

The Evolution of the American Real Estate Society

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Abstract. The American Real Estate Society (ARES) started with the need for real estate academics to increase their applied research and teaching skills and grew rapidly as research practitioners realized the benefits of working with academics in their field. From its humble beginnings, ARES has grown to be the largest organization of real estate researchers in the world and has spawned a number of new real estate societies on a number of continents. The history of the ARES approach to being innovative and inclusive to all real estate thought leaders is chronicled in this article by two authors who met at one of the early pre-ARES meetings and have been both real estate academics and practitioners in their career.

As the real estate industry moves toward a new century, a major evolution is taking place. Expanded information, knowledge, understanding, and professionalism are happening throughout the industry. One of the main reasons for this most recent change has been the growth in educational level of people in the real estate field. More business schools started real estate programs in the decades of the 1970s and 1980s than during the rest of the century.

Since its inception in 1985, the American Real Estate Society (ARES) has made substantial contributions to the academic study and practical application of real estate. From the practicing professional's point of view, perhaps the greatest of these has been in the area of bridging the gap between theory and practice by facilitating communication between the academic community and the business community. Academics need guidance as to the problems facing the industry at the same time that the decisionmakers need new and better theories to apply to an increasingly complex world.

ARES has its roots in the combined efforts of academia and industry to increase the knowledge base and professionalism of the real estate industry through applied research and knowledge exchange. These founding roots can be traced back to some of the pre-ARES meetings held by a number of founding members. As an example, in April 1984, the authors of this article met for the first time at a meeting of academics who were attempting to share real world applied research and consulting ideas along with case studies for teaching. This group came together in New Orleans as the Southern AREUEA group. One author was from industry, considering a move to the academy due to an interest in teaching and applied research; the other, an academic who was looking to increase his expertise in helping the industry with relevant applied research. Over the next several years the authors traded places in their respective professions within real estate, one moving from the development field to the academy for teaching and research,

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and the other moving from the academy to the pension fund investment area and doing applied research. Through the years, the authors kept up their acquaintance at ARES meetings, and at the 1990 ARES meeting in Lake Tahoe they discussed the possibility of working together, which occurred shortly thereafter. This type of relationship typifies the academic-with-industry alliance and interchange so common among ARES members.

The evolution of ARES as an important force in the study and understanding of real estate is directly related to the development of real estate as an academic discipline and the cyclical movements experienced in the real estate marketplace itself. The academic study of real estate and the trends in the real estate marketplace over the last twenty years have many parallels. During the 1975 to 1985 period, the real estate industry boomed with new development to meet a growing population's needs. During this time academic programs grew at a similar pace. This was particularly true in states experiencing rapid economic and therefore, rapid real estate growth, such as: California, Texas, North Carolina, and Florida. During this period long-established programs in Wisconsin, Illinois, Indiana, Connecticut, Colorado, and Georgia also grew and flourished. Additionally, two types of real estate departments evolved at universities around the country. One was related to the area of finance; the other grew out of a real estate industry-based profession.

There are fewer industry-based programs than finance-based programs, but their evolutions are interesting. The program at the University of Wisconsin, one of the most famous industry-based programs, was developed around the appraisal profession by James Grasskamp. Dr. Grasskamp believed in a multidisciplinary approach to education and required students to take classes in related fields such as engineering and economics. He then brought the applications of those professions together for his students to help them understand real estate. The University of Denver program grew from a building trades focus that was started in 1947 and developed over the years into a real estate and construction management program in the school of business. This school's program is unique because it is the only one with a construction management degree within a business school, as opposed to a school of architecture or engineering. MIT started from scratch with a master of science program that was unique in that it began with a development focus in the 1980s as a program independent from both the engineering and Sloan School of Management programs, but allows students to take courses from each of them. The Georgia State University program evolved as a separate real estate program with professors from both urban economic and planning backgrounds. This program was the largest in the country during the 1980s with ten full-time faculty at one point, and a focus on market analysis not found in other schools.

The finance department real estate people faced a different challenge. During this entire period many real estate professors lamented what they considered to be the challenges of operating as a small, speciality area within a college of business finance department. Many programs did not offer a real estate major, frequently offering instead upper-division and graduate electives within a finance or general business major. However, most programs flourished within this setting. The challenges that were most often cited addressed the differences between the more practical aspects of the real estate field and the continued development of theoretical advances within finance. Many real estate faculty felt that their research for tenure and promotion was generally not considered rigorous enough, and finance journals rarely accepted applied research, especially in the real estate area. In addition, the interdisciplinary nature of the real estate

field required close cooperation between the business school and the critical non-business areas of architecture, planning, and urban and regional economics. At most universities little formal interaction traditionally exists between these disciplines; in fact, the very structure of the universities themselves tended to separate rather than integrate these fields. In most instances it was the responsibility of the individual real estate faculty member to pursue and develop a collegial relationship across campus. In addition, most business schools neither encouraged nor rewarded faculty who developed such relationships. Even with these many institutional programs having such distinctive foci, their faculty and real estate alumni continue to support ARES and its multidisciplinary approach to furthering knowledge creation and dissemination.

