



LIBRARIES

UNIVERSITY OF WISCONSIN-MADISON

Articles in periodicals and newspapers. 1980-1988

[s.l.]: [s.n.], 1980-1988

<https://digital.library.wisc.edu/1711.dl/FNNS5U2DNUQFK8B>

<http://rightsstatements.org/vocab/InC/1.0/>

The libraries provide public access to a wide range of material, including online exhibits, digitized collections, archival finding aids, our catalog, online articles, and a growing range of materials in many media.

When possible, we provide rights information in catalog records, finding aids, and other metadata that accompanies collections or items. However, it is always the user's obligation to evaluate copyright and rights issues in light of their own use.



October 1980

Insurance firms' role as lender will diminish, says money expert; pension funds will fill void

By **STEPHEN E. LEWIS**
NREI Editor

Insurance companies, which have been the mainstay of the long-term lending market in commercial real estate for nearly 30 years, will be relinquishing that role in the years ahead. The void they leave will be filled by domestic pension funds, whose assets they will manage.

That's the opinion of Norman Perlmutter, chairman and chief executive officer of Heitman Financial Services, Ltd., Chicago. Perlmutter sees a move away from the purchase of life insurance policies on the part of the general public, who will instead be accruing "forced savings" via pension plans sponsored by their firm or their union.

He sees an increasing willingness on the part of such funds to fill that void, claiming that real estate is beginning to be perceived as a "conservative" investment.

In addition, Perlmutter predicts the demise of the long-term, fixed-rate mortgage. Most real estate in the future, he says, will be funded on an intermediate-term basis, in the form of three- to five-year bank financing, at which point the property will be purchased, in part or in whole, by an institution.

NREI: *Although there has been an admitted slowdown in the amount of loans being committed for commercial real estate, there are those who maintain this is not necessarily a function of a lack of money. Is there money out there, and, if there is, who has it?*

PERLMUTTER: There's an enormous amount of money out there for commercial real estate. The thing that's different is what kind of money it is, and how it gets into real estate.

We are in the midst of a major change, both as to the direction that money is invested into commercial real estate and the sources from which the money is coming.

NREI: *Could you elaborate on that?*

PERLMUTTER: It's not unusual in our industry. In fact, we've seen this happen in regular cycles since I've been in the mortgage banking business. For example, in terms of the scheme of time, it's only been recent years — when you start thinking in terms of real periods of time — that institutions

such as life insurance companies even became involved in investing in non-single-family real estate. It really only got going in the 1950s.

Until the 1950s, the life companies — which in recent years have been the principal source of long-term money in commercial real estate — were in the single-family residential lending business.

NREI: *And who was funding commercial projects?*

PERLMUTTER: There was very little, because you had relatively little new commercial development. A great deal of it was funded by bank financing.

Then in the '50s the life companies started making the move from granting home loans to making non-single-family loans in a big way. And they really learned the business — they developed commercial loan departments, they developed commercial loan correspondents — and they financed and provided almost all of the capital that led to the great real estate development boom of the '50s and the '60s. And it was a very good way for life companies to put money to work.

What's happened now is that we're going through another major change.

The change that we're going through is a combination of the diminishing role of life insurance companies as a source for long-term real estate capital, because of changes that are going on within the basic scheme of the economy itself, vis a vis the kind of life insurance that's being sold, and the buildup of monies in pension funds.

In other words, people are looking in other directions for their long-term security, and that is part of it. They are going away from life insurance entirely, because their security is being provided in pension plans, whether through corporate pension plans or union pension plans. And it's forced savings, which takes that same spendable dollar that perhaps would have gone into life insurance on a selective basis if they did not have the pension plan.

With inflation, and the squeeze on spendable dollars, you don't duplicate. So ordinary life insurance as a forced savings is becoming less of a source of funds, while the growth of pension funds is absolutely enormous.

The second thing, of course, is the recognition of the problems of inflation. For the first time in this country we are recognizing, as they have in western Europe for years and years and years, that inflation is not a near-term problem that's going to go

continued on next page

"What we're seeing is the diminishing role of life insurance companies as a source of long-term real estate capital, combined with the buildup of monies in pension funds. Not because of a lack of desire or expertise on the part of the insurance companies, but simply because they will not have the growth of assets needed to participate in real estate."



Perlmutter

continued from previous page

away next year. It is, in fact, a basic part of a continuing economic scheme that will go on forever. While the rates may moderate, it is not a 'today' problem — it's a 'forever' problem.

So the idea of how money should be invested and what real return is — vis a vis inflationary dollars — has changed considerably. The idea of just straight lending in real estate has become less attractive, and the idea of owning real estate for growth and inflation protection has become a lot more important.

NREI: *What you're saying, then, is that no matter who gets elected this November, and no matter what economic plans are put forward, they will not eliminate inflation?*

PERLMUTTER: You tell me one major country in western Europe that has. You can change governments and policies and plans and everything else, but there aren't going to be any miracles. You're going to have to plan in terms of investing with protection against inflation.

The other thing that's happened is the major switch in rates of return that are available as a lender, compared to the growing costs of things — the di-

minishing value of the dollar.

What I mean is this. In 1960, when interest rates on good commercial projects were in the 5% range — when we made a speculative loan we might get 6½% — there was plenty of room for rates to grow an absolute amount as inflation continued.

In other words, today prime interest rates on first-class projects are 11½% or 12%. So while you had the inflation going from 1960 to 1980 you were able to have interest rates as a basic charge move upwards as well to keep in balance the income side of the equation. So rates went from 5% to 12%, they more than doubled, and to some extent they kept up with comparable inflationary rates in the economy.

And real estate could support that, because real estate was throwing off 10% to 12% or better on a free-and-clear basis. So it could support that kind of debt, and the fact that it didn't have to pay that much for debt just gave that much greater yields to equities because of the positive leverage.

In the 1970s, positive leverage disappeared, but that wasn't so bad, because equity still was getting a fair return — so it worked. Now the problem is, where does it go from here? Where is the growth?

In other words, if inflation continues to run in the next 20 years as it has in the last 20 — which, I believe, it absolutely will — our basic rate is going to be 25% on a mortgage. Now the problem with that is that on Day One real estate can't support that kind of rate, because it hasn't got enough rental income.

On the other hand, on the overall, real estate can support that kind of rate, and if you take a look at a program for 20 years on an internal rate of return discounting program, real estate can support 17%, 18%, or 20% over the 20-year period. The reason, of course, is that over the 20-year period the income side of real estate will grow in keeping with inflation. If rents today are \$15, maybe they'll be \$30, and at that time, you can pay more than 20% or 25%, based on the dollars you put in today.

So the answer is that you can't depend any longer on just a plain old fixed rate. They provide no room for growth to offset the inflation that we're going to see over the next 20 years. Whereas, on the revenue side, as time goes by real estate can support greater rates.

What all that comes down to is that one way or another, money that's invested in real estate is going to have to participate in the income growth. Whether that's because it's a mortgage with a participating interest rate that escalates, or it's an equity interest that

continued on page 88

Perlmutter

continued from page 86

escalates, that's besides the point — that's a matter of finishing and polishing.

So, the major switch from home lending to commercial lending that we saw in the '50s is now another switch from straight lending to participating investing.

Now, we tried to do this in the mid-'70s when money got very tight. But when money became more available, everybody backed down. It's not unusual; many things in life have to be tried more than once before they really take hold. REITs started in the '60s and got nowhere, then in the '70s they started and they got too far.

What we see now is this recognition taking hold. Now you take that, and you couple it with the change of who is becoming the more dominant factor in funds invested in real estate, and it all starts to fit together again.

Pension funds in this country are becoming the most important factor in investment in real estate — and they should. Not only do they have the assets, but they have the growth of their assets. And the nature of the use of their money dictates that real estate is the kind of growth investment for the future that's appropriate.

If you take a look at western Europe you'll find that, recognizing the continuing nature of inflation, western European pension funds have invested anywhere from 35% to 65% of their assets in property. This is done at very low yields going in, because what they're interested in primarily is good property with long-term overall yields that will be commensurate with their needs.

NREI: *But our pension funds are committing a far smaller percentage of their portfolios in real estate. Are you saying this will change considerably?*

PERLMUTTER: Right now I would say that no more than 2½% of the total assets of our pension funds are in real estate. But that's changing, and it's changing rapidly.

NREI: *Would you say they have the potential to invest as much of their assets in real estate as their counterparts in western Europe?*

PERLMUTTER: Potential? Absolutely. Will it happen immediately? No. The realization is now on the table that not investing in real estate is not conservative — that the conservative thing to do is to invest in real estate. The perception of real estate as risky was an illusion created, in my opinion, by the securities industry and by Wall Street, which has been anti-real estate primarily because they didn't understand it.

continued on page 90

Perlmutter

continued from page 88

But if you take a look around and see some of the great entrepreneurial fortunes that were made in this country, they weren't made by buying bonds — they were made by buying real estate. Half of the wealth of this country is in real estate.

One of the things that's helping all of this is the recognition by some of our major universities that real estate is a worthwhile profession. I remember not too many years ago when I looked through the catalog of one of our major universities, and there were pages and pages of accounting courses — but no real estate courses. So I went to them and asked if they would institute a real estate course, and they said that they had a very large accounting department. My reply was that accountants keep score, but real estate people make it happen.

Now, that's changed. At the University of Wisconsin you have one of the best graduate schools of real estate anywhere in the country — maybe in the world. We have hired a number of terrifically talented young men from that program. SMU is developing a terrific real estate program. The University of Michigan has an excellent undergrad program. The University of Colorado at Boulder has an excellent undergrad real estate program.

The universities are recognizing the need to educate young people in the sophisticated aspects of real estate investment, and these young people are starting to permeate the investment community to the point where there's a whole new outlook as to what's a respectable investment.

NREI: Speaking of a new outlook, it's our perception that there's some experimentation being carried out by long-term lenders. They're trying several different ways of structuring deals to make them work — and to gain protection against inflation. First of all, do you share this perception? And, if you do, where do you see this search ending? How will the mortgage deals of the future be structured?

PERLMUTTER: I absolutely agree with that perception. I wouldn't dare forecast ten years ahead, but I'll take a shot at five. I think that the days of the fixed-rate, long-term loan are over. The trend will be that properties will be financed on an intermediate-term basis — that is, three- to five-year bank financing, if you will — and then they'll be sold in part or in whole to an institution. You are going to end up with most property owned in joint ventures between entrepreneurs and institutions, who will pay off the bank loan.

continued on page 258

Perlmutter

continued from page 90

You will have combinations, as well, of longer-term loans and equity investment, on the part of insurance companies in particular, but the primary emphasis in investment of real estate by institutions will be in ownership.

NREI: *And the role of the insurance company will diminish as the role of the pension fund grows?*

PERLMUTTER: I think the role of the insurance company, with the exception of those like Teachers Insurance Annuity Association — to me, they're really a pension fund — is diminishing, simply because they will not have the growth of assets needed to participate in real estate. Not because of a lack of desire or a lack of expertise. I see them reaching out for other product lines, to create other profit centers for themselves, which are nothing more than the management of other people's assets — such as PRISA, or what Equitable or Aetna are doing. They'll be fund managers, if you will. □

Thinking Big

T

RAMMELL CROW CO. hit town six years ago barely making a ripple.

That was before the Brown Deer Business Park and several major developments that followed.

Today, of course, Trammell Crow is making waves.

The firm is engaged in building projects totaling hundreds of millions of dollars in metropolitan Milwaukee, starting or having completed more than 640,000 square feet of commercial real estate space in the last year alone.

Leading the effort is Jon Hammes, managing partner, a 36-year-old Racine native who is sold on the Trammell Crow philosophy that it should be first and foremost a marketing organization.

Second in charge of the 16-member Milwaukee office is Fran Brzezinski, leasing agent and a partner in the firm's mammoth 140-acre Park Place development.

Trammell Crow doesn't just build buildings. It creates environments.

Park Place, a 20- to 24-building development at Highway 45 and Good Hope Road, employs a pastoral setting with three lakes. The project initially was projected to cost \$150 million, take approximately 15 years to complete, and create 1,199 jobs.

Although Hammes does not have an updated cost figure, he did say the firm has moved up its timetable because of the warm reception the development has met from tenants. The types of buildings also have been upgraded to eliminate light industrial buildings from the project in favor of strictly office, research, and retail buildings, and a hotel and restaurants.

