

# **BRIDGING THE PRACTICAL/ACADEMIC DIVIDE IN REAL ESTATE**

**ELAINE WORZALA**  
**President, International Real Estate Society (IRES)**  
**Colorado State University**

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## **INTRODUCTION**

I am pleased to share with you some of the things I have learnt over the past 15 years that have helped to make my work more practical and useful to the real estate industry. It might be helpful to give you some information so that you have an idea of my academic background.

I would like to go back to my education at the University of Wisconsin-Madison. James Graaskamp was the Chair of the Department of Urban Land Economics at the University of Wisconsin when I was a graduate student. For those of you who are not familiar with his work and the program at Wisconsin, I would like to provide some background on him and the influence he has had on US real estate education and research from the mid 60's until his death in the late 80's. It is important to point out that he followed both Richard Ely, a prominent urban land economist, and Richard U. Ratcliffe, a well-known and respected expert in the real estate valuation arena.

All three of them were institutional economists and worked hard to try and bridge the gap between academia and real estate practice. Jim, in particular, believed that the best way to do this was to train and get the next generation of real estate professionals indebted to him. Then they would come to the program for help to solve their real estate problems. They would also support and hire the students, keeping the process going. Numerous members of PRRES were also influenced by Jim, including Tom Whipple, Maurice Squirrell, Bob Fraser, Rob Webster and Max Kummerow.

I took the real estate introductory class and realized how eclectic real estate was. I could use my marketing background but I also could use finance, management, accounting, law, planning, and political science. I then stayed on and completed a Masters.

My background is from the institutional economics side of real estate. I do not believe that real estate is simply applied economics or finance. These disciplines certainly play into the field and one needs a firm grasp of them to understand real estate, but it is important to take

the perspective that you can not just assume things away and get meaningful results. Unfortunately, I have a hard time with some of the research in vogue today because it does just that. I also view our role as academics, educators and researchers as one where we need to work hand in hand with the industry. Our role is to give students the tools to be able to enter the industry and be able to help their employers almost immediately and, as researchers, to help the industry solve problems.

Of course, this is difficult as there are conflicts set up within the university environment that go contrary to this view. I believe the conflicts are pretty extreme in the US and are moving in that direction in the UK. I am also fearful that they may be moving that way within the Pacific-Rim. I hope that some of you will take heed of my warnings today and try to avoid the publish or perish trap. Try to keep your institutions from ending up with the system we have in the US where publishing is the ultimate agenda.

## **BRIDGING THE PRACTICAL/ACADEMIC DIVIDE**

I think it can be done in two ways. First, we need to change our priorities at the institutional level. Encourage ties with the industry and encourage work that may not make those “top” journals. Second, we need to encourage collaboration both cross border and/or with industry. In many cases, you can gain access to data that would otherwise be impossible to get. With tight academic budgets, alliances with industry to get funding will increase in importance. This may actually be the catalyst needed to provide for a significant shift in the thinking of our institutions.

There are many individuals out in the industry who are also trying to bridge the gap. Unfortunately, there are others that are trying to make the gap wider. It is my hope that in the next few decades we can try to heed some of the advice of Jim Graaskamp. He died relatively young in his career, so he was unable to carry out his mission; a strong institutional economics framework focused on research that tried to bridge the gap rather than make it wider.

At most institutions of higher learning, academics are expected to do three things: teach, research and service. Depending on the individual, the allocation between the three areas varies and depending on the institution, the emphasis also varies. Teaching is often between 40-70% of load, research ranges from 20-60% and service, unfortunately, is often the residual, with little attention paid to this part of our job. However, I would argue that it is one of the most important parts of your job if the service involves working with the real estate industry. It can be a excellent source of information, data and potential funding.

Service can be of several kinds. Some is very useful and can work to benefit both the teaching and research aspects of your job. For example, get involved with the Pacific Rim Real Estate Society, be a willing reviewer for the journals and be willing to work with the real estate professional associations. All of these things will help you with your teaching and research goals.

