

The Promise of ARES: A Past AREUEA President's Perspective

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Abstract. The promise of ARES is that it provides a forum in its annual sessions and publications for research and teaching materials on managerial decisionmaking aspects of real estate. It offers an environment at annual meetings for the active participation of all members, and a way of networking on all sorts of issues real estate faculty may be faced with at their own colleges or universities.

On the twentieth anniversary of the American Real Estate and Urban Economics Association in 1985, a special session at the annual meeting was devoted to a review of the accomplishments of that association and its prospects for the future. William Kinnard, a founding member of AREUEA, reviewed the original need to establish an academic organization of real estate faculty separate from the National Association of REALTORS (Kinnard, Berkman, Nourse, and Weicher, 1988). Real estate faculty chose the Allied Social Sciences Association meeting as the place to start in 1965. A key problem initially was the name. The founders wanted to call it the American Real Estate Association, but received comments from the National Association of REALTORS that the name was too similar to theirs and would be confusing. In the interest of promoting membership and attracting other academics with an interest in real estate, the name finally chosen was the American Real Estate and Urban Economics Association (AREUEA).

The attacks on the academic quality of real estate courses from the 1959 Ford Foundation and Carnegie Reports on the state of business education encouraged the founders to use, by association, the rising and related field of urban economics to increase the prestige of the field. The early years were a struggle, and the discussion during those early years is amply reviewed in the proceedings of the anniversary session of AREUEA.

The *AREUEA Journal* became, for many years, the only prestigious place to publish academic articles on real estate topics that were devoted to real estate issues, as opposed to publishing in finance or economics journals on real estate topics that illustrated some point of finance or economic theory. The drive for prestige and excellence of papers at annual meetings that would result in quality publications for the *Journal* may have resulted in editorial reviewers and officers being extremely critical of each other's work. The model for quality work became the economic and finance journals, probably because real estate has its historical academic roots in land economics.

As a result, the topics addressed became more driven by current issues in economics and finance, than in real estate. Furthermore, the purpose of being only a scholarly forum

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on these issues neglected the needs of the majority of real estate professors dealing with the everyday battle to maintain their courses in business schools and with the problems confronted by real estate practitioners that needed attention. Finally, around 1983, dissatisfied AREUEA members began a separate "Southern AREUEA meeting," which eventually turned into the American Real Estate Society (ARES), as reported elsewhere in this issue.

At the AREUEA anniversary session in 1985, I suggested that AREUEA was not meeting certain needs of its core membership—real estate faculty—and that unless something was done, the new organization would perform that task. At that time, being conscious of travel expense considerations, difficulties in devoting time to more than one organization, and the potential lack of manuscripts for producing (with comfortable regularity) four issues per year of the *AREUEA Journal*, I suggested that only one organization would survive. That organization would be the one supporting the core membership—the real estate faculty.

As with most forecasts, this one turned out to be wrong. Not only have AREUEA and ARES survived *together*, but four more academic journals have been created: *The Journal of Real Estate Finance and Economics*, *The Journal of Real Estate Research*, the *Journal of Real Estate Literature*, and *The Journal of Real Estate Portfolio Management*.

One prediction that I made has proven correct. The organization that would meet the needs of the core membership—academic real estate faculty—would thrive. That organization is the American Real Estate Society. In a much shorter time than AREUEA, it has reached over 1400 members. While AREUEA still publishes one journal, ARES publishes not one, but three journals, and a monograph series, as well.

There are several points to discuss with respect to the needs of the core members, who are real estate faculty in colleges of business, that may not apply to economists, finance faculty, practitioners, geographers, or planners. A few of these points may be relevant for some of these other professionals, but most are relevant only for the real estate faculty.

