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Date: October 1, 2013

To: David Eaton, Dean, Graduate School

From: John Schaufelberger, Interim Dean, College of Built Environments



Subject: Response to the May 31, 2013 Report on the Review of the Master of Science in Real Estate Program

On behalf of the College and most particularly the students, faculty staff, and alumni of the Master of Science in Real Estate (MSRE) program and the staff and advisory board of the Runstad Center for Real Estate Studies (RCRES), we wish to express our deep gratitude to the Graduate School and to the Review Committee for their efforts in conducting a comprehensive review of the MSRE program. We believe that the issues surfaced and the responses set forth in this document offer a working blueprint for how best to move the MSRE program forward. While there is much work to be done, the ultimate goal is to develop an interdisciplinary program with a reputation and stature that will attract students from around the world to study real estate at UW. To achieve this goal, both the Committee and the College share in the recognition that changes will have to be made, and quickly, as the enrollment levels achieved in the MSRE program over the past two academic years are insufficient to sustain a viable program. With this in mind, we engaged a large number of stakeholders with vested interests in the program and solicited their perspectives that form the basis for our responses to the issues and recommendations raised by the Committee.

It is important to restate where we are. As the Committee rightly points out, there are a number of unique assets associated with the MSRE program that have never been leveraged. First and foremost is the world-class reputation of UW as a Tier 1 research university. Second, we are geographically situated in one of the country's great gateway cities. Beyond the current state of the Seattle real estate market, which is the envy of most of the country, our geographic position provides a natural portal to the Asian real estate markets. Given that the capital markets have become much more global in their source and origination of funding, developing a stronger international focus to the MSRE curriculum is a logical next step.

Perhaps most importantly, the Committee was impressed with the genuine support and commitment to the real estate program in general and to the RCRES in particular by its Advisory Board; the composition of which represents a true *Who's Who* in the Seattle real estate community. In addition to providing their time, talent and resources to both the MSRE and the RCRES, the Advisory Board is also the main source of opportunity for student internships and

full-time employment. And finally, despite having only graduated three classes since its inception, the MSRE alumni are passionate supporters of the program and proudly identify and strongly associate with both the College and the RCRES.

It is on the foundation of these assets that the MSRE program is poised to build upon the success already achieved by embracing many of the recommendations offered by the Review Committee. These are as follows:

Issue: *"The greatest urgency is declining enrollment for the MSRE program. Concerns with effectiveness of marketing; lack of visibility and increased competition from other universities"*

Recommendation: *"Continue the MSRE program with the expectation that changes will be made as soon as possible to significantly increase enrollment."*

Response: As detailed by the Self-Study, enrollment in the MSRE program over the past three years has trended down from a class size of 18 to 16 to 11 students. As of the February 1, 2013 application deadline, the MSRE program had received a total of 29 applications for the class of 2015. From this pool of applications, 25 were submitted by foreign students. When the Committee arrived on May 2, 2013 to conduct its on-site review, the MSRE program had offered admissions to 18 students with a total of 8 students pledging acceptance. Although not as large as we would like or need, the incoming class of 2015 has just arrived on campus and contains a total of 14 MSRE students; 10 of which are domestic students.

The ability to quickly recruit 6 highly qualified domestic students from the period between May and September can be directly attributed to the development and successful launch of the new RCRES website. In addition to changing the domain to increase the visibility of the program, the new website (<http://realestate.washington.edu>) both identifies and leverages many of the MSRE program's unique qualities and assets as described above. In conversations with all of the most recently admitted students, each cites the impactful message of the new website as the principal and motivating factor behind their application decisions. To build on this momentum, the program is currently developing an aggressive marketing campaign to expand and reinforce the local, national and international brand of the MSRE.

Beyond the lack of marketing and visibility for the program, the Committee cited a number of challenges that in the aggregate conspire to depress enrollment. These include the length of the program; the inflexible schedule; increased competition from other universities and the lack of integration with the commercial real estate certificate program offered through the UW Educational Outreach Professional and Continuing Education.

At 72-credits, there is a clear recognition that the requirement for a MSRE degree offered by the UW is one the highest among peer real estate programs in the United States. However, and consistent with the feedback received by the Committee, there is varying opinion as to whether shortening the program by reducing the number of credits required to graduate will compromise

both the program's rigor and commitment to an interdisciplinary education. While opinions vary, there is a confidence that each goal is achievable without significant loss or concession to either academic quality or mission.

A review of the existing MSRE curriculum reveals that many of the current classes are offered as 4-credit courses. As an artifact of the original curriculum structure, which was approved in 2006, there is agreement that very little would change relative to course content if several existing courses were reduced from 4 credits to 3 credits. In fact, this slight reduction would allow some existing real estate electives to be incorporated into the core requirement, while providing additional flexibility to add several new courses to the core curriculum. More specifically, the contemplation is to add a corporate accounting class at the beginning of the program, and a capstone requirement for graduation.