## **TEACHING**

In the US, academics are trying hard to reduce their teaching loads, even though teaching is the primary role of the institution. Given you should and must teach, how can you link your teaching into your research?

At many universities, project-based courses are the norm and so are guest speakers. This allows the academic to network with local, regional, national or international industry participants on a direct basis to find out about the problems they are facing and offer solutions. It allows the real estate professionals to experience first-hand the skill level of your graduates. In some projects, the work the students do helps the client update information, learn about a market, or complete an analysis. Project-based courses can be a win-win scenario. With time, these relationships generate student prizes, scholarships or

grants to help with the third part of your job, research.

In my advanced appraisal class, the students go out and work for a “client”. This client helps the students with the assignment and in return, data is gathered and a property is analyzed. It really is win-win. This year I have been working with a local developer, who provided \$12,000 as funding for a PhD candidate to examine the economic base in our community.

What is my advice on the teaching side? Take your role as a teacher and scholar seriously. However, realize that you are not going to teach the students how to solve every problem. What you want to do is expose them to all sorts of problems, situations, scenarios and provide them with the tools to ask the right questions. We need to equip the students to be able to adjust their thought processes and solve new problems. Graaskamp made an interesting quote while giving a speech at the University of Connecticut in 1984 where he was encouraging real estate programs to be more eclectic. “The insular character of the school of business, I think, tends to produce mechanics rather than true managers” (Graaskamp, 1991). Later on, he questioned the elitist attitude found at many business schools that allow only academics with PhDs in real estate, finance or other business fields to teach their courses.

We really need to refrain from creating mechanics. Our industry truly needs good managers as the decisions they make will influence not only the business that they work for, but entire communities and global markets.

## **RESEARCH**

While my original focus was teaching, over the years, I have really grown to love the research side and I think it is because I have chosen to focus my energy on research problems that are industry-driven. What I plan to share with you today are some strategies I have found useful to move the industry forward.

I first worked as a commercial appraiser (valuer) in San Francisco. As part of my PhD program, I worked in London for Prudential on their research team. From both jobs, I gained an insight that many academics do not have.

From the industry side, there are priorities but also problems. First, and foremost, the industry players have to make a profit. They have to view our students as valuable to their bottom line and they have to view the research as important and valuable to their bottom line. Not all questions that academics look at are problems the industry is interested in or willing to fund. One of the problems in the last few decades is that a lot of research has focused on certain aspects of real estate, like housing economics, but there is a disconnect because many industry players are not interested in housing issues. One of the reasons the American Real Estate Society was established was because many academics at that time, Graaskamp included, were more interested in researching broader and more applied aspects of real estate.

## **AN AUSTRALIAN PERSPECTIVE**

From a study completed by David Parker for the 2000 PRRES conference in Sydney (Parker, 2001), he found that only one senior executive in property at the ten largest Australian institutions viewed the principal role of universities to be research. The other nine indicated teaching was the primary role of the university. I do not disagree with the 90% that teaching is important, but it is interesting that so many individuals did not see the role of the university as helping the industry to solve problems. When asked about their perception toward university research, the executives ranked awareness, accessibility, relevance and confidence in property research low, with not one category ranking even a 5 on a scale of 1 to 10.

Parker (2001) argues for researchers to target the distribution of their research differently and I have to agree. If we want to make a difference and have an impact on the industry, we need to make sure the industry is aware of our research. Creating links, similar to the link between PRRES and Property Council of Australia, via the Property Research Council of Australia, is an essential element to try and get our research out to the industry.

It is also important what sort of topics you embark on for your research efforts if you want someone to find them interesting and to potentially apply your work. Parker listed the following topics as ones the industry should focus on: risk, diversification, constraints of real estate and forecasting issues. Today, those same topics are high on the list of the institutional investors.

In Newell, Acheampong and Worzala (2002), similar questions were asked. This study asked respondents to consider 12 general property research topics and 28 specific property research topics. They were asked to assess how important each property research topic was to institutional investors in Australia. All questions were scored on a 5-point rating scale, ranging from 1 = not important to 5 = vitally important. Distributed in October 2001, 96 completed surveys were returned, which resulted in a survey response rate of 64.9%.