Economic Modeling. Economic modeling assumes smart rational decisionmakers who are fully informed. Economists usually assume away the management problem—the problem of decisionmaking in an ambiguous situation with uncertain and partial knowledge, whereas management faculty consider it to be the major problem of study. Real estate faculty in a business school, addressing the problems of professional brokers, managers, lenders, appraisers, and developers, are continually confronted by the management questions in discussions with practitioners and their business students, especially MBA students. The ARES journal, *The Journal of Real Estate Research*, has as its purpose to concentrate on research in business decisionmaking: "The American Real Estate Society has a special interest in research that can be useful to the business decisionmaker in areas such as development, finance, investment, management, market analysis, marketing, and valuation. Manuscripts that are public policy-oriented are discouraged." Although the *Journal of the American Real Estate and Urban Economics Association* emphasizes that it is interested in all aspects of real estate, the title now emphasizes Real Estate Economics in bold white letters compared to the rest of the title, and the reviewers seem to approve only papers that rigorously use economic modeling. *The Journal of Real Estate Finance and Economics* appears to want state-of-the-art methodology in economics and finance modeling. Thus ARES' *Journal of Real Estate Research* is currently the only one directed to management decisionmaking issues.

Real estate as a field of study will not survive in colleges of business if the subject continues to be taught as simply an application of economic theory to real estate markets, an application of finance theory to real estate investments and mortgages, or as an industry study applying the functional fields of business—marketing, operations, finance—to problems within the real estate industry. None of these approaches justifies a separate field in real estate to be taught in a college of business.

As Art Weimer has written, however, “the central theme of the real estate courses offered by the School of Business Administration should be the development of the necessary knowledge and ability to enable future business managers to deal effectively in this area and to make sound decisions regarding the purchase, use, leasing, development, and financing of real estate resources in the operations of a business enterprise” (Weimer, 1956).

In 1990 I added that real estate is an important integrating course in the business school curriculum that links marketing, operations and finance to profits and shareholder value through real property decisions (Nourse, 1990). Just as the first course in finance has shifted from Money and Banking, to Financial Institutions, to Financial Management, the first course in real estate should shift from Real Estate Law and Urban Land Principles to Managerial Real Estate.

Porter and McKibbin, writing for the AACSB (1988), evaluated current management education and offered several suggestions for its improvement. One of their recommendations was that more cross-functional courses should be offered because business problems usually do not appear as exclusively those of one function of business. Another was that material should be included that developed “soft” people skills (without reducing quantitative work).

“The managerial real estate course meets both of these suggestions. As we have noted previously, real estate decisions link marketing, finance, operations, and shareholder value. Although discounted cash flow methods must be used to show these linkages, some emphasis needs to be placed on the role of negotiations (a people skill). In a managerial real estate course, discounted cash flow methods are used not to make decisions, but to prepare to negotiate, since real estate prices or terms are not given, but must be negotiated. Negotiating is not only a way of implementing decisions, but a necessary way of making decisions about real estate choices and of creating credibility for real estate opportunities within the corporation” (Nourse, 1990).

Real Estate Niche. Real estate faculty often are fighting the same battle as those in insurance, legal studies and management science—the battle for survival in a business school that is dominated by finance, management, marketing, and accounting. Today we might add, management information systems. A student can only take a certain number of business courses for a degree in an AACSB-accredited school of business. Therefore, real estate faculty are always trying to carve a niche in the curriculum, and doing so without the advantage of students being required to take at least one course in the subject. Thus, real estate faculty discuss and cuss the role of real estate in the business school body of knowledge and try to systematize in some way a *real estate* body of knowledge that reflects its importance in the business world. ARES has addressed this problem in many panel sessions. As noted above, the direction ARES has taken to concentrate on managerial decisionmaking is the key to carving an appropriate niche in a College of Business Administration.

Cases in Teaching. The emphasis on decisionmaking leads naturally to the use of cases in teaching. ARES has always run one or two sessions on teaching cases for real estate at its annual meeting. The development of a case databank has been a goal. Now, with the *Journal of Real Estate Literature*, there is the opportunity to publish such teaching cases in a refereed journal. This enhances the publishing opportunities for real estate faculty and provides new case material for our teaching efforts. Case research is also useful in exploring decisionmaking problems in a rigorous way; *The Journal of Real Estate Research* has published a few such papers. These methods are not explored in AREUEA meetings or its journal.