ARES helped remedy this lack of applied research with the development of *The Journal of Real Estate Research (JREER)*. *JREER* has become recognized as a leader in the presentation of academically rigorous—yet applied, decisionmaking-oriented real estate research. Furthermore, *JREER* encourages cross-disciplinary research and therefore directly supports the development of research relationships between real estate faculty and their cross-campus colleagues.

In the practitioners world, the pursuit of excellence in real estate research is a relatively new concept. Until the late 1980s it seemed that all one needed to know to succeed in real estate was “location, location, location.” In fact, as U.S. pension funds began to invest billions of dollars during the early 1980s, the only academic research that seemed relevant was directed at where to place the investors’ dollars. That is, studies were designed to indicate why commercial real estate should become an integral part of a pension plan’s multi-asset portfolio. This all changed with the oil bust of the mid-1980s, the financial services recession of the late 1980s, and California’s recession in the early 1990s. The large capital inflow from pension funds and financial deregulation caused massive overbuilding which resulted in the savings and loan debacle. Thus real estate’s “perfect investment” status was gone and everyone wanted to know how it happened and how to avoid future mistakes; suddenly real estate research was “in.”

Portfolio analysis, market and investment feasibility studies, appraisal methodology, and performance measurement all gained the attention of pension fund portfolio managers, trustees, their consultants, and investment managers. At the same time, with the emergence of the commercial real estate recession in the late 1980s and early 1990s, a lack of new employment opportunities caused many real estate programs to see declining enrollments as attractive job opportunities diminished and student interest waned. Declining student enrollments also meant fewer academic positions. At the same time investment managers looked at their research efforts and found they had none, or what they had was really a library/data-gathering function that looked only at historical trends and did not think much about the future. Therefore, they began to staff up new or reconfigured research departments headed by professional researchers, most of whom had significant academic and publication experience. For the most part, these researchers did not sever their academic ties and most will attest today that ARES was the one association that most clearly met their new-found professional need for academic integrity with practical relevance.

ARES has made a number of ground-breaking innovations that have helped the synergistic effects of academics and practitioners take root. The most significant is the establishment of the first practically applied journal in real estate, *JREER*, though the first real accomplishment was the annual ARES meeting which has had a nontraditional

academic format that allows for more than just presentations of papers. This academic practice of having one researcher give a paper while another is assigned to review and comment (either negatively or positively) has always had merit, but restricted researchers from presenting their works in progress. In many cases often those who did not have a fully developed theory or who were not well versed in academic debate were unwilling to submit their work to an inflexible system and thus their studies were never given critical exposure. Additionally, most of the traditional papers produced were too academic to interest industry people.

One of the main principles set forth by the ARES founders was that all researchers (academic or not) should have the opportunity to present their ideas in a nonconfrontational atmosphere, where all who were interested in listening would have the opportunity to comment on the work. This meant that new ideas could flow freely without fear of embarrassment. The ARES annual meeting was also designed to provide an attractive venue for gathering with colleagues and catching up on the latest research and industry trends. In particular, the panel discussion component of the annual meetings consistently attracts some of the most well-known research professionals.

ARES also became an innovator in its open-arms' efforts to get new researchers involved in the idea exchange process. Industry panels were a regular part of the first and every subsequent ARES meeting; an invitational doctoral seminar was established at the second annual meeting; and such new colleague-supportive affairs have been adopted by other organizations. Special issues of *JRER* devoted to specific issues or property types were quickly supported and sponsored by industry groups who would benefit from the research. More recently the *Journal of Real Estate Literature* was developed to allow for dissemination of a broad variety of additional topics other than applied research. These include case studies, literature reviews, book reviews, international articles, and doctoral dissertations. Scholarship and awards have been developed as well to help encourage, support and fund needed research in specific topical areas. Most recently *The Journal of Real Estate Portfolio Management* was created to address the need for institutional portfolio management of real estate investments. This *Journal* was intended to have a practical approach that would be understandable to typical institutional practitioners, thus filling a need for practical real estate portfolio management strategy and problem-solving. All these ARES developments help the professional community interact with the academic community in a truly productive fashion.

Today the annual ARES meeting is the one "must attend" meeting for all real estate researchers, whether on the academic or professional side. It is possible to be exposed to and discuss more ideas with more thought leaders of the real estate industry, than at any other meeting during the year. In the past ten years, ARES members have produced more practically applied research for the industry than any other organization has done in the history of modern real estate. ARES membership also mirrors the trends in the industry, as a larger portion of the ARES membership is now professional. And just as many academics have moved to the professional arena as demand grew and academic opportunities diminished. ARES is now regarded as a key organization in meeting the real estate research needs of the future.