

# The Current Body of Knowledge Paradigms Used in Real Estate Education and Issues in Need of Further Research

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*Abstract.* The ARES Body of Knowledge Committee surveyed its members in order to uncover the current state of the art in the practice of the body of knowledge (BOK) and skills that generated a series of conclusions and recommendations. One important conclusion was that the questions and issues surrounding the BOK are too large for one individual or group to address effectively and that ARES should continue to sponsor the BOK committee, BOK presentations at its annual meeting, publication of articles in the *Journal of Real Estate Literature*, periodic surveys, and coordination with BOK committees of other allied organizations. The BOK needs continual research and discussion before it can evolve into a final paradigm that is acceptable to all users.

## Introduction

Our chosen area of teaching and research labeled “real estate” has struggled for many years to determine its body of knowledge (hereafter, BOK) and obtain a consensus of opinion. A number of differing paradigms have been developed that contain contrasting levels of knowledge and skills (see Jaffe, 1991; Pearson, 1989; Seldin, 1992). Evidence of this contrast can be seen in the programs of the annual real estate conferences that contain research on widely diverse topics. Further evidence is seen in the schools that have terminal degree programs consisting of very different subject matter (Dasso and Nourse, 1991). The conclusion that can be drawn from this is that the area of real estate has not yet progressed through the early stages of evolution of analysis and discussion that would achieve the first level of delineation and consensus of opinion on the real estate BOK.

Other related academic fields have addressed this issue successfully and have moved past the first step of delineation and consensus. For example, the “finance” field generally agrees on the basic content of knowledge and skills at both the undergraduate and graduate level. A student enrolls in courses that teach the three areas of (a) investments, (b) financial management, and (c) markets and institutions, and field exams and dissertation topics come from these three. Furthermore, a future employer is aware that this set of knowledge and skills will be received when a finance doctorate student is employed. The only questions to be resolved among candidates concerns quality, experience and motivation. Similarly, the same level of evolution has occurred in the economics area where students enroll in courses and demonstrate proficiency in subject

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areas that cover (a) microeconomics, (b) macroeconomics, and (c) monetary economics or institutions.

The essential question that continually arises is, will the real estate area ever make the commitment to evolve through the initial stage of delineating the general BOK to acquire a general consensus on knowledge and skills that may be practiced and communicated to our colleagues? Also, who can do it? Is this task too complex and insurmountable for one individual, or is it an appropriate job for ARES or other organizations?

The Board of Directors of the American Real Estate Society made a two-year commitment to study the current state of evolution and discussion on the real estate BOK<sup>1</sup> and make a recommendation for future research. This topic was appropriate for ARES to investigate since it is consistent with the ARES *Constitution* that states as a purpose to "encourage research and promote education in real estate and closely allied areas," and "improve communication and exchange of information in real estate." (ARES *Constitution*, Article II, 1991).

The purpose of this chapter is to present the conclusions of the two-year investigation and suggest a path for future inquiry. This study will not attempt to suggest another academic paradigm of its own. It will not compare and contrast the well-known models already in existence, since that has been done in other places. It will identify the known paradigms and the relevant issues, and make suggestions for future research. The intent is to assist the real estate academic community by providing a current identification of the various approaches to the teaching of real estate thought. Once the state of the art is known, it will serve as a guide for others who are developing programs and identify areas of further needed exploration.

## **The Known Paradigms, Conclusions and Recommendations**

### ***Published Research***

The published research on the real estate BOK is not lengthy and is not traditional in the sense of testing a research hypothesis. The preponderance of articles appears in other allied journals such as *The Appraisal Journal* and *The Real Estate Appraiser and Analyst*. Although our profession consistently voices a concern over the lack of a BOK, an article written on this topic appears to have difficulty being published in the more academic journals. Our own *Journal of Real Estate Research* has never published a research paper on this topic, although the annual programs have included lively presentations and discussions.<sup>2</sup>

Many reasons can be advanced for an explanation. These include a lack of knowledge as to the correct hypotheses for investigation, a wide difference of opinions, difficulty in designing a questionnaire, difficulty in obtaining a response rate to surveys, lack of agreement on the conclusions, lack of funds to support a survey, and little probability of obtaining a refereed article publication. Therefore, many of the paradigm discussions, including those few articles in the refereed journals, are in the form of thought-pieces where the author attempts to advance his or her own perceptions.