On Blue Mound Road in Brookfield, the firm is developing an even larger site — 153 acres — into a low-rise office and research center called Brookfield Lakes Corporate Center. Again, the site will contain man-made lakes, plus approximately 40 acres reserved as a conservancy area.

Just down the road in Brookfield, Trammell Crow has completed two of three first-class office buildings in Bishop's Woods, collectively known as Chancellory Park.

In Milwaukee, the firm has been designated as the developer for the proposed downtown Theater District, a project estimated to cost \$85 million.

The firm's other projects are the Lincoln Center in West Allis, the Brown Deer Business Park in Brown Deer, and Northwest Business Park in Menomonee Falls.

The big Dallas-based developer apparently saw op-

portunities here that other local developers did not. And it moved in decisively.

Hammes believes Milwaukee is a progressive area with a bright future. Trammell Crow has a lot of money riding on the bet that Hammes is right.

Recently, that has meant redirecting that capital for use on the firm's newer area projects.

The company traditionally has taken a long-term approach to building, owning and managing its projects. But Trammell Crow recently sold all but 10 undeveloped acres of the 55-acre Brown Deer Business Park for \$34.5 million to Prudential Insurance Co. in one of the largest transactions in Milwaukee real estate history. The sale included 10 buildings.

Earlier this year, the firm sold its Lincoln Center II office building in West Allis for \$4,060,000.

Has the company changed its tune?

"It's the express goal of Trammell Crow Co. to hold these developments as long-term investments for the partners," Hammes said. "That goal has not changed."

There was no one reason for the sale of the Brown Deer park, he said.

"We were offered an attractive price. I think it would be short-sighted to be inflexible. If the opportunity is there, we will capitalize on it."

Given the size of the firm's other projects, Hammes said, there is nothing wrong with having cash on hand.

One Park Place, a 12-story, \$17 million office building, is set to open in August, forming the first finished link in the Park Place chain. A.O. Smith Corp. has agreed to become the anchor tenant, leasing 35,000 square feet for its corporate headquarters.

The 200,000-square-foot structure is "a little over 50 percent leased," Brzezinski said. Other tenants will include Heritage Bank, MAI-Basic Four Information Systems, Nider Travelway, Larry's Market, Teletech Resources Corp., Wilson-Jenkins & Associates, Dean Witter Reynolds Inc., International Technologies, HN TV, and Trammell Crow itself, which presently operates from an office in Brown Deer Business Park.

Hammes said he expects One Park Place to be 65 percent leased by the time it opens next month.

In addition, Trammell Crow will build a 57,000-square-foot research center for A.O. Smith at the north end of the development. In addition, the firm has started construction on a 37,000-square-foot, single-story garden office, whose anchor tenant will be Effective Management Systems Inc., a fast-growing, author-

By Kent Krauss

Trammell Crow plans to start working this fall on a second, twin office building to One Park Place, Hammes indicated.

Park Place "will have a tremendous impact on the metropolitan area," Hammes asserted. "And that impact will occur sooner than we had originally thought. The best expression of that is the strength of the leasing activity we've experienced to date."

Brookfield Lakes, located west of Calhoun Road along Blue Mound Road, "is a very exciting development and will be one of our strongest investments over the next 10 years," he maintained. "There has been a tremendous amount of activity to date on that development."

Moore Business Systems has been lined up as the major tenant in the development's first building, a 32,000-square-foot, garden-style office building. And work has begun on a 35,000-square-foot building that "Hewlett Packard is committed to," Hammes said.

Trammell Crow is lining up a number of other prospective tenants for the development, he continued. The firm expects to begin building a three-story, 68,000-square-foot office building within a month and a one-story, 33,000-square-foot building within three months.

Brookfield Lakes one day may hold up to 24 buildings, Hammes said. "We see that project as being the next major consolidation of office space on the West Side."

Down the road at Chancellory Park, Chancellory I is 98 percent leased. Chancellory II, an identical 83,200-square-foot office building completed in April, is 75 percent leased. Rexnord Inc. recently moved its corporate headquarters to Chancellory II.

Trammell Crow has a third building site available in Chancellory Park, as it does at Lincoln Center in West Allis. The market will dictate when those sites are developed, Hammes said.

The downtown Theater District, encompassing an area surrounding the Pabst Theater, is still on the drawing boards. Trammell Crow has hired Houston-based Skidmore, Owings & Merrill as its lead designers for the project.

"It's a very exciting project, and I'm just pleased to have the opportunity to be involved," Hammes said.

Tentatively, the project will include a theater for the Milwaukee Repertory Theater, a 20-story office building, and a glass-enclosed Galleria tying the different elements of the project together and offering amenities such as restaurants and retail shops. A movie theater also is a possibility.

"We visualize that project as being an urban magnet to draw people to the downtown after business hours," Hammes said. "It will have tremendous implications for the pride of Milwaukee and the resurgence of the downtown area."

The developer said he does not believe improving the appeal of the downtown area will detract from his appealing projects away from the core city.

"Anything we can do to improve the image of the downtown is not only good for the city of Milwaukee but for the metropolitan area," he explained. "We should not view the downtown in competition or conflict with the suburbs."

"Although the downtown is the heart, there are other vital organs that can't be ignored."

While the designated Theater District developer, Trammell Crow hasn't yet signed a contract for the project.

"It's not uncommon for us to make a commitment and spend a lot of money without contracts being signed," Hammes said. "The spirit of the deal is our contract."

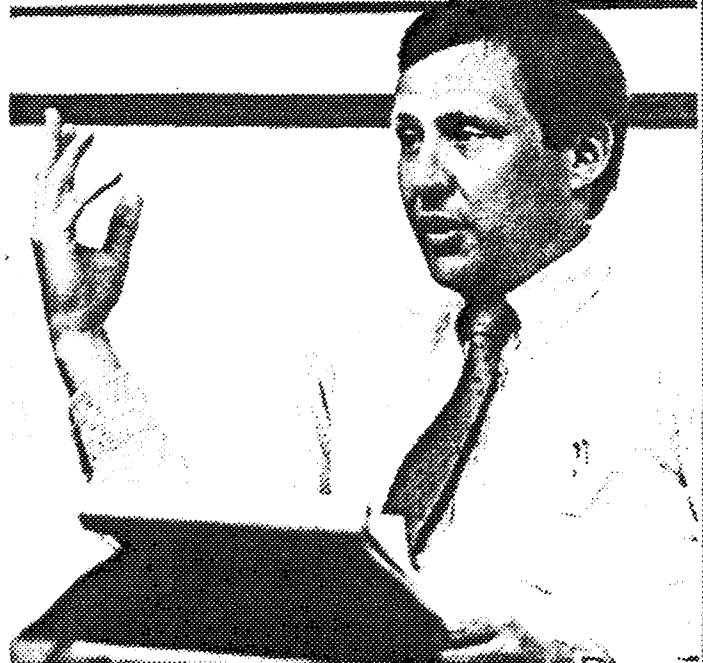
At the firm's 26-acre Northwest Business Park in Menomonee Falls, one 34,000-square-foot building is built and 85 percent leased. Construction of a second, similar building is slated for this summer.

Trammell Crow develops, leases and manages its projects, but usually contracts out the actual construction. Nationally, the company ranks as the largest development firm in the country. Last year, it put \$1.2 billion worth of construction in place through its 42 offices.

However, each office operates with a great deal of autonomy and is responsible for generating its own projects.

Hammes began his career with the firm in 1974 as a leasing agent in Chicago, after earning a masters degree in Real Estate and Urban Land Economics from the University of Wisconsin — Madison. He began to ex-

Continued on page 17



Trammell Crow's Milwaukee office is headed by Jon Hammes (above) and Fran Brzezinski. A rendering of the firm's Park Place development is framed on the wall behind Hammes.



Photos by David Wolff

Trammell Crow Co. builds on marketing prowess

Continued from page 5

plore the development possibilities of the Brown Deer Business Park site near the corner of West Brown Deer Road and North Green Bay Road back in 1977.

When the company decided to open a Milwaukee office the following year, Hammes was chosen to head it.

Although he said his office isn't looking for new projects, he did admit that the firm would like to get into retail developments at some point.

A preliminary plan for a Trammell Crow-developed shopping center along Blue Mound Road in Brookfield was listed on the agenda of the Brookfield Plan Commission several months ago, but was withdrawn.

Two other shopping center developments already were in the works for Blue Mound Road at that time.

"We don't like to be the last ones in the door," Hammes said. "We would rather build where no one else is building and anticipate the demand before everyone else anticipates it."

"At one time we were looking at (building) a major office building downtown, which would have been finished at the same time as Winmar (411 East Wisconsin building). We decided to wait and ride the next wave downtown."

What sets the firm apart from other developers?

"I can honestly say that this business is a lot of fun"

"Trammell Crow is first and foremost a marketing organization," Hammes contended. "Seldom do we do our own construction. And, we generally leave the architectural work to outside firms."

"But we always lease our own buildings. One of the fundamental beliefs of Trammell Crow is that one understands the real estate business by calling on prospective tenants and listening to their needs," he said.

"We are suppliers of a commodity — retail, warehouse and office facilities for the business user. To furnish that commodity at the best location, offering the best amenities, at the most competitive price, we have to understand what the consumer wants, where he wants it and what he can afford to pay."

Although he is pleased with the volume of projects his office is involved in, Hammes said he is more pleased by the projects' quality.

"Volume is a by-product of quality," he said. "We approach each project with a commitment to the best in building materials, building techniques and architecture that will stand the test of time."

Simply put, he said, the firm seeks out "quality projects in quality locations to serve quality tenants."

"Each project is a function of that particular site and location. Each location is chosen because it's the best location for the market it serves."

Hammes and Brzezinski would not comment directly on reports that A.O. Smith and Rexnord received periods of free rent to entice them to move their corporate headquarters to Trammell Crow projects.

"I think there are a lot of people offering free rent," Brzezinski said, noting that potential tenants in the area also are being offered lower rental rates and more generous finishing allowances as leasing agents

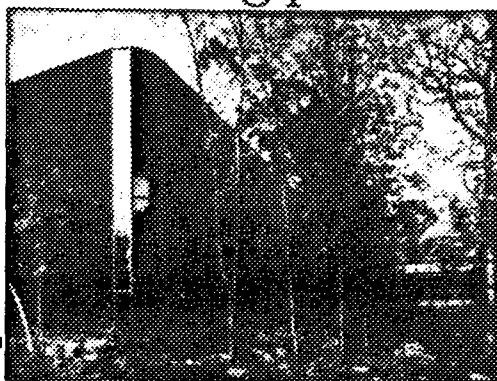
fight to fill the current abundance of first-class office space.

"I think we are very competitive," Brzezinski said. "We feel we have the best product, and people will flow to the best products."

Hammes and his wife, Ann, have three children with a fourth expected in November.

"I can honestly say that this business is a lot of fun," he said. "I would like to be involved in having the most fun, which is making the leases and being a dealmaker, like Fran is now."

"But I find there is a tremendous amount of self-satisfaction to conceive of a project from site selection to a point where the land becomes productive and generates jobs, taxes and excitement."



Chancellory Park blends into the natural greenery of Bishop's Woods



A TOTAL CONCEPT

Total Contracting & Development from Design through Completion

Merit Shop

The merit shop concept reflects a commitment of management's right to manage, while reinforcing the employee's right to achieve in direct proportion to his skills, energy, and ambition. The construction craftsmen of Gerald Nell Inc. have the opportunity of using every skill they have mastered, and are compensated accordingly.

Efficiency; Quality Control

The merit shop flexibility provides for maximum utilization of manpower in scheduling... the result: Efficiency! Gerald Nell Inc. a "Total Concept" contractor provides virtually all construction trades from excavation, masonry, concrete and carpentry to heating, plumbing, electrical and interiors "in-house". This capability establishes a uniform standard of quality with accountability.

Bottom Line

At Gerald Nell Inc. the buck is neither passed nor wasted. In addition to single source responsibility, there is only one profit center. Consider the cumulative savings realized from the elimination of each sub-contractors individual profit margin. This converts into a decided competitive advantage for Gerald Nell Inc. and bottom line savings for the customer.