As illustrated in Table 1, the broad research topics were relatively consistent between the three groups, although the academics ranked performance measurement higher than the industry participants. This was an interesting result given an earlier study of US pension fund executives found performance measurement to be at the top of their list. In this case,

the Australian academics may be leading the Australian property market participants in terms of issues that need to be worked on next to gain a true appreciation of real estate investments. However, this result could also be a warning and provide some evidence that maybe the existing property research is not getting to the industry.

**Table 1: Ranking of General Research Priorities**

	Total	Institutions	Australia Consultants/ Analysts	Academics	US 2001	US 1992
The role of property in a mixed asset portfolio	1	1	1	2	3	1
Property and portfolio risk management	2	2	2	4	7	7
Performance measures in property	3	3	4	1	1	2
Diversification within property portfolios	4	4	3	3	5	3
Macroeconomic factors affecting property	5	6	5	4	9	5

Source: Newell, Acheampong and Worzala (2002)

For the property research subtopics, there was a bit more disparity, as seen in Table 2. When you look at the ranking of the top research interests, both industry groups found the number one research topic to be the impact of capital flows in and out of capital markets. Academics, however, ranked this topic 11<sup>th</sup> in importance. Additionally, diversification issues were high on the list of broad topics for the Australian participants, but they were not ranked as highly at the subtopic level.

**Table 2: Analysis of Specific Property Research Priorities**

	Total	Institutions	Australia		US
			Consultants/ Analysts	Academics	2001
Impact of capital flows in and out of property markets	1	1	1	11	1
Role of indirect property in a mixed-asset portfolio	2	2	11	1	22
LPTs as a proxy for direct Property investment	3	4	5	3	21
Diversification within a Mixed-asset portfolio	4	3	7	5	9
Forecasting methodologies For markets, rents	5	6	2	6	10

Source: Newell, Acheampong and Worzala (2002)

Parker (2001) also asked the academic community for cross-disciplinary and collaborative research. Most of my research is both cross-disciplinary and collaborative. It is with other disciplines, but more importantly, with industry players. I like to engage the business community and donors in my research projects. Their insight is invaluable and my results mean a lot more if they make sense to the market. Working with industry, however, is not without its difficulties. You have to be extremely patient and persevere. For the Worzala (2002) study, it took 6 months to get two signatures. However, the signatures were important as they were from the CEOs of two of the largest pension funds in the country. PREA had sponsored the study and typical for many trade associations, they were relying on volunteer labor from members of the organization. These members are high level executives, so the project was not a high priority for the committee that commissioned the work. In the end, we believe the wait was worth it, as we had close to a 30% response rate from the CIO/CFOs of the largest pension funds in the country on a mailed survey. This is a substantial response rate given the calibre of the respondents.

Another comment made in Parker (2001) was “Practice before you Preach”. In the US, we are constantly trying to shake off the image that we are a “training school”. But at the same time, we are in the business of trying to find our students gainful employment; therefore teaching them the tools of the trade should be important. Business schools across the US at some point decided they could not be like law schools or medical schools and needed to be educational not vocational. However, our constant attempt to hide what we do sends mixed messages to our business constituents. Outside the US, the RICS appears to have legitimized the “training aspect” of the profession. I hope we can learn from the RICS and build a common body of knowledge taught throughout the real estate programs. Right now,

the US property industry is extremely fragmented with many industry organizations creating their own training programs and not necessarily taking in the students with real estate degrees. The problem with this strategy is it limits the real estate exposure of the real estate professional who now may not have the broad and concentrated exposure to real estate and its multiple facets.

One final comment in Parker's address struck a chord with me. Several of his respondents indicated that product delivery or better packaging was needed. One of the nice things about some of the trade associations these days, as well as the publishing houses, is that many are starting to provide executive summaries and/or reviews of academic research to make it more useful for industry participants. For example, Emerald Press does an excellent job of rating articles in their journals, as well as providing a short review. As PRRES members, you all presently have access to the database courtesy of Freddie Mac and RICS for the next two years. Be sure to take advantage of this service.