This leads to the first conclusion by the committee:

- A: Academic papers with the traditional research hypothesis and known statistical testing are not being generated and most likely, will not be produced in the future.

Several recommendations have been made based upon this conclusion:

- R1: *ARES should continue to support a BOK committee.* Attendance at the BOK presentations done at the annual ARES meetings indicates a continual interest. Other allied groups, such as the Urban Land Institute and The Appraisal Institute, have BOK committees that continue to investigate and make recommendations.<sup>3</sup> In addition, this material must be generated by the industry and communicated to educational institutions for implementation. Otherwise, the institutional providers of a significant portion of this education will be producing course content without industry input.
- R2: *ARES Journal of Real Estate Literature (JREL) should solicit BOK articles.* Since the traditional research hypothesis and data-gathering may be absent, *JREL* is the logical place for these articles. If a paper should have a strong research emphasis, the author always has the choice of submitting it to the traditional research-oriented journals.
- R3: *ARES should continue to support BOK sessions at the annual ARES meeting.* The annual convention is the logical outlet for critical discussion.

### ***Current State of the Art***

A major step forward could be achieved by documenting the current real estate BOK and knowledge and skill levels that are being taught, since the literature is a void as to the current state of the art. The surveys that have been done concentrate on specific topics such as development (Berens, 1992), or ask for a listing of courses and degrees (Sirmans, 1992).

Therefore, a comprehensive questionnaire was prepared and sent to all academic members of ARES who were employed by four-year institutions.<sup>4</sup> It asked for the respondents to provide information on topics, such as a listing of each real estate course taught at all levels, qualifications of the instructors, additional homework assignments that could involve fieldwork, required textbooks, and the use of a financial calculator and personal computer. Schools that offer a terminal degree were asked to provide questions from their field exams. This questionnaire was mailed during 1991 and the results presented at the BOK session at the annual ARES meeting in 1992 (Epley, 1991; Isakson, 1991; Dasso and Nourse, 1991). These results lead to the second conclusion.

- B: Undergraduate curriculums do have similarities in that a majority of schools require students to complete courses in the areas of (a) principles, (b) real estate finance, (c) law and, (d) valuation. But,

The textbooks used varied widely and the qualifications of the instructors varied widely:

- at the undergraduate level, the instructors adopt and teach only the material in the currently available textbooks with few accompanying workbooks or outside assignments;
  - at the graduate level, the course description, text, course assignments, and qualifications of instructors varied widely;
  - at the schools offering a terminal degree, the field exam questions revealed a significant difference in emphasis (Dasso and Nourse, 1991).
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### *The Existing Curriculum Paradigms*

The existing paradigms for four-year institutions appear to be the following:

*Four-course "text-book" model in real estate.* This approach follows the traditional four-academic-course approach for an undergraduate degree. It was labeled the "text book" approach since it is easy and simply involved adopting a text, and teaching whatever is in the book. This typically includes a course in real estate principles, finance, law, and appraisal.

*Two-to-four-course model with an emphasis/tract/concentration in real estate without a major.* This approach is the same as the one above except a major does not exist, which means that fewer courses can be justified in the budget.

*Elective area within the MBA.* A school offering a graduate degree must begin with the master's level, since a doctorate obtains its core instruction and students from these courses. If the MBA is structured to allow electives, one to four courses can be offered.

These courses varied widely. A school offering only one MBA elective is more likely to offer an advanced principles or survey course as opposed to a school that offers four master's courses with specialization.

