic while maintaining market-appropriate per-square-foot rents and pricing.

### **Thesis Award**

Each year AACRE selects a current student to receive its 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 reviews and selects the submissions and presents the award during the graduation dinner. In August 2012, En-Wei (Edwin) Liang received the award for his thesis, "Not Just About the Money: Managing Beyond Extrinsic Rewards to Thrive in the Real Estate Industry."

### **Capital Campaign**

In FY2013, 75% of our expected pledges were collected. During fiscal years 2014 and 2015, we expect to bring in the remaining 25%, for a total of \$1,083,330.

**Dennis P. Yeskey**

**Thomas G. Eastman Chair**