Several other needs of the industry which are hard to meet by the academic community are timeliness and the proprietary nature of commissioned research. The industry needs the answers today, not six months from now. In some cases, it can take years to get something in print. Additionally, given the limited support staff at most academic institutions, most academics have to rely on student help, which can be relatively inconsistent. Teaching commitments also makes finding blocks of time to do research difficult.

What we need to do, which is a common theme in this presentation, is to try and change the incentive structure in our universities. In this case, it is important to provide more support staff for faculty. The advent of computers has been great and researchers can create a manuscript independently. However, it is more efficient to have someone to help with this kind of work. Before personal computers, universities had word-processing teams to work on manuscripts. A lot of my grant funds go to support this sort of assistance, since it is not well supported by the university.

Another problem is that there is not adequate time set aside for research, so when grants are taken on, we are stretched too thin. Sabbaticals are a great resource, and need to be used to build up a research portfolio of projects that can be under review and worked on when you return to the classroom. Also, some schools are moving toward letting faculty load up teaching in one term, giving them the second term to concentrate on research. This can be another very beneficial scenario for getting work in the publication pipeline. Finally, finding sources of funding so that academics do not have to teach in the summer, but can get paid to research, would help alleviate the problem of completing timely research.

## **SOLUTIONS TO BRIDGING THE GAP**

I have spent quite a bit of time talking about the problems, but now I would like to offer some solutions.

One of the major problems around the world is the lack of funding available for social science research and, in particular, property research. Over the last few years, some groups have been established to try and help provide funding for particular areas of research. As

illustrated in Table 3 and discussed below, these organizations are typically tied to an industry organization.

**Table 3: Types of Funding for Real Estate**

Funding Institution	Type	Amount	Application Deadline	E-mail
RICS	Research	£5,000–10,000	requested basis	<a href="http://www.rics.org.uk/">http://www.rics.org.uk/</a>
RICS	Travel	variable based on need	requested basis	<a href="http://www.rics.org.uk/">http://www.rics.org.uk/</a>
RICS	Sponsorship	variable based on need	requested basis	<a href="http://www.rics.org.uk/">http://www.rics.org.uk/</a>
RERI	Research	\$5,000–10,000	February 15, 2002	<a href="http://www.reri.org/">http://www.reri.org/</a>
NCREIF	Research	Project Specific	Occasional RFPs	<a href="http://www.ncreif.com">http://www.ncreif.com</a>
PREA	Research	Project Specific	Occasional RFPs	<a href="http://www.prea.org/">http://www.prea.org/</a>
ICSC	Research	\$8,000–10,000	March 11, 2002	<a href="http://www.icsc.org/">http://www.icsc.org/</a>
CAPE	Research	\$5,000–10,000	February 1, 2002	<a href="http://www.appraisalinstitute.org/">http://www.appraisalinstitute.org/</a>

**The Royal Institution of Chartered Surveyors (RICS):** The RICS has been working hard to try and bridge the gap and encourage useful and practical research. As detailed in Table 3, they have three sources of funds or grant money available to the academic community. The first one is research grants. Over the last 6-7 years, they have awarded close to £500,000 or between £60-70,000 per year. They have a twice-a-year funding cycle and have funded some significant work.

They also fund travel grants. It is not a major source of funds and the grants will not be enough for an entire trip, but they can be used to supplement travel. The application process is simple. They require a written request providing details on the trip, and the monetary assistance needed. In exchange for the grant, they are likely to require an article. This is a great way to get out in the industry, meet people and also gain a publication. However, your institution may not count the work as a true publication if the RICS does not put the article through a “refereed” process. This is another area where we need to work with our institutions and convince them that these sorts of publications are worthwhile and equally as good as a journal with a double-blind review process, but very limited readership.