*Specialization with an MS in real estate.* A Master of Science in Real Estate consists of 24–30 graduate hours in real estate topics only. The schools that offer this degree are very few, and typically located in urban areas.

*Terminal degree in real estate.* A wide variety of concentrations can be found in the terminal degree requirements (Dasso and Nourse, 1991). The degrees include a Ph.D. in real estate that is awarded by a real estate department, Ph.D. in another field such as finance with a major in real estate, Ph.D. in economics with a concentration in urban and regional economics, Ph.D. in architecture, and a DBA in finance with a major in finance. Further, Dasso and Nourse (1991) used the results of the ARES survey to show that the concentrations on the field exams revealed significant differences in emphasis.

Other paradigms exist in concept and print that may or may not be implemented in the existing curriculum. These appear to be the following.

*Emphasis on development.* The Urban Land Institute (Berens, 1992) has continually supported the emphasis and teaching of real estate development. The two most visible applications are the Centers at MIT and USC. The ULI has supported this concept by sponsoring an annual educators' forum, publishing a newsletter on teaching in this area, and sponsoring a textbook on real estate development.

*Emphasis on land economics.* The Appraisal Institute has published a number of articles in its journal (Boykin, 1985; Brown, 1979; Ferguson, 1975; Graaskamp, 1976; Lahey and Webb, 1987; Pearson, 1989) on real estate education in general that reflect the perceptions of the author(s). Recently, the AI-BOK committee published a report (1993) that recommends an entry-level BOK for the SRA and MAI candidate. The Appraisal Institute educational material and BOK can be viewed as being based in land economics.

Land economics historically has been the basis upon which the subject of real estate was built at four-year universities (Graaskamp, 1976). Vestiges of this subject are still found in courses in regional economics and selected chapters in the principles and appraisal courses. One professional organization, the American Real Estate and Urban Economics Association, was founded on the concept of blending the real estate areas with the field of regional and urban land economics (Dasso and Woodward, 1980).

*Emphasis on analysis and decisionmaking.* Articles and references can be uncovered on the need for concentration on analysis and decisionmaking, since the practice of real estate in today's market is transactions-based. Included in this discussion is the recommendation for additional courses in asset management and corporate real estate analysis and management (Nourse, 1990; see also, Pearson, 1989).

*Emphasis on a systems or management approach.* Seldin (1992) and Weimer (1956) have presented convincing arguments that the field of real estate should concentrate on a management approach<sup>5</sup> of the various subspecialties such as financing the transaction, estimating its value, and employing an attorney to assure that the asset is in the marketplace at its highest and best use (see also Friedman, 1985).

*Emphasis on an employer need approach.* This approach suggests that the BOK be designed according to the needs of our current employers (Ferguson, 1975). The employers' opinions should be solicited to determine the content and emphasis of the curriculum.

*Emphasis on AACSB requirements.* This model suggests that the overriding concern for real estate acceptability is approval by the AACSB for one or more courses (see Carn and Rabianski, 1986). These different paradigms lead to a conclusion mentioned earlier:

- C: The real estate area has not evolved through the detailed debate that is required to delineate the topics and receive consensus among educators about the necessary knowledge and skills required. Furthermore, these paradigms are so diverse that the task appears too large for one person to address or resolve.

This conclusion leads to several recommendations:

- R4: *ARES should continue a periodic assessment of its members to determine the current status of the educational curriculum being taught. One method is through a periodic survey.*
- R5: *The task of assessing the BOK is too large for one individual to accomplish. The BOK Committee should seek alliances with other BOK committees in other organizations such as NACORE, AI, ULI, and the IDRC.*

## **Need for a Funded Consortia**

The conclusions and recommendations from above led to the creation of a funding request that was submitted to the U.S. Department of Education to support the creation of a consortium composed of selected academics and industry representatives. The objectives of this group over a three-year period were to identify a general paradigm for real estate in the first year, acquire consensus by discussing it at various meetings the second year, and propose a plan for implementation in the third year.