GERALD NELL INC.
CONTRACTORS DEVELOPERS

3540 N 126TH STREET, BROOKFIELD, WISCONSIN 53005
(414) 781-3750

LAMBDA ALPHA INTERNATIONAL



AN HONORARY LAND ECONOMICS SOCIETY

September 19, 1985

Mr. Michael L. Robbins
4701 Winnequah Road
Menona, Wisconsin 53716

RE: 1985 INTERNATIONAL DOCTORIAL AWARD - LAMBDA ALPHA INTERNATIONAL

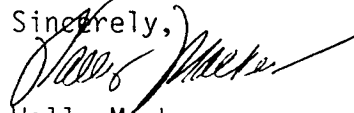
Dear Mr. Robbins,

On behalf of Walter L. Mess, the International President, it is my pleasure to inform you that the Board of Governors have agreed to present to you the 1985 International Doctorial Papers Award in recognition of your efforts in the preparation of "Methodology for Evaluation, Ranking, and Pricing Mountainous Wilderness Lands."

One of the purposes of the Lambda Alpha International is to encourage land economics graduate work and to give recognition to those individuals who show promise in making outstanding contributions to the future use of the land. My personal congratulations are extended to you, Mr. Robbins, for receiving this award.

The award consists of a "Certificate of Appreciation" and a cash award of \$500. The actual presentation will be held, if possible for you, in conjunction with the Society's 1985 International Congress in Washington, DC at the J.W. Marriott Hotel on October 25th during the awards banquet starting at the 6:00 PM reception, followed by the dinner at 7:00 PM. A brochure about the Congress is enclosed for your review. Although the Society would not be able to reimburse you for any travel or hotel expenses, we would waive the \$150 registration fee should you wish to attend.

As an alternative, the presentation would be made at some time following the Congress during a scheduled meeting of the local Chicago Chapter. Would you please write me with an indication of your desires for receiving the award.

Sincerely,

Wally Mackey
Executive Secretary

WM:hu
encl.
cc: Charles Seymour
Walter L. Mess
James Graaskamp ✓

1984-85 BOARD OF GOVERNORS

President: Walter L. Mess GEORGE WASHINGTON 703/534 0613

First Vice President: Donald W. Conley ELY

Vice Presidents: Charles F. Seymour PHILADELPHIA, Robert Sutra LOS ANGELES, Donald Pehrson LOS ANGELES

Secretary: Roy Potter SAN DIEGO, Assistant Secretary: Peter Martin SIMCOE

Treasurer: H. Hayward Hirsch ELY, Assistant Treasurer: Thomas Maher PHILADELPHIA

Historian: Keith Brownell SAN DIEGO, Assistant Historian: Gail Halliday PUGET SOUND

Scribe: Franklin B. Bowes ELY, Assistant Scribe: Claude Elias LOS ANGELES

Immediate Past President: W. R. Kellough SIMCOE

President of Each Permanent Chapter

Appraisals vary, two tell UW group

Real estate appraisals come in all sizes, from New York City's Rockefeller Center to a corner Union Oil station in Walnut Creek, Calif.

In each case, the appraiser must come up with a fair market price for the property.

Perspectives on both types of properties were presented at an appraisal business round table discussion in Madison last week. The discussion was one of 11 sponsored during a reunion of alumni from the real estate and urban land economics program at the University of Wisconsin — Madison School of Business.

On one side were representatives of the appraisal firm of L.W. Elwood & Co. of New York City. The company has strong ties to the financial community and was tapped to appraise Rockefeller Center when the Rockefeller family decided to mortgage the three-square-block chunk of real estate.

On the other was Frank App from Walnut Creek, a partner in App & Edwards Co., a small appraisal firm.

Three spokesmen from Elwood described how the firm appraised



Commercial Real Estate

By Alvin L. Curtis
Sentinel Business Writer

Rockefeller Center for the deal that provided a \$1.3 billion loan to the Rockefeller family. The loan was secured by the Manhattan complex.

For potential investors, the main question was cash flow. How much would the leases generate?

Elwood used a sampling of the leases held on the center's 6.2 million square feet of space to come up with cash-flow figures.

From that data, it took the firm's computers an hour just to calculate the cash-flow figures.

Elwood computers also constructed low to high office space supply scenarios to help build a pro forma.

At Elwood, the business is appraisal. In the Rockefeller case, computer runs compared office leasing costs with other Manhattan buildings —

specifically with the asking prices for so-called "golden properties" such as the Chrysler and Seagram's buildings.

One might expect that appraisals the size of Rockefeller Center wouldn't come along often. Yet, the Elwood representatives point out that billion-dollar real estate deals are not that uncommon these days, and billion-dollar deals mean billion-dollar appraisals.

On the other end is App, who argues that for the small appraisal firm big-time technology provides little help except for word processing and data base management. His motto is "keep it simple."

And for a simple reason. To App, appraising is a route to investment and finding investments.

For the small appraisal shop, the business is "a riskless way to learn about real estate. In real estate appraisal, you get paid to learn."

App's biggest problem is whether to turn down work. For the small appraisal shop, "You get paranoid about not saying 'no,' not accepting anything that comes along."

Instead, he suggested that small companies specialize.

At his firm, "we do cookie-cutter work," App said. "Our cookie cutter is service stations. We stay away from things like air rights over the Transamerica tower."

Trends and changes do occur in the real estate industry, he said. In California, App's firm has stepped outside the cookie cutter to appraise medical conversions, the conversion of medical office buildings to medical condominiums.

For Elwood, Rockefeller Center required some special considerations. For example, how should the firm account for something like alternate cash flows from the NBC television studio space?

The Rockefeller Center deal had some other unusual characteristics.

When the Rockefeller interests purchased the center's land from Columbia University earlier this year for \$400 million, the deed went unrecorded. The family, through its Rockefeller Group Inc., decided to leave the deed unrecorded rather than pay the enormous recording fees.

Also, the original agreement with Columbia required the Rockefellers to pay the annual rents in gold, an arrangement that was modified along the way.

To App the gold in the appraisal business lies in owning real estate. Appraisal is the "riskless way to go out and find property," he said.

For companies like Elwood, the gold in appraising is in the fees.

Yet, in both cases, the first goal remains coming up with the market value of property.

Earnings fall at Sears

Chicago, Ill. —UPI— Sears, Roebuck & Co. on Monday reported an 18.5% drop in net income for the third quarter of the year. Earnings were \$262.2 million or 71 cents per share compared with \$321.9 million or 88 cents per share at the same time last year. Revenues for the period rose 3.8% to \$10.04 billion.

Profit to slow, real estate developers told

By Alvin L. Curtis
Sentinel staff writer

Madison — Real estate developers will not make money as easily in the next 10 years as they have in the past 10 years, the chief of Copley Real Estate Advisers said Friday.

Joseph O'Connor, president and chief executive officer of the Boston-based company, said that "it's going to be harder to make money" as investors look for more focused deals in the marketplace.

O'Connor spoke to about 300 alumni and students at the fifth biennial real estate alumni reunion held at Lowell Hall.

The alumni were from the real estate and urban land economics program of the University of Wisconsin — Madison School of Business.

While the commercial real estate market around the country remains overbuilt, "you have to segment it," O'Connor said. "There are still niches out there."

He urged the audience to keep the industrial real estate market in mind.

While the boom in office construction has been fueled by the growth of the service sector in the economy, "real estate is not just a series of high-rise, brochure-quality buildings," he said.

O'Connor said Copley, a unit of the New England Mutual Life Insurance Co., has about \$5 billion in real estate investments. The company works with developers around the nation on a joint venture basis, but avoids markets where capital is too easily available.

"Avoid places where there is a lot

of capital and move with the smart money," O'Connor advised.

Most money that has flowed into real estate in the past 10 years has gone into buying existing buildings. As more markets become overbuilt, a focused, value-added strategy will come into play, he said.

"Deals will be enhanced by active asset management," he added.

The real risk in real estate development, according to O'Connor, is in the "soft costs, leasing velocity and construction interest rates," not in estimating the shell, or structural, costs of each building.

O'Connor warned that a run-up in inflation remains possible and was one of the factors of which industry professionals needed to be aware.

"We still have a lot of opportunity out there," he said.

O'Connor also cautioned that changes in the tax laws would make profitable deals tougher. "The government is going to chip away at the tax benefits piled on the real estate industry," he said.

"The deficit has to be attacked," he said. Part of that government attack may come out of real estate, "nick-by-nick," he said.

In the future, money will be made "partly in managing existing assets," O'Connor said, adding that it was "becoming harder to find good asset managers than new-deal people."

Nevertheless, real estate remains a stable and attractive investment, he said.

O'Connor said investment in real estate had been increased by savings and loans, limited partnerships, real estate investment trusts and pension funds.

Sgt.
Oct
19, 1985
J. J. J.



The Institute of Chartered Financial Analysts

November 1985

Dear Alumni Association Director:

The Institute of Chartered Financial Analysts (ICFA), headquartered in Charlottesville, Virginia, has announced the award of the professional designation Chartered Financial Analyst (CFA) to 551 financial analysts who completed requirements for the charter in 1985. Included in the roster of new CFAs is Pamela Kay Heston, one of your alumni.

The primary objective of the ICFA Study and Examination Program and continuing education activities is to assure the investing public and others that a CFA, as a professional in the investment industry, possesses and maintains extensive fundamental knowledge and ethical standards.

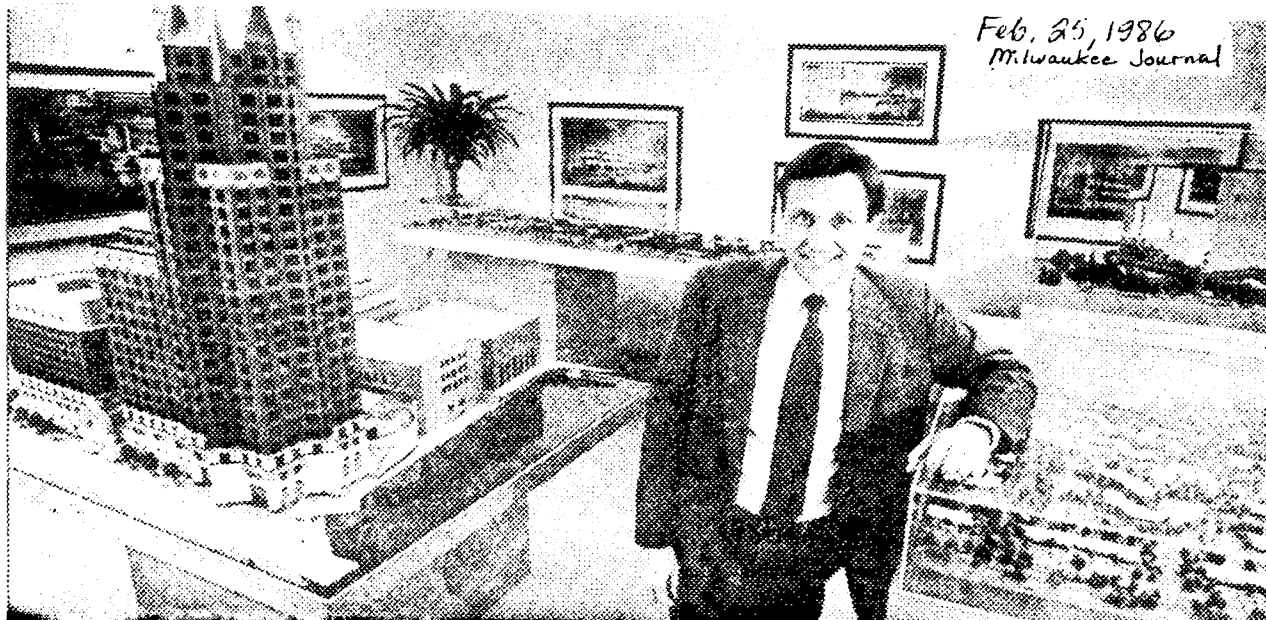
Since the program started in 1963, over 8,800 financial analysts have been awarded the CFA designation after meeting rigorous requirements, including examinations over a three-year period.

We would be delighted to have you share this most significant accomplishment via your University Newsletter or in other ways that you deem appropriate.

Sincerely,

Alfred C. Morley, CFA
President

ACM/cpd



Journal photo by Tom Lynn

Jon Hammes and some of his Milwaukee projects: the theater district, at left, and Park Place, at right

His address is Park Place

But success is measured in square feet, not fancy trappings

By FRAN BAUER
of The Journal staff

Jon D. Hammes' only office is a desk in the middle of the room where all his staff works.