Computer Software. In the same way, ARES, in its *Journal of Real Estate Literature*, has included a section reviewing computer software, such as GIS, that is important for real estate faculty. Such software is an important managerial decisionmaking tool in real estate. But there is a great need to learn its purpose and limitations. Too often students and managers let the software make decisions rather than using it as a tool for analyzing or adding information. Economists in AREUEA are more interested in research software than decision software, and do not see discussions of computer software adding to economic knowledge.

A Critical but Congenial Environment. Curiously, the audience at an AREUEA meeting is assumed to be passive. One goes to listen; or one goes to present; or one goes to be an official discussant. Often official discussants are less informed about a paper than members of the audience, and since performance is the objective, there is a tendency to find ways of putting down the authors rather than finding ways of improving the methodology, data, purpose, or techniques in the paper. Such discussants usually talk about the paper they would write rather than the one written. At ARES meetings, on the other hand, there are no official discussants, but there are usually several researchers who have tried to study the same problem, used the same data or method, and have many useful comments for the researcher(s) to improve their work. There is more active participation; it is expected.

Doctoral student sessions at AREUEA and ARES illustrate many of the differences between the two organizations. At AREUEA meetings doctoral students are invited to a special session during which they are lectured by editors or senior members of the association about how to get ahead, what kinds of articles are being accepted by the journals, etc. It is as if no student ever had a major professor to advise him on career objectives, publications, etc. At ARES meetings doctoral students are invited to a special session at which they present their dissertations. The audience takes "pot shots" at the research, but there is give-and-take between the candidate and the audience. Afterwards, the candidates are invited to dinner with the officers and Board of ARES in order to become better acquainted.

Another favorable aspect of ARES is the election of officers and Board members. The elections take place at the annual meetings. To be elected, one has to be present. The purpose is to elect people who will contribute to the organization, as opposed to electing someone just because of his/her prestige. This creates a long, active business meeting, and it results in officers who actively contribute to the organization.

The Singular Meeting. Finally, ARES meets separately from other academic associations. AREUEA could never meet separately from the economists because most of its

economist members would vote against such a move, and would drop out. Although real estate faculty need to look far and wide among other disciplines for new techniques and ideas, it is necessary to be able to meet together once a year to discuss with each other, outside of sessions, the common problems we face as real estate faculty. In particular, there are no external constraints from other disciplines as to what our own goals should be. Since the group is smaller and in one place with only four simultaneous sessions, one easily meets everyone at the meeting. Besides, as a smaller group than the Allied Social Sciences Association, ARES can meet in such pleasant places as Key West, Orlando, Lake Tahoe, and Fisherman's Wharf. What a wonderful bonus!

Concluding Remarks

Thus, for me, the promise of ARES is that it provides a forum, at the annual sessions and in its publications, for research and teaching materials on the managerial decisionmaking aspects of real estate brokerage, management, marketing, lending, and appraisal. It offers an encouraging environment at annual meetings for the active participation of all members. It affords a way to improve networking among colleagues on all sorts of issues that real estate faculty may be faced with at their own colleges or universities. As a bonus, it gives one the opportunity to explore cities other than New York, Chicago, Washington, Los Angeles, and San Francisco in the middle of winter.

These characteristics have in fact enabled ARES to increase in size much faster than AREUEA did. Not only is ARES already the same size, but it supports three journals and a separate annual meeting for which time and talent must be expended to search out, find, and negotiate an appropriate meeting place. The list of contributors working hard to build the organization is very long. As an active organization, all of the officers, the editors, reviewers, paper presenters, session chairpersons, and involved participants have made ARES what it is today.

The promise of ARES is the future of real estate as a separate field of study. Real estate will not survive as a minor application of economic theory, or as one aspect of financial markets. Unless we think of real estate as managerial real estate linking and integrating real property decisions across functional fields of business, real estate may not survive as a field of study in the College of Business Administration. ARES provides leadership in developing this focus and professional support for real estate faculty as a separate group. That is the promise being fulfilled.

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