A small membership was proposed to create an environment where every member could maximize his or her contribution. Membership would require a workload that would involve individual surveys and research between meetings.

A number of groups were approached concerning additional funding and logistical support. The initial problem encountered was that each group had its own agenda that covered *only a portion* of the BOK as opposed to the whole picture. For example, the ULI was interested only in the development issues. The Homer Hoyt Institute appears to have an active BOK investigation, but it covers only selected specific topics on research (such

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as office markets). Unfortunately, the grant proposal to the USDE was not approved, and a sponsor has not been found who is interested in a total investigation of the BOK.

### **Need for Concurrent Survey of Employers**

The results of the ARES member survey indicated that the current paradigms had not been well coordinated with industry users of the academic product. Although advisory committees exist with industry personnel present, the topics considered appear to weigh heavily on research topics such as portfolio diversification and return as opposed to the academic paradigm to be taught.

An obvious recommendation is that the academic survey needs to be done concurrently with a survey of industry employers. The results should be coordinated and a jointly conceived curriculum developed.<sup>6</sup>

### **Conclusions**

This study makes a contribution to the identification of the state of the art and the real estate topics that are currently taught at the undergraduate and graduate levels. Further, it identifies the many paradigms that are currently in use.

The data and results have led to several conclusions. Perhaps the most important is that the real estate field of concentration has not evolved through the serious debate that is required to delineate its areas of study and to achieve consensus among its members in order to progress through the necessary skill levels required of its practitioners. In addition these paradigms are so diverse that the task appears too large for one person or individual to address or resolve. So it seems to make sense that all industry-sponsored BOK committees should seek alliances in the task of assessing the BOK. A serious effort to delineate the real estate BOK would be to establish a funded consortia between employers and academia to accomplish the task.

Perhaps the most important recommendation is that ARES continue its support of, and research and discussion on, the real estate BOK. Maintaining a creative environment will permit this area to evolve through research and discussion to a final paradigm that is acceptable to all users.

### **Notes**

<sup>1</sup>The ARES BOK Committee was formed in 1990 to assist the members by identifying the current state-of-the art paradigms in four-year institutions. The committee members were Hans Isakson, Joseph Rabianski, David Scribner, and James Webb, ex-officio. This article was written by the Chairperson and does not reflect the opinions of the entire committee. Hans Isakson contributed a great deal to the conclusions and recommendations, and James Webb made many helpful comments.

<sup>2</sup>BOK papers do not contain the research hypothesis, methodology, collection of empirical data, statistical analysis, and conclusions expected in a typical research paper. Since they are primarily opinions of the author, they cannot survive the traditional academic journal review process.

<sup>3</sup>Other BOK committees are operating in NACORE and IDRC. The suggestion for the funded consortia mentioned later in this chapter was motivated by a desire to bring them all together for a joint effort.

<sup>4</sup>Four-year institutions were selected to avoid the pre-licensing emphasis that appears to be present at two-year schools. This issue of including “brokerage” material in the academic paradigm has not been adequately resolved. In his recent survey of principles texts, Roulac (1994) identified the various levels of emphasis that the authors developed in their texts. For example, the Epley and Rabianski text contains a chapter on settlement in contrast to its absence in the Wurtzbech and Miles text.

<sup>5</sup>Philbrick (1993) recently reinforced this view of real estate as a strategic asset in a system of “services and processes.” His view is that the responsibility of the corporate real estate executive is changing in the current environment from managing a transaction to managing a process.

<sup>6</sup>The Weimer School of Advanced Real Estate Studies of the Homer Hoyt Institute has initiated a study of the BOK in *individual fields of research*, such as office markets. The intent is to identify the frontiers of knowledge in a setting that includes academic and industry representatives. Although this does not directly include the teaching paradigm, it can certainly produce selected information that may be useful in real estate instruction at the graduate level.

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