There are no fancy names on the door or private offices — only a marvelous view of Park Place, the plush multi-million-dollar office park his firm is developing on the city's Northwest Side.

In fact, there are no private offices at any of the 61 offices of Trammell Crow, the giant real estate empire founded 37 years ago by a Texan named Trammell Crow. Now 71, Crow is a legend in the development business and his real estate empire lists assets of more than \$7 billion nationwide.

Even a boss like Hammes, managing partner of Milwaukee's Trammell Crow Co., follows the same rules — everyone works out in the open, where he can lean over and ask questions or volunteer an idea.

The principle extends all the way to the top. Even Crow himself sits right beside the partners in his Dallas, Texas, headquarters. Crow is retired now, as far as titles go. But he remains an active force in the company and likes to visit projects like Milwaukee's \$100 million Downtown theater district to personally check its progress.

Crow insists that his firm do business the old-fashioned way — where a handshake still carries the same weight as the signature on a contract's bottom line.

He has built his firm's reputation by hiring bright, but unpretentious employees with strong family ties and a willingness to work long hours to succeed.

Hammes fits the company's image, right down to the white shirt, conservative striped tie and easy-going conversation that marks the Trammell Crow style.

Over the last 10 years, Hammes has risen quickly in the firm.

The most obvious mark of his success is the 1.8 million square feet of developments Trammell Crow has launched in the Milwaukee area since Hammes opened the Milwaukee office seven years ago.

But Crow also expects his managers to have strong family ties, attend church and be active in the community. The 38-year-old Hammes fits that image, too.

On Thursday, Family Service of Milwaukee will honor Hammes, his wife and four children for their contributions to the community. Hammes played a key role in convincing Family Service to move its headquarters here from New York City. The firm will move into a new building soon to be built at Park Place.

City officials recently coaxed the reluctant Hammes into serving as grand marshal of the City of Festivals parade.

Usually, Hammes shies away from the public spotlight, preferring to negotiate quietly behind the scenes and spend his spare time at home with his family. Time for relaxation is scarce for Hammes, who usually spends two days a week in Detroit developing new projects there for Trammell Crow. To get away, he and his family ski in Big Sky, Mont., where they have a condominium.

The choice to bring Trammell Crow to Milwaukee was largely Hammes' idea. Still vivid in Hammes' mind is the anxiety he felt, while driving through the city in 1975 and '76.

"My concern was whether Milwaukee really

Feb. 25, 1986
Milwaukee Journal

NOTABLE/QUOTABLE

Jon D. Hammes

■ **Personal:** Age 38. Married, 4 children; lives in Cedarburg

■ **Education:** Bachelor's from University of Wisconsin — Milwaukee; master's from UW — Madison School of Urban Land Economics and Real Estate.

■ **Professional:** Local managing partner of Trammell Crow Co. Director of Children's Health System of Wisconsin, Family Services of Milwaukee, Boy Scouts of America, Milwaukee Symphony Orchestra, Forward Wisconsin and Heartland Value Fund. Also member of Greater Milwaukee Committee and this year's grand marshal of City of Festivals Parade.

■ **Interests:** Downhill skiing, hunting, fishing, reading, music, tennis

was a market right for us," he said. "I remember coming up here in 1975 and '76 and thinking the buildings here were earning only half the rents we would need. I don't want to put down the competition, but I didn't see a commitment to quality here. I had to ask if Milwaukee had the rents to support what we wanted to build. That was my biggest concern."

A deciding factor in the move to Milwaukee came when Dayton Hudson put back on the market the 56 acres in Brown Deer it had acquired for a Target store.

Please see Hammes, Page 6

Hammes is tough bargainer

Hammes, from Page 4

Initially, Hammes hoped to develop an office park in Brown Deer as a joint venture with Dayton Hudson. When Dayton Hudson balked, he lined up Northwestern National Insurance Co. as the financial partner. Dayton Hudson sold out its interests within a year.

By then, Trammell Crow had established the pattern it traditionally uses in breaking into a new market. The firm keeps a low profile initially, offering a mix of warehousing and office space as it learns the local market.

A lot of shoe leather gets burned up in the process, quipped Hammes.

"The basic theory is, if you're going to supply the right kind of project, you have to know what the marketplace wants," he said. "The only way is to read the pulse yourself by being out in the marketplace and talking directly to prospective tenants. We don't want to make decisions based on someone else's research."

Hammes had already proven his ability to make projects succeed in his first three years in the company's Chicago office. Months before earning his master's degree in the real estate program offered at the University of Wisconsin — Madison, Hammes had written all the nation's major developers asking for a job.

Unknown to Hammes, one of his professors knew Trammell Crow and wrote to recommend Hammes as the type of person the firm usually sought.

The interview was tough. Hammes recalls going to Dallas to talk to all eight or nine of the managing partners. In those days, it was also Trammell Crow's policy to interview all prospective employees. But Crow ignored business questions, Hammes

recalled, and was more interested in how Hammes got along with his parents, his prospects for a family of his own, and his church and community interests. The decision to offer Hammes a job in the Chicago office was reached by consensus after Crow and the partners talked it over.

Usually it takes five to six years to become a partner. Hammes earned a partnership in three years, giving him a direct interest in his first Brown Deer office building's success.

Crow explained the way the company works this way in a recent interview with the Equitable Real Estate Group:

"Those who become partners are given an interest in a project in their city and responsibility for it. Now they're working from the bottom line. That means they'll earn a profit if the property is profitable and take a loss if it isn't. Even as a partner, their salary stays at [today's rate of] \$18,000, but they can be partners in more than one project.

"Believe me, it does remarkable things to a person when he's an actual owner of a property he's working on. Become an owner and things improve. I guess that's just the way human beings are created."

Another part of the Trammell Crow style is to retain ownership of the projects it builds.

A year ago, Trammell Crow sold most of its Brown Deer office park to Prudential Insurance Co. of America for \$34.5 million — one of the largest real estate transactions in Milwaukee's history.

But that was an exception, Hammes says, brought on by the need to stay flexible in the current financial climate.

More typical are the major office park ventures in Brookfield and on Milwaukee's Northwest Side where Trammell Crow has pumped thousands of dollars into creating lakes and planting trees, shrubs and flowers to create a prosperous environment.

Hammes dodges putting dollar estimates on the 153-acre Brookfield Lakes project, already ahead of both its leasing and construction schedule. Five office buildings there are completed, and two more have been started.

Then there's Park Place, a 140-acre project at Highway 45 and W. Good Hope Rd. that was leasing so rapidly that the firm in January bought an additional 165 acres. Seven of the 21 buildings proposed for Park Place are already under construction and three more are to be started this spring, putting the project years ahead of schedule.

It took Hammes four years to negotiate the new water lines, roads and highways that opened the site of Park Place for development. The

negotiations may have served as a warm up for the complex intricacies Trammell Crow faces now in building the Downtown theater district.

In their three years of negotiations, T. Michael Bolger, president of the Milwaukee Repertory Theater board, has grown to know Hammes well. Trammell Crow is jointly developing the theater district, which will include a 28-story office building, 210-room hotel, galleria and 800-car underground parking structure as well as the Rep's new three-stage theater. The Pabst Theater is being expanded into the district.

"I've enjoyed working with Jon," Bolger said. "He's a man of his word who says what he means. He likes to work with people he trusts, and likes working in the arena where only a handshake will clinch the deal and you know a person's word is his bond."

But Hammes also is a tough bargainer who will argue a point that he knows is your weakness, Bolger said. At times, like everyone else on the theater district project, Hammes grew agitated and angry over those negotiations.

"But I never saw him lose his cool in terms of making a mistake," Bolger said. "Jon is basically a very honest person. And he reacts when he thinks someone is trying to take advantage of him."

Patrick Walsh, the city's director of economic development, also described Hammes as a tough but easy-going negotiator.

"It's not easy to say that about people you get to know in pressure-packed, big-money deals," Walsh said.

But Walsh walked away from tough negotiations still considering Hammes a thoroughly likable guy.

"It shouldn't be that way," he said. "When you've been haggling, you usually don't feel very warm about the other side. But Jon keeps that all in perspective. He's a genuine person. There's nothing false or pretentious. What you see is what you get."

Walsh also called Hammes an astute businessman who had succeeded in working his way into Milwaukee's conservative power structure in a surprisingly short time.

"He's accepted by most folks. It's easy for people to like him. That's the kind of person he is."

With construction begun on the Downtown theater district, Trammell Crow has 1.8 million square feet of new projects under way — ranking the developer's Milwaukee office among the most active in the company.

Just 18 months ago, Hammes had only 7 employees. Today, there are 30 in the Milwaukee office. And he projects continued growth for at least another year.

Profile



Prudential Property Co. Inc. Vice President John Kellogg

... "I can romance a client to Denver due to existing (national Prudential) relationships. There's definite momentum here now."

Kellogg's arrival signals commitment to Denver

By STEVE MARSH

Long-slumbering Prudential Property Co. Inc.'s Denver office has begun mustering a crack troop of executives to "awaken the sleeping giant," as John Kellogg put it.

Kellogg will relocate from Chicago this month as the new vice president for Denver operations, a unit that had no such executive authority until last month. He replaces local director Dan Poremba, who

left the firm in May to join Dallas-based developer Seneca Corp.

Kellogg, the 42-year-old former manager of Prudential's national real estate portfolio, has adopted a new strategy for Prudential's formidable inventory of Denver-area property. The real estate and property management subsidiary of the giant insurance company has 4 million square feet of prime downtown office space, 500,000 square feet of suburban offices and a like amount of industrial

property throughout the metropolitan area.

"As the new kid on the street, I see Colorado and Denver's new program to sell (the region) as being absolutely right on," he said. "And that's where our national marketing comes to play. I can romance a client to Denver due to existing relationships. There's definite momentum here now."

As evidence of that momentum, Kellogg said the Denver office placed "second or

third" in leasing activity among company offices nationwide during the first half of the year. Matched against Prudential's volume in Chicago and Los Angeles, the Denver office reported more than 750,000 square feet in new or renewed office leases this year.

Noting that Prudential has earmarked about \$1 billion nationally this year for property acquisitions, Kellogg said "it's significant to note that Denver is not an excluded market."

"We're here to do some business," he

said. "You're going to be surprised in the next coming months."

Born in Portsmouth, Va., Kellogg received his undergraduate degree in architecture from Tuskegee Institute in 1967 and earned a master's degree in real estate and urban land economics from the University of Wisconsin in 1976. From 1967 to 1974, Kellogg served in the U.S. Air Force as civil engineering officer in charge of facilities design and construction management from Thailand to Strategic Air Command headquarters in Omaha, Neb.

Before coming to Denver to a troubled but opportunity-filled market, Kellogg was in charge of Prudential Property Co.'s Chicago office from 1976 to '82. He then managed the company's national portfolio of office, industrial, retail and hotel properties from the firm's Newark, N.J., headquarters for the next two years before returning to Chicago to run the operations of Prudential's 13-state Midwest region.

In Chicago, Kellogg was a force to be reckoned with.

Jim King, partner with the Chicago office of the \$3 billion Rosenberg Real Estate Equity Fund, spoke of his longtime business relationship with Kellogg. "We think John is one of the strongest asset managers Prudential has," King said. "He is unique in being an entrepreneur in a large organization that gets things done."

King said Kellogg was "an extremely visible and recognizable force in the real estate market. And it could be said that he has national clout."

Chicago-based Grubb & Ellis senior vice president and district manager Mike Klonoski, pointed to Kellogg's assertiveness.

"He could have hidden behind a rock and could have been a monolithic bureaucrat behind the scenes," Klonoski said. "But he used the force of his personality and his strength with people to get things done. He was a nine or a 10 in this town in the upper echelon of our real estate com-

hails from "the real transactional side of the house," he said, describing himself as a "full-service real estate man with a well-rounded feel for opportunity."

Kellogg is coming to town with his wife, three daughters and a war chest of cash, national industry contacts and company clout. He is also unique in another way.

"Consider me a pioneer of the deep sun-tan version," Kellogg said, referring to the fact that he is the first black man in Prudential Property Co. history to rise to the

Kellogg said the office will purchase \$4 million worth of industrial properties this month. Earlier this year, the firm sold about \$8 million of industrial properties, indicating the transactions mean market repositioning, not liquidation.