Finally, the RICS is extremely supportive of the real estate societies and their research meetings. They were a major source of funds for the First World Congress of the International Real Estate Society in July 2001 and they have played an active role in helping the individual sister society meetings as well. They are planning to continue this support and, in fact, expand it. They are particularly interested in helping the emerging sister societies of AfRES and LARES.

**The Real Estate Research Institute (RERI):** This is an interesting affiliation of property investors and management companies in the US that have pooled together resources to fund real estate related research on an annual basis. Two of the major organizations sponsoring this group are the National Council of Real Estate Investment Fiduciaries (NCREIF) and the Pension Real Estate Association (PREA), which is a group of pension fund managers that are in charge of the real estate holdings. Periodically, these two groups put out calls for



research proposals. In fact, PREA has just completed a Capital Campaign and raised \$600,000 earmarked for real estate related research.

**International Council of Shopping Centers (ICSC):** This is made up of major mall developers as well as major mall tenants. This is an interesting group that publishes *The Journal of Shopping Center Research*. They make grants up to US\$15,000 but are typically in the range of US\$8,000-10,000. The type of studies they are presently interested in funding include tourism, growth management and the evolution of retail.

**Centre for Advanced Property Economics (CAPE):** This is a new organization that has been organized by the Appraisal Institute. This organization was incorporated in August 2001 and hopes to focus on exploring the influences of economic theory, accounting practice and capital markets on real estate markets. Part of the Centre's mission focuses on facilitating applied research in valuation and related disciplines. On their website, they indicate that research should be topical to practitioners and users of valuation services. They also have plans to offer funding in the US\$5,000-10,000 range, with the major criteria for awards based on the broad appeal of the research topic, the complexity of the project, as well as the final costs. This group strongly encourages academics and practitioners to submit proposals together; an important criteria for most of the funding opportunities from industry sponsored groups.

The Appraisal Institute used to also fund real estate related research. They gave preference to research teams that included both academics and practicing professionals. In the early 90's, I was funded to do some work on client pressure. My success in getting this grant was certainly related to one of my research partners, Bill Kinnard, a well-known and respected practitioner in the appraisal industry in the US.

A potential problem with The Appraisal Institute is similar to what was already discussed for the RICS. The funding group, in this case the Centre, reserves the right to the exclusive publication of the work. Typically the articles will go in the *Appraisal Journal* which may or may not be a "good" journal publication for promotion review at your institution. In the Pacific Rim, the universities would count that publication. Unfortunately, in some schools in the US, this publication would have no value toward promotion or tenure. Again, this is where we need to change the institutions and their view of what types of research are important.

Our institutions need to be changed so that we can bridge this gap. First, we need to be accepting of alternative research methodologies. I do a lot of survey research. In my mind, behavioral research has value and is very important to the discipline. Particularly, for trying to figure out what industry problems need to be worked on. Unfortunately, it can be very time consuming and messy. Survey research at most universities is required to go through a human subjects review committee. We need to work with our administrators to let them know that the work we are doing is not going to impact the participants in the same way medical research might impact the clinical trials for new drugs.

Fortunately, this is not just a problem faced by property researchers. As behavioral economics and finance grow as disciplines, there will be more academic voices and we may

be more successful at convincing the administrators that these extra hurdles are a true disincentive to doing the important behavioral work.

Another group that needs to be worked on is sponsored program administration. It is important to go outside and get grants, but it is a time-consuming process. We need to work with our institutions to simplify grant administration. Again, it appears as though things are the same here as they are in the US, with every person I asked indicating that the sponsored programs group at their university was another disincentive and something should be done to streamline this process. Given the size of the typical property research grant, overhead charges are too large, particularly since the sources of funds are typically from a nonprofit organization.

Another thing to focus on is try not to become a journal snob. Keep an open mind about different journals, as they all have different roles. Requiring publication in specific journals, a practice that is frequently found at top US institutions, is inappropriate. This policy dictates the kind of research a faculty member does, which in some cases is not very useful research. It really bothers me when universities say they want to see a real estate academic have work published in a journal like the *Journal of Finance*. Why? Because, many believe the editors and reviewers of these journal are predisposed against real estate research issues. The chances of getting in to this journal are slim, because they tend to publish theoretical not empirical work. Additionally, it could take three years of work and then revisions for a manuscript to even have a chance for publication. Most researchers do not want to wait that long to get their results out.