Voicing his commitment to the Denver market, Kellogg said: "I want to dispel rumors that we're getting out. And believe me, there will be no fire sales in our Denver portfolio."

Emphasizing that commitment, Kellogg

"As the new kid on the street, I see Colorado's and Denver's new program to sell (the region) as being absolutely right on."

top executive ranks of the firm.

With a nine-employee Denver office during the early 1980s, Prudential amassed properties including the 600,000-square-foot Prudential Plaza at 1050 17th St.; the 197,000-square-foot 17th Street Plaza building at 17th and Market streets; and, the 2.2 million-square-foot City Center office complex now comprised of the Arco, Petro-Lewis and First Interstate towers, with about 1.8 million square feet of space.

But the downtown office was reduced to a one-man outpost during the mid-1980s. "There was a real question mark about our future philosophy in Denver," Kellogg said.

That question mark now has been erased.

"Just this year we've brought three top people back in. And in me, the vice presidential level of authority has been restored," he said. "That's a significant show of confidence that the Denver market has hit bottom, and that we need to

said his office will focus on development or land acquisition, starting in Aurora.

He pointed to Prudential's partnership with Miller Klutznick Davis Gray in the Regency West office park adjacent to the Denver Tech Center. Together the firms intend to launch an aggressive search for space users, and sell and lease land parcels to developers.

For several years, Kellogg has been building a network of potential clients "on a national basis, which creates relationships for space requirements," he said.

"I'm very impressed with the Tech Center itself," Kellogg added. "It's attracting warm bodies to cold slabs (with a micro-market vacancy decline to about 17 percent).

"The vacancy could be somewhere between 10 and 15 percent relatively soon," he noted. "And when you look at that, and real estate gestation during construction of two or three years, it certainly invites one's attention to a potential window of opportunity."

~~that we will be committing to a new building~~

building today, at least a 10-story, 200,000-square-foot building, we might go blazing into the 1990s. Again, you have to determine where the market is going to be.

"I didn't come here armed with a pot of gold," he added. "But I've got the confidence of Newark. That was my first question before taking this assignment."

The company's confidence in the Denver office also is evident from the team of players it now has based here.

New assets manager Devon Glenn transferred from Prudential's Los Angeles office at the end of May. Leasing marketing executive Mike Pranke moved to Denver last week from the Chicago office. Ryan Toole, the team's development manager, has been holding the fort since 1985.

While the team is gearing up for major new activity, it was less than aggressive in fighting to keep one of its bigger tenants.

Last week the Internal Revenue Service announced it would vacate 130,000 square feet of space in Prudential Plaza — on the ground floor beneath Kellogg's 25th floor suite.

"It was a tough loss (to Dominion Plaza) for us, but it's kind of a trade off," Kellogg said. "We're close to getting an architectural firm for something, which is why we didn't really actively renegotiate the IRS lease."

"There is some potential to do some retail in that space on the 16th Street Mall side of the building," he added, "and continue the Tabor Center retail mall concept. So the loss really is a trade-off. We bought control of the space."

Kellogg may add three more executive staffers to the office by the end of the year to meet 1988 at full strength. But a full-tilt operation does not mean wholesale discounts of office space.

"We will not go out and start space wars, or price wars," he said. "I bring national contacts, vice presidential authority to approve deals on the spot. We'll have the ability to respond effectively and

Scenic Land Increases in Value, Thanks to Prof

Distorted perceptions of wilderness land values is what led University of Wisconsin real estate Prof. Michael Robbins, BS'71, MS'74, PhD'83, and his colleagues to develop a standardized procedure for pricing natural lands with high scenic beauty.

In fact, this procedure more than doubled wilderness land prices in the states of Washington and Alaska.

The Wisconsin researchers saw that intrinsically beautiful land invariably is parceled into profit-making ventures. Not only did this bother them, but as experts in real estate valuation, civil engineering and landscape analysis, they saw an endangered resource—wilderness land—undervalued and consequently underpriced.

Their standardized procedure has the capability of transforming aesthetics into immense profits. Before Robbins and his colleagues set to work, real estate valuation procedures generally ignored such undefinable factors as scenic or natural beauty. Valuations also did not account for non-commercial use of lands, such as Indian burial grounds and nesting habitats for wild birds and animals.

But the new procedure allows wilderness assessments to be economically competitive with other "best uses" of the land, such as home development.

"It used to be said that you couldn't place a price on a beautiful view, but not any more," Robbins says.

He became involved in Alaskan native land negotiations in 1983. At that time, he was just completing his doctoral thesis that provided an acceptable standard for assessing wilderness lands and scenic beauty. Prior to this negotiation, Robbins and his colleagues assessed the Alpine Lakes area in the state of Washington, increasing its final price from \$13 million to \$27 million. His UW colleagues included Civil Engineer Ralph Kiefer, Environmental Psychologist Richard Chenoweth, and Landscape Architect Bernard Niemann.

The Ahtna Native American Corporation heard about Robbins and his work with the late Real Estate Prof. James Graaskamp, PhD'65, and their previously assumed impossible task of putting a price on beauty. The corporation is one of 12 Native American corporations set up under the Alaska Native Claims Settlement Act to deal with aboriginal land entitlements involving 44 million Alaskan acres. At the



Mike Robbins

Ahtnas' invitation, Robbins and Graaskamp flew to Alaska to reassess Windy Pass, one of only two passes in the entire Alaskan mountain range owned by the Ahtna Native Corporation.

"Before we went up, Alaskan land was described by assessors as dark, far away, and cold," Robbins said. "It was unheard of for land to sell for more than \$100 an acre, especially Native American land."

Windy Pass happened to be especially valuable to the Indians because it was used as a corridor to hunting and burial grounds.

Although the Indians' main concern was preservation of an ancient mountain passageway, the UW real estate team was appalled at the undervaluation of the natural beauty they discovered there.

The land had enormous profit potential because it fit perfectly into the top four requirements formulated by the wilderness assessment standard. There was beauty, intactness of the natural surroundings, opportunity for primitive recreation, and solitude.

"The UW real estate team did not believe that the pricing index used to value the site reflected the unique characteristics of the land or its importance to Native Americans," Robbins said.

The 175-foot wide, 35-mile strip of land called Windy Pass, adjacent to Denali National Park, had been valued at

\$190,000 to \$200,000, based on the assumption that the best use of the land would be for home sites.

But Robbins and Graaskamp determined that the most appropriate economic use for Windy Pass should be as a north-south transportation corridor, since it was one of only two passageways through the entire mountain range.

"We used our standardized procedure that was tailored to this particular situation," he said. "From the white man's perspective, there was economic value in proving its use as a transportation corridor."

So the land was valued based on an alternate route that would have to be used to carry goods over the extremely rugged terrain. The new price: several million dollars.

Robbins maintains that the passage of the National Wilderness Preservation Act (WPA) in 1964 helped set the stage for increasing the value of wilderness lands as they became more and more scarce. Mandating protection of the lands tended to increase its intrinsic and economic value.

He has kept track of land negotiations conducted before his standard was developed and now that it has been used. Average prices for Alaskan land in 1980 was \$60 an acre, while today the Ahtnas are negotiating a sale to the government at \$650 an acre.

"We have had a significant impact on assisting the Native American groups in determining a fair representation of their lands' worth," he said.

Part of the appraisal methodology was developed through a series of photographs that were independently rated by people as aesthetically pleasing. The 1,500 photographs, after being graded, revealed a consistent pattern, he said. The more diverse the natural surrounding—lakes, mountain, trees, etc.—the higher the appreciation rating.

Other considerations that were weighted in the scale of land merit included more traditional approaches to valuation: legal and political interests in the land, proximity to roads and sewer or anything that may generate demand for the parcel, and environmental concerns.

Although the standardized procedure is not widely used or known yet, Robbins thinks it will have a significant impact on most future land negotiations.

NATIONAL

AUGUST 1982

A Publication of Communication Channels, Inc.

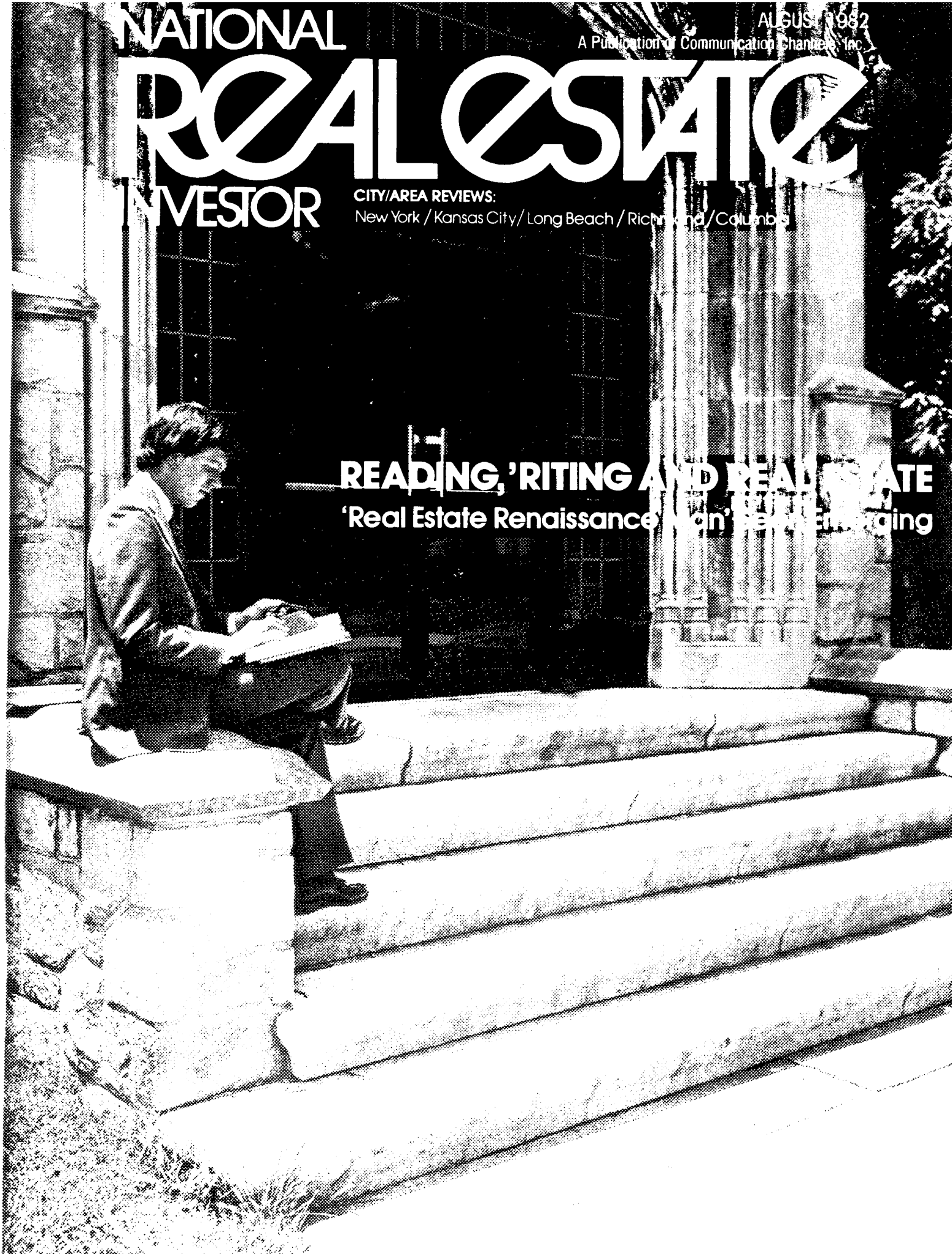
REAL ESTATE

INVESTOR

CITY/AREA REVIEWS:

New York / Kansas City / Long Beach / Richmond / Columbia

READING, 'RITING AND REAL ESTATE
'Real Estate Renaissance' Man' Getting Going



'Real Estate Renaissance Man' seen emerging; universities favor multi-disciplinary approach

By **STEPHEN E. LEWIS**
NREI Editor

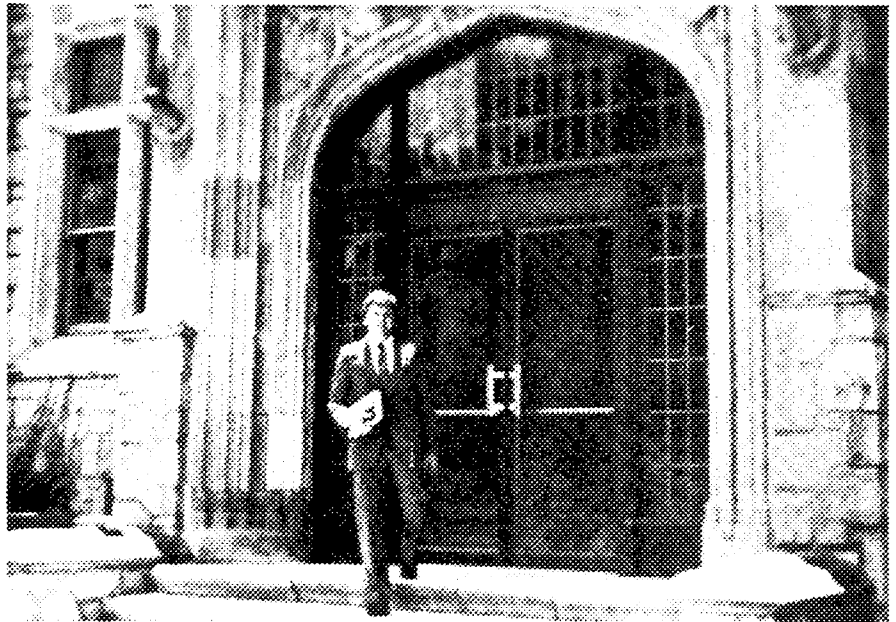
"Years ago," recalls Terry Vaughn Grissom, "most people got into real estate either by birth or by accident. You didn't go to school to become a real estate professional."

Today, all that has changed. For what Grissom, an assistant professor at The University of Texas at Austin, was saying was typical of the responses received from academicians and real estate executives in a recent NREI survey on education in real estate. An increased emphasis on sophistication and a multi-disciplinary approach to real estate have resulted in a new breed of real estate professional, the "Real Estate Renaissance Man," who will make his presence increasingly felt in years to come.

When "getting into real estate" meant becoming a broker (often residential) or an appraiser, most university-level real estate courses prepared the student for just those functions. Today, in institutions like the University of Wisconsin, Georgia State, Florida State, UCLA, The University of Connecticut and SMU, to name a few, undergraduate and graduate courses are offered that are geared to produce graduates capable of dealing with the complex and ever-changing world that is real estate today. At Wisconsin, for example, degree programs include a B.B.A. in Real Estate, M.S. in Real Estate Appraisal, M.S. in Land Resources, B.S. in Construction Administration and Ph.D. in Urban Land Economics.

The NREI survey found that many of these graduates are now successfully competing for real estate positions against M.B.A.s from schools like Harvard and Stanford, and are being especially successful in landing jobs with institutions and development and appraisal firms.

In addition, graduates of such programs feel their degrees have been extremely beneficial in terms of career and salary advancement, and indeed,



many graduates with masters degrees in real estate are being hired at starting salaries of about \$25,000-\$27,000.

There is little doubt that these graduates are in demand because they are being given training that is appropriate to the demands of the industry today. In an October, 1980, interview with NREI, Norman Perlmutter, chairman of Heitman Financial Services, Chicago, said, "The universities are recognizing the need to educate young people in the sophisticated aspects of real estate investment, and these young people are starting to permeate the investment community to the point where there's a whole new outlook as to what's a respectable investment."

The latter is a reference to what Terry Grissom calls the "radical real estate philosophy" which he himself espouses, and which he traces back to his graduate experiences at the University of Wisconsin, under the tutelage of professor James A. Graaskamp, Ph.D., SREA, CRE, and chairman, real estate and urban land economics, in the university's graduate school of business.

Graaskamp, who has probably had more to do with the aforementioned

changes in real estate education than any other individual in his field, has sent numerous graduates out into the world, both as professionals on the business side of the industry and in academia. To say that he is demanding is probably to understate things a bit. Some of his charges call him "Chief," while one graduate, who lost 30 pounds during his stay at Wisconsin, said, "getting up and hitting the ground running every day at 5:00 was the best diet I've ever been on."

Program sophistication grows

Graaskamp sees the changes in real estate education as being analogous to those the insurance industry has seen since the '60s. "You used to just learn how to run an insurance company, or how to sell insurance," he recalls. "In real estate, it was the same thing: you emphasized the 'practical' side, like how to become a broker. Today, education is approached from the investor-user side, from an asset management standpoint. It has a much broader base."

It also has a more legitimate standing



"Years ago, most people got into real estate either by birth or by accident. You didn't go to school to become a real estate professional."

**Terry Vaughn Grissom
The University of Texas
Austin**

Education

in the financial world, notes Graaskamp. "Real estate has moved into a position of legitimacy where the financial community is concerned," he noted. "We have seen a breakdown in the isolation of the stock and bond man from other investment forms. In addition, with the introduction of a real estate index by the Frank Russell Co. (recently announced in New York), academia will have access to information similar to that previously only available for stocks."

Bob Peltzman, senior vice president, Roger L. Cohen & Co., Kansas City,

also sees a correlation between greater sophistication in real estate and on the campus. "The old process of slapping a guy's back, taking him out and doing a deal still exists," he admits, "but the cost of doing business and the importance of real estate on a balance sheet make it a complex economical concern as well. The name of the game is now risk management, as much as it is making money. In the past, you simply had to look at a deal and decide if it was risky or not. Today you look at the risks, and their consequences, and decide which techniques should be applied to the problem at hand."

"The old image of real estate education was teaching people to sell

houses or do appraisals," recalls William Legg, Ph.D., of the department of Real Estate and Urban Affairs at Georgia State University, Atlanta. "Today, that is not the focus of most real estate education programs — nor should it be. We produce well-rounded real estate professionals trained to step in with major firms and maintain and analyze portfolios."

Roger J. Juszczak, vice president of the Phoenix-based development firm Westcor, Inc., and, like Bob Peltzman, a Wisconsin alumnus, agrees that real estate programs have become more sophisticated, but believes the public still needs to be educated. "When you tell someone you're in real estate, they still think you're a salesperson," he complains.

Still, he notes, corporations have become increasingly aware of the value of real estate on the balance sheet, as indicated by such deals as the GM sale. In addition, he says, "a number of firms have a minimum hiring level of M.B.A.s or M.S.s — particularly institutions. And the caliber of people in the business has improved — five years ago you never heard of an acquisition specialist."

Juszczak says that part of the reason the real estate education programs have improved so greatly is that students have demanded more of their programs. "They are much more critical today," he noted.

Terry Grissom, who got his M.B.A. at Georgia State before earning his M.S. and Ph.D. at Wisconsin, agrees. "Today, people are choosing to go into real estate as a profession," he says, adding that there are now about 180 schools in the country that give real estate courses. Of these, 97 have degree programs in real estate, and 45 have master's programs.

Of course, there are master's and there are master's. For example, industry sources say that for years Gerald D. Hines Interests of Houston aggressively sought out Harvard M.B.A.s Now, says Grissom, the Hines firm has begun to show interest in graduates of the Texas real estate program.

Degrees: how valuable?

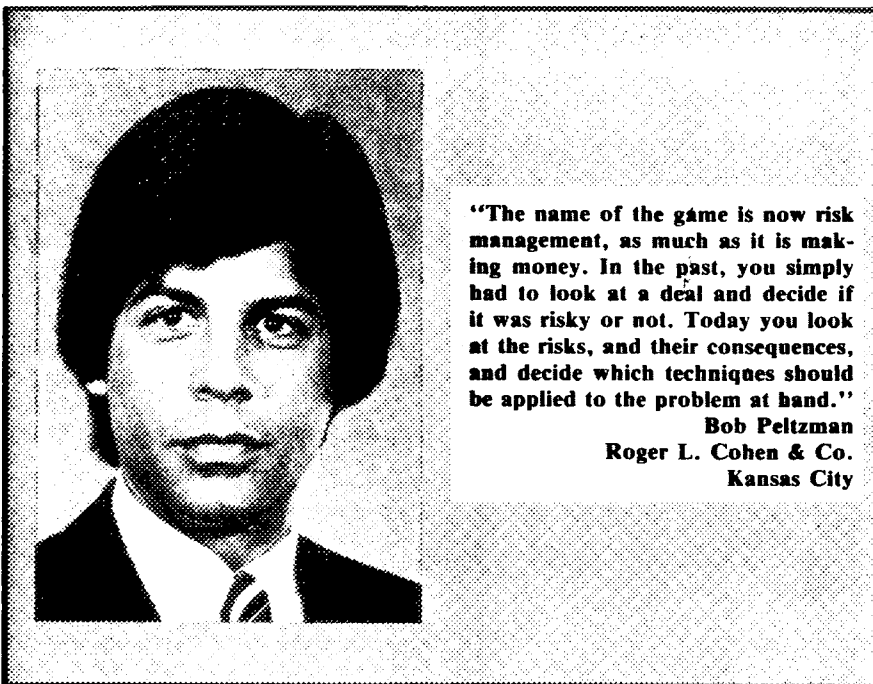
How do graduate degrees in real estate stack up against M.B.A.s from the leading "B" schools? "A master's degree in real estate from a good school — like Wisconsin, Connecticut, Texas, Georgia State or Florida State — puts you right up there with M.B.A.s from Harvard or Stanford," says Bob Peltzman.

Claude M. Ballard, Jr., general partner, Goldman Sachs & Co., New York, feels such a degree is "at least as valuable" as an M.B.A. from a leading business school.



"Real estate has moved into a position of legitimacy where the financial community is concerned."

**James A. Graaskamp
University of Wisconsin
Madison**



"The name of the game is now risk management, as much as it is making money. In the past, you simply had to look at a deal and decide if it was risky or not. Today you look at the risks, and their consequences, and decide which techniques should be applied to the problem at hand."

**Bob Peltzman
Roger L. Cohen & Co.
Kansas City**

Education

"Major institutions that used to go for graduates from big-name 'B' schools are now looking at our graduates," says Jim Graaskamp. "They feel they are saving at least two or three years' worth of training. If they don't always have the right answers, at the very least they will ask the right questions, and know where the data can be found for the answers."

"Also," he continues, "Business schools tend to force students into their mold — they're more concerned with maintaining a set format."

Naturally, it's difficult to find a to-

tally objective observer in what is obviously a running controversy. However, Sanford I. Gadient, president of Huntress Real Estate Executive Search, Inc., Kansas City, heads a firm that deals with hundreds of employer-clients each month, and has a birds-eye view of the employment market, and what firms are looking for in new employees. In each search, the employer-client must specify the educational requirements for the position.

"Graduate degrees in real estate from leading schools such as the University of Wisconsin are definitely being sought out, and the program graduates receive a premium over salaries offered to others without specific real estate ed-

ucational courses," notes Gadient.

"One of the primary reasons candidates with specific real estate educational achievements are sought," he notes, "is because they usually have an excellent grasp of quantitative methods used to design and operate sophisticated financial analysis, e.g., computerized accounting systems, discounted rates of return, ten-year financial pro forma projections, and similar modern tools so necessary to efficiently accomplish the desired 'bottom-line' performance being required today."