Finally, as academics, you need to try hard to avoid the consulting trap. It can be very lucrative, but it gives our profession a bad name; particularly if it interferes with the teaching and service aspects of your job. In many cases, academics don't turn their consulting projects into publications, so they stop doing the research part of their job. This is a difficult balance. You should be involved with industry and working to solve their problems, but too much private consulting adds to the bad perception of the university academic's life. I would rather see you do academic research with a grant that either pays you supplemental funds in the summer or goes into a pool of funds that can be drawn upon for travel, data and other research needs.

## **OTHER SOLUTIONS**

What else can academics do to bridge the gap? Talk to the industry. One of the hardest things about doing useful research is getting at the question. How do you get to the industry to be able to communicate with them in order to find the problems? All researchers need to make an effort to get involved and network. Many industry trade associations have reduced rate academic programs. Attend industry meetings to be able to network and meet the movers and shakers. Try to work with them directly on the issues they are concerned about. Additionally, finding out the questions will probably involve some survey research. You need to ask practitioners what they think? What areas are important to them? This is supposed to be done in the literature review phase, but with the industry having their own research teams, it is even more important to communicate with them and track their work.

Access to overseas journals can be very difficult, but access to research reports from private research teams is even more difficult.

That is one of the reasons the effort as part of the International Real Estate Society and Emerald/MCB is so attractive. The alliance is designed to get better access for all academics and practitioners to the publication outlets. A common criticism from academic researchers outside the US is that the Americans do not cite their work and a criticism I hear from American academics is that non-US journal submissions do not have thorough literature reviews. Well, it is pretty difficult to review literature if you do not have access to the studies. And access to journals can be very expensive. Therefore, this partnership with Emerald should improve research on a global basis.

Since I am advocating a partnership, what should the industry do? To start, let's try freeing the data!! I have been working in international real estate for 15 years. The data has always been poor, but there are now some partnerships/alliances that actually have reasonably good data. As an academic, it is almost impossible to get and if you are one of the very fortunate few who have been given access, you must sign confidentiality agreements that you will not release it to anyone. Until the industry realizes that market transparency is good for the industry as it can help legitimize the asset class, I believe property will continue to be seen as a lesser asset class.

Additionally, industry participants need to keep their funding support alive. The type of support that API, NZPI and RICS have given PRRES and its members is excellent. It needs to be maintained and hopefully increased. Practitioners need to be available to academic researchers. They should be encouraged to attend meetings and get involved with the organizations. Also, if possible, they should encourage academics to attend their industry meetings. Researchers are willing and able to serve, but they need financial support to focus their energies on a given research topic. Also in providing financial support, try not to be biased and expect the academics to only report if results are favorable. You need to promise to use the information, even if the results are not what you wanted. Many of us have gone in to real estate academia because we did not want to be told what to do nor told what the answers should be. So, if the results come out and are not what was expected, the researcher still needs to be able to publicize the results.

Another thing industry participants can do is to volunteer in the classroom and sponsor student projects. Faculty will have a hard time offering projects if industry members do not agree to help. It seems like professionals, particularly if they had a good experience in their property courses and enjoyed their experiences at the university, are more than willing to give back. They want to come into the classroom and work with the students. If you are in the industry, and have not been asked to guest lecture, consider contacting your local university with property courses and volunteering.

Finally, once a research or student project is set up, and hopefully funded, don't put the project at the bottom of your pile. When we sign on to do a project and deliver the results, we want your feedback and also to have you use the information.

## CONCLUSION

More work needs to be done to further develop the relationship between academics and practitioners in real estate. The ongoing benefits to academics and practitioners are significant. I hope that this paper has identified some areas that will assist you in developing this relationship between these two key groups in real estate education and research.

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