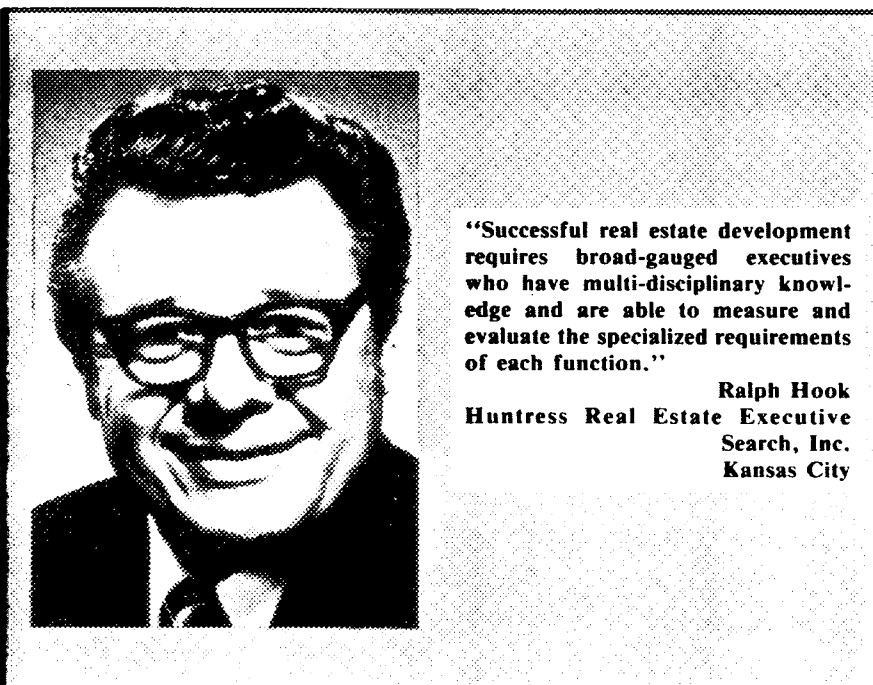
Gadient adds, however, that "M.B.A.s from the leading business schools — Harvard, Wharton, Stanford, Northwestern and others — which include real estate courses are in high demand, and frequently are equated as being equivalent to as much as five years' experience in terms of salary and other benefits."

"The primary demand for candidates with specific educational achievements in real estate tends to come from employer organizations that are staffed by alumni holding similar credentials or from companies that have recruited such candidates consistently because of their actual 'on-the-job' record of outstanding accomplishment and achievement."

Of course, not all real estate programs are created equal. Ralph Hook, Ph.D., who heads the Huntress firm's research department as senior consultant, says, "Successful real estate development requires broad-gauged executives who have multi-disciplinary knowledge and are able to measure and evaluate the specialized requirements of each function. Thus, for maximum results, any educational program in real estate must expose its students to land acquisition, zoning, planning, design, architecture, engineering, construction, law, finance, marketing, property management/operations and similar functions. Moreover, such a real estate educational program must interface properly with other political, social and economic environments."

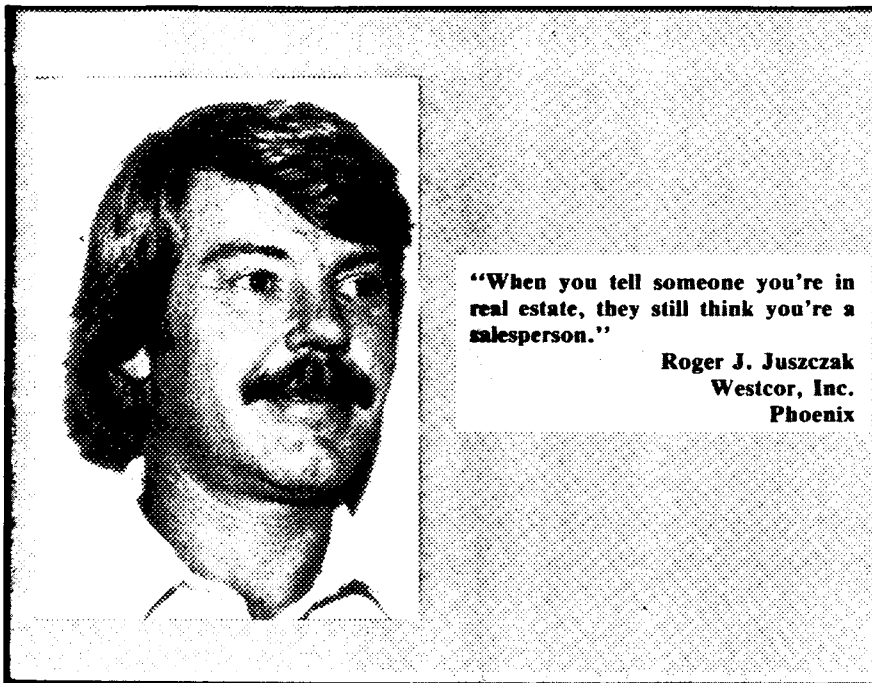
As for the graduates themselves, many contacted felt their degree was valuable, indeed, and had been a great asset in terms of career advancement. Bob Peltzman was typical: "It absolutely changed my career," he says. "I had had six years' direct experience in real estate when I decided to go to graduate school (at Wisconsin). I had grown up in the business; I decided I wanted to stay in real estate and do it the right way."

"When I got out, my ability to go anywhere in the country and communicate on any level and, consequently, open doors, was phenomenal. It did wonders for my credibility and my confidence level has shot way up."



"Successful real estate development requires broad-gauged executives who have multi-disciplinary knowledge and are able to measure and evaluate the specialized requirements of each function."

**Ralph Hook
Huntress Real Estate Executive
Search, Inc.
Kansas City**



"When you tell someone you're in real estate, they still think you're a salesperson."

**Roger J. Juszcak
Westcor, Inc.
Phoenix**

Education

Roger Juszcak agrees, but only to a point. "Like any other degree, the graduate degree in real estate opens doors," he says, "but how much it ultimately does for you is determined, to a great degree, by your individual style and manner. Nevertheless, there is no doubt my own degree has given me more confidence in my ability, and in the knowledge of what I can do. And I'm not sure where I'd be today in terms of my career without it."

Still, there are many potential employers who remain unconvinced of the value of a real estate education or who,

at the very least, believe that experience can be equally valuable. "In my business," says Steve Soboroff, whose Santa Monica-based firm Soboroff-Moskowitz serves as a kind of local free-lance real estate department for retailers like Kinney Shoes and Ohrbach's, "the education level of an applicant doesn't make that much difference to me. I am interested in practical experience, and how the applicant relates to people."

Nevertheless, Soboroff, himself a holder of a master's degree from the University of Arizona, is not in the education business himself. He conducts courses once a year at UCLA and Berkeley, aimed at helping the students "make money based on what they

learn." He is convinced, however, that in his area of the business, success is "one-third professionalism and two-thirds practical psychology of transactions — understanding why someone will or won't make a deal."

The art of negotiating, Claude Ballard agrees, cannot be taught. "You can't completely learn this business in school," he claims. "The fine points of negotiating, like reading body language and eye contact, must be learned through experience."

Peter Small, president of Burlington, Mass.-based Spaulding & Slye Corp., office park developer, says he would hire an applicant with a good liberal arts background, "someone who can think and communicate and get results. I am absolutely astounded at the lack of communication skills I see in people from some of our finest institutions."

He admits, however, that his ideal applicant "has an M.B.A., five years' experience and good references. We do hire a lot of M.B.A.s, particularly from Harvard. I like people who have worked one or two jobs already, and know what they don't want."

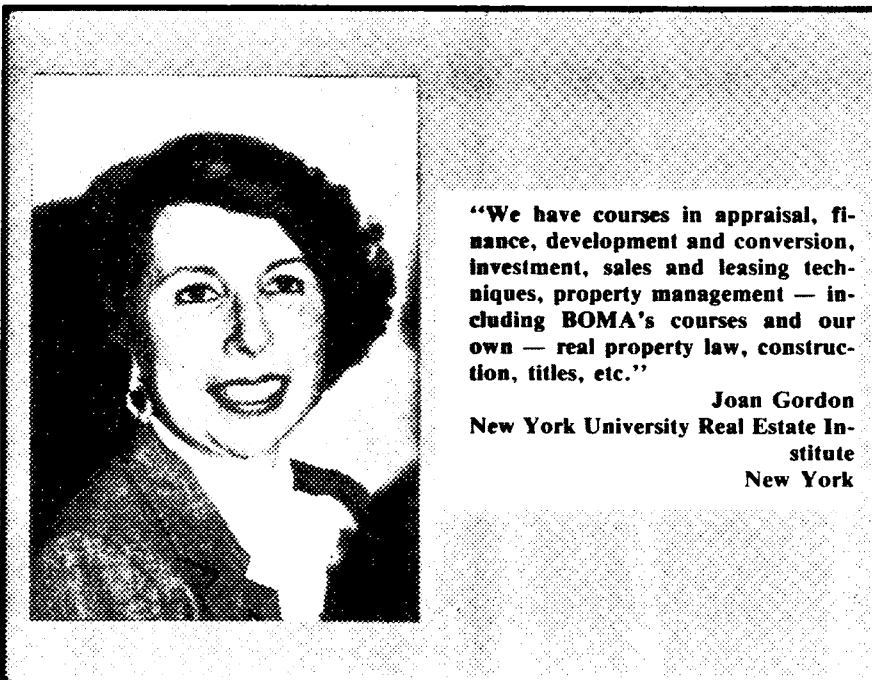
Not surprisingly, the academicians have a different view. "Yes, we teach theory, but we also try to teach the application of theory," notes William Legg. "Our people are taught logical concepts, and are taught to take a holistic view of things. Experience is fine, but it doesn't give one a broad frame of reference in which to operate."

But Jim Graaskamp admits that you "can't create a complete real estate practitioner in the classroom. However, the technical aspects of the profession can be learned better in the classroom. The major problem with relying on experience alone is the assumption that the apprenticeship is thorough. What we try to create is a sensitivity to a great variety of disciplines. I would say that 75% of the battle in real estate is being able to properly define the problems you face."

"You obviously need a combination of education and experience," says Terry Grissom, "but the educational component is becoming more and more important. Many of the people coming out of real estate schools today are better prepared to deal with current problems than those with just experience, because some of them are trying to apply old solutions to new problems."

"You know," he adds, "some people call us number crunchers, while others think we're too technical. But let's be honest. When times are good, you may not need that extra edge in sophistication, but today, a lot of consulting firms, developers and institutions really need the pencil-pushers."

And the need for those "pencil-pushers" is graphically illustrated in a recent



"We have courses in appraisal, finance, development and conversion, investment, sales and leasing techniques, property management — including BOMA's courses and our own — real property law, construction, titles, etc."

**Joan Gordon
New York University Real Estate Institute
New York**

Education

survey of 500 alumni of the M.S. degree program at Wisconsin. According to the Wisconsin survey, 17% of those surveyed work for banks and subsidiaries; 15% for life insurance companies; 14% for development firms; 10% for appraisal firms; 6% for investment companies; 7% in teaching; and 5% for family real estate firms. Mortgage insurance companies, research firms, law firms, architectural/engineering firms, property management firms and corporate real estate management each showed a 2% response or lower in the survey.

But Ralph Hook of the Huntress firm believes, no matter what area of real estate one pursues, that education alone is not sufficient training. "Educational programs in real estate," he says, "no matter how well organized and implemented, are not viewed as a total substitute for on-the-job experience, but instead are viewed by employers as a valuable base from which to gain good experience."

'Continuing Ed' grows

Even as our universities evolve with the changing industry, various trade organizations and institutions of higher learning are taking steps to upgrade the continuing education programs that are available to working real estate professionals. "I've seen tremendous improvement in the professional courses run by BOMA (Building Owners and Managers Association) and NAIOP (National Association of Industrial and Office Parks)," says Peter Small. "And some professional designations, like the CPM, are very difficult to earn."

Roger Juszcak says the fact that a number of the courses offered by trade organizations are accredited for fulfillment of professional continuing education requirements is significant, "because it tells you that the level of instruction is pretty good."

But Jim Graaskamp is not so sure. "I'm not convinced such programs are beneficial — especially some of those run by NAR (the National Association of Realtors). "They're presented by NAR members to NAR members, so

"Graduate degrees in real estate from leading schools such as the University of Wisconsin are definitely being sought out, and the program's graduates receive a premium over salaries offered to others without specific real estate educational courses."

**Sandford I. Gadient
Huntress Real Estate Executive
Search, Inc.
Kansas City**

it's all kept within their own special group. Their exposure is limited."

One of the broadest programs for continuing education can be found at the New York University Real Estate Institute, in New York City. According to Joan Gordon, assistant director of the program, "We have courses in appraisal, finance, development and conversion, investment, sales and leasing techniques, property management — including BOMA's courses and our own — real property law, construction, titles, etc. We have a series of 150 non-credit courses, and we have a diploma course in real estate investment analysis."

The institute has over 10,000 students, and the objective of the program is to "help the students develop skills in analytical and investment techniques," says Gordon. "It is a pragmatic program, incorporating hands-on case studies. Our faculty are all practicing real estate professionals, so the learning experience is not restricted to text books." Faculty at the NYU program have included Larry Silverstein, Bernard Mendik and Henry Hart Rice.

Since future graduates of real estate programs will play a major role in the evolution of the real estate industry, real estate organizations could help ensure their own future prosperity by helping to further the cause of education, according to Sandford Gadient

and Ralph Hook of the Huntress firm. "Academic programs could be blended with working internships offered by real estate companies in most metropolitan schools, to provide on-the-job education," they recommend. In addition, "Real estate companies could offer more scholarships throughout the country geared to attracting top students with limited financial means to the real estate field by providing scholarship assistance. And real estate entrepreneurs and major companies could endow real estate chairs in real estate to offer additional real estate courses within the college of business or economics departments of major universities."

Schooling's importance to increase

The Huntress firm feels that formal education will become even more important in the next ten years than it has been in the last ten. "It appears that during the next ten years as more real estate companies become managed by experienced executives (rather than the entrepreneur-founders, who in many cases are reaching retirement age), the proper real estate educational background emphasizing the multi-disciplinary approach will be viewed as being even more vital, thus increasing the value of a degree emphasizing real estate from an accredited college," says Sandford Gadient.

"In the future, we will see a significant review of what the appropriate philosophy of real estate should be," predicts Jim Graaskamp. "Is it an extension of the financial market? Is it entrepreneurship — should we teach development? Perhaps we will see evolution in a third direction, towards the American equivalent of a Chartered Surveyor — a real estate 'Renaissance Man.' And hopefully, there will be a clear dichotomy between the broker and the asset manager."

This "Renaissance Man," says Roger Juszcak, will perhaps have a better overall understanding of the various disciplines involved in real estate than his predecessors. "Such an individual will be able to sit down with an architect, or an engineer or a leasing rep, and not be intimidated," he concludes. □

THE Wisconsin Mafia



"Mafia" is not a term they like to use. Yet "social club" hardly describes the 60 or so University of Wisconsin/Madison graduates who have invaded the Twin Cities real estate industry with great force.

Their names aren't "Lefty" or "Big Tuna," but their presence is felt and respected by many. They band together at professional organization meetings, and they don't think twice about calling an "associate" in another city.

While they're really harmless now, they are slowly, but surely moving up in the ranks of many of the Twin Cities' big name development, banking and real estate firms.

And the "godfather" of these gifted children of real estate is Dr. James Graaskamp, nationally known real estate professor at the University of Wisconsin.

Godfather? "That's an unfortunate term," Graaskamp chortles, "but, yes, I guess that's true."

The Wisconsin mafia—or "connection," as most of them prefer to label it—is a well-organized group of alumni who have all toiled at one point or another through the Real Estate and Urban Land Economics program at UW, headed by taskmaster Graaskamp, a.k.a. "Chief."

They have a local and national directory, updated annually, that tells them where their colleagues are working. They meet regularly for such social functions as the Twins/Brewers games. And they brainstorm every two years in Madison at alumni seminars.

They're bonded by their mutual interests in real estate, but, oh, there's so much more than that.

"Everybody's in the industry, so every time you have a need or something like that, you touch base with the Wisconsin people," says Frank Dunbar, class of 1975, formerly with the Boisclair Corp. but started his own firm, Dunbar Development Co., earlier this year.

"There's a tremendous advantage having that association and maintaining that association after people get out of the program. . . . It's just kind of a good feeling and relationship—it's easy to do business if the opportunity presents itself."

"If you're in the program, you're in it up to your eyeballs," explains Bryant Wangard, a 1979 graduate and vice president of investments at Opus Corp. "You worked tremendous hours. Most of the group who went through the program were extremely motivated to get through—they used to call it a combination of boot camp and med school."

"The only way you could get through was if you hooked up with a number of other students."

"That's kind of why this Wisconsin Mafia business (came about)—they force you to work so tightly together that it creates this camaraderie that lasts well after you've graduated."

Dianne Orbison, class of 1977 and an investment officer of real estate at MSI Insurance Co., believes that the mafia is more networking than anything else. "I think the

mafia connection primarily has been said in jest. It does, unfortunately, have a negative connotation, which is not particularly good for the program.

"But I think it's the fact that these people have gone through some really demanding times—Graaskamp is demanding with his students, and many people have said that working afterwards is much easier than going through his program," says Orbison, who heads the Twin Cities alumni chapter.

"The networking is really great, there's no doubt about it. And it's particularly strong in Minneapolis—I think because of the fact that we're so close to Madison. But there's more to it than just networking—we have a good time together," she says.

"The network and the NAIOP (National Association of Industrial and Office Parks) are probably the two greatest connections up here," says Jeff Wieckert, '81, development representative for the Boisclair Corp. "And it's nice to call someone and have the automatic rapport. There's some definite business connections, but you have to be careful if you're talking to a competitor."

It's not only the affinity that fraternizing with college buddies brings—whether they're age 45 or 25—but it's the meritocracy that Graaskamp and his cohorts at Wisconsin demand in what's touted as the "pace-setter" in university real estate education nationwide.

"One of the things I learned that has helped me the most is more a way of thinking than just a head of knowledge," says Colleen

Carey, '84, financial analyst for Turner Development Corp.

"What separates Wisconsin in philosophy is that we recognize that good real estate decisions require more than fancy or sophisticated financial structuring," according to Dr. Michael Robbins, assistant professor at UW. "There are so many things to consider when you design a building for a commercial center: the market, the customer, the population, the economy, the politics, the environment—all have to be evaluated before you get down to the financial structure."

"The Wisconsin tradition is direct and indirect attitudes of land impacting upon that—and Graaskamp's insistence that the student understand all the aspects behind real estate decision-making." The multi-disciplinary program integrates urban land economics and real estate with urban and regional planning, law, engineering and agriculture.

Graaskamp, known as a jack of all trades—he has a bachelor's in writing humorist essays, a masters in security analysis and a double PhD in risk and urban land economics—came to UW in 1958 after having taught insurance at Marquette University.

By 1964, his teaching had become exclusively real estate. "But I brought to real estate a background of techniques from other disciplines, which were not applied to real estate at that point. For example, computer modeling cash-flow analysis, we were the first ones to do that. We were the first ones to do the kinds of marketing research by the realization of non-verbal communication that goes on in

Dozens of University of Wisconsin alumni are working their way up the local real estate ladder. And they're 'networking' like hell.

BY JENNIFER WATERS

real estate marketing.

"I have a very multiple career basis," he continues. "I've always done two things at once." Besides teaching full-time since 1958, Graaskamp has sold insurance and homes, and developed a group of companies for land development, single-family homes, brokerage and consulting. Today, his Landmark Research Inc. is purely a consulting business doing valuation for litigation as well as feasibility and marketing ventures.

Graaskamp, 51, revels in the accomplishments of his students, and could talk for hours about the program and the real estate industry. Paralyzed by polio while in high school, he sits very still in his wheelchair while his eyes dance around the room as he talks about his "kids" and the education he helped them attain.

"Real estate, as we teach it at the university, is a very holistic field," explains Graaskamp. "It involves virtually every major issue of our time, and the reason it's fun to teach is that it allows me to have an eclectic curiosity about whatever's going on as we structure the way we do things like medicine or we restructure our lifestyle.

"For example," Graaskamp continues, "looking at office space and marketing that—not only would you segment it to the downtown market and the suburban market, and between the small town and the large town, now we're beginning to look at those kinds of tenants whose customers come to them and, therefore, they want the building to impress a potential client with taste and status of the tenant.

"It's the same kind of tactile stimuli that you provide for a single-family home," he says. "Traditionally, you have the blue stone sidewalk and you have the small, friendly textures and the warm colors of the frontage—all these things were nonverbal communication about the care and detail of which the builder thought about the project.

"Now we're going into the same nonverbal communications in office buildings . . . with textures, colors scents.

"One of the suburban office developers said he sprays the sidewalk from the parking lot to the entrance of his new office building with a scent of fresh mown grass every morning, and then he carefully selects the hardware to have a very firm texture so that every part of the office building you touch—your feet on the quarry, your hands on the door-

"Real estate, as we teach it at the university, is a very holistic field," explains Graaskamp. "It involves virtually every major issue of our time..."

knobs—all those sort of things sell the building.

"Real estate is becoming a very integrated subject area and you do a great deal of sensitivity analysis. What's become possible as a result of the mini-computer and the computer is that we can teach students in the first class cash-flow analysis and the dynamics of interrelationships that you can accomplish by investing in certain features in the building. And then how that affects the operating costs and financial package and so on.

"And then you can start doing sensitivity analysis. . . And now with the new intergraph methods in which you begin with the visual dynamics that the architect would work with, let's say on an office building module—I can first design a desk module of different types and then I can assemble a building out of those three-dimensional, and at the same time, I can have all those interrelated to financial components and see as I change my physical geometry of the building how I change the operating characteristics of the building—incredible power in the computer.

"As a result, all of our students are drilled on spread sheet analysis and computer

graphics and the capability that provides for analysis. Then we try to take a business student and sensitize him to architecture—it's amazing how curious people are of things they took for granted."

And, as a result, all Graaskamp's students walk away with a broad background in business, real estate and at least three vital thinking methods that the Chief has instilled in them.

"First of all, I would like (my students) to have a sense of ethics of what they're doing," Graaskamp says. "Man's the only animal who builds his terrarium around him as he goes, and real estate is the way we build that terrarium. That has a very high social content, of which I would like to set that gyroscope early because it's easy to lose sight of that detail of every day transaction.

"Secondly, I would like to have them understand that there are no answers at the university. All we can teach them are systematic ways of asking questions. Teaching them to dig and challenge the implicit assumption—take nothing for granted," he says.

"Third, hopefully we have sensitized them

to the holistic nature of what they're doing and that's why it's intellectually fun to do. Life's too short not to be in a vocation that is also avocational, therefore, they really should have fun at it."

Graaskamp says his job is a little bit like being a vicarious father and watching your kids just sort of blossom and take off. "Some of them have just done fabulously well, and some of them are just on the brink of doing well.

"We're a very young program, and as graduates go, we keep growing in size—it's going to be just a couple more years until they reach positions of very significant influence.

"My basic attitude," he says, "is that we started out with some really good young people to begin with, and we didn't do them any harm."

If his understanding and depth of knowledge are all a facade, he does, indeed, have his students fooled. And his loyalty to them is only a reflection of theirs to him.

"He is an excellent teacher," says Peter Hitch, '71, senior vice president for Wells Fargo Realty Advisors. "What he's able to do is make education enjoyable, considering what can be such a dull subject. He's a very bright and entertaining individual, very glib.

"He's totally dedicated to his students and not just to his own ego. Foremost in his mind were his students, and not his own endeavors," he says. "And the loyalty—one feeds the other. His dedication created the loyalty, not vice versa."

"You know," says Bryant Wangard, "Graaskamp could make tremendous amounts of money in the private world, but he enjoys teaching, he enjoys students. He gets, as he calls it, the 'psychic income' from watching these students grow, mature and become successful in their own right.

"He's modest to a certain degree," Wangard continues. "He has an ego about him, and he should—the guy is probably the closest to a genius of anybody I've ever met."

The Minnesota Real Estate Journal is published bi-weekly (beginning October 1985) by Shelter Tech Media Company, 7701 York Avenue South, Suite 390, Edina, MN 55435; Paul D. Hagstrum, Jr., president; Christopher R. Barlow, vice president; Mary T. Carlson, publisher. For subscriptions, phone (612) 893-1816.

LETTERS TO THE EDITOR

who failed to see the light in time. It is called the Executive Management Seminar Series. I have attended only one seminar; however, it was taught by the master himself, Dr. James Graaskamp. Some people think "Chief" is hard to get along with, but demanding is what he is.

Jennifer made another mistake. She didn't write enough good things about him.

I will continue to attend more seminars at Madison in the future as I find them enlightening and thought provoking. What the hay, if you can't beat 'em, join 'em!

Leigh Lenzmeier
Real Estate Services

To the Editor:

I have a major criticism of Jennifer Waters' June 1985 article, "The Wisconsin Mafia." The effort was not complete. To get the real impact of the Madison Mob, Jennifer should have interviewed people who have experienced competing for jobs with them.

In June 1983, I earned an MBA and sought my fortune in the metro real estate market. On two different occasions, I was one of the last two candidates for job openings and each time was beaten out by a University of Wisconsin person. One time I didn't even get to the final pair—two UW people did. At that time I decided to find out what was going on in Madison.

I found there is a program for those of us