However, there are some courses that will retain their status as 4 credits classes, as they include a 1-hour "lab" essential to their specific content. These include

- Introduction to Real Estate
- Real Estate Finance
- Real Estate Development
- Real Estate Appraisal
- Asset Management

In each, there is a clear recognition that proficiency in the software applications of Excel and Argus is essential to success in the real estate industry. As such, greater emphasis will be placed on developing higher levels of competency through dedicated laboratory workshops in the areas of valuation, time value of money and discounted cash flow analysis.

The overall result of this effort is a reduction in the existing core requirement from 46 credits to 33 credits. In terms of the numbers of classes, this represents a decrease from 12 core courses to 10 core courses. One course that has been identified for elimination is Real Estate Forum, which has historically invited industry professionals to discuss their individual career trajectories relative to their specific roles and responsibilities within their respective organizations. Typically offered during the first quarter of the first year of the program, experience dictates that new students do not yet possess the background and education sufficient to constructively interact with seasoned professionals. Further, almost every class offered within the MSRE curriculum, both core and electives, relies upon industry professionals to supplement and enhance the educational experience. Going forward, the Forum can easily become an activity of the student-led Real Estate Club, with assistance from faculty and staff to identify and recruit potential participants.

In theory, the MSRE has offered two levels of academic concentration within the program; one in Finance and Investment and the second in Real Estate Development. Unfortunately, a fully articulated curriculum has never been developed to define either option, which in turn has caused considerable confusion and frustration among students and faculty alike. In response, it is not only necessary to remedy the current situation, but to broaden the menu of academic opportunity.

The objective, however, should not be to simply expand the number of course offerings, but to take advantage of existing resources that when combined, will create areas of specializations that promote the unique and distinct advantages inherent to this City, College and University. More specifically, these can and should include academic concentrations in Sustainable Real Estate; International Real Estate and Corporate Real Estate Services. When combined with Investment/Finance and Real Estate Development, each of the now 5 areas of concentration can be fully defined by a menu of existing and available courses.

In total, the current contemplation envisions a minimum of 15-credits to successfully complete each of the 5 areas of academic concentration. At an average of 3-credits per course, this would translate into 5 additional courses beyond the 10-course core curriculum. In combination with the 33-credit core requirement, the successful completion of the core curriculum plus any of the 5 areas of concentration would establish a minimum graduation requirement of 48 credits.

While the Committee's observation and subsequent recommendation relative to "length of schedule" has carried a lot of weight, this issue is viewed as part of a larger and more complex challenge. More specifically, and as a function of their comparative length of schedules, the Committee correctly identifies the potentially adverse effect that "increased competition from other universities" can exert on the MSRE program. However, there is also a clear recognition by the Committee of the "strong commitment on the part of stakeholders to an interdisciplinary program." The question, and therefore the challenge, is whether these issues are mutually exclusive or can they be reconciled?

Issue: *"Desire for a more cross-disciplinary program."*

Recommendation: *"Consider an internationally-focused daytime or evening program, possibly with a study abroad option."*

Response: Clearly, the absolute difference between the current 72-credit requirement and the proposed 48-credit program is significant. However, and as contemplated, the establishment of 5 levels of specialized concentrations has the potential to deliver an even better interdisciplinary experience than what is currently provided by the existing academic structure. As an example, a concentration in Sustainable Real Estate can be created by combining several existing real estate electives with courses in "Lean Construction" from the Construction Management Department and "Sustainable Design" from the Architecture Department. Likewise, a combination of current and existing real estate electives can be combined with "Economics of International Development" from the Evans School of Public Policy and "Managing International Projects" from Construction Management to create the concentration in International Real Estate. A study abroad opportunity will be strongly pursued as part of this option. Although not currently formalized, these and other course offerings from across the College of Built Environments and the University, to include the Bothell campus, will be sought for their potential incorporation into the MSRE program.

Despite the potential for an even more robust interdisciplinary experience, there is concern and debate that the total reduction in the number of credit hours between the existing and proposed curriculum is too large of a spread. Some of this apprehension stems from the fact that UW operates under the quarter system; thereby making comparisons among competitive programs that operate on a semester basis more difficult to assess. This is not to say that there isn't consensus on reducing the total number of credit hours, for there is. The issue is how many credits.

A strong and compelling argument is made that a 60-credit program would achieve both objectives: reducing the overall time commitment and fostering a true interdisciplinary education. The additional 12-credits would come in the form of "interdisciplinary electives" that would be required in addition to the combined 48-credit requirement consisting of the 33-credit core and the 15-credits associated with any of the 5 levels of specialization. While the logic is hard to argue, the question brings the discussion back full-circle to competitiveness and the length of schedule. Final decisions regarding the curriculum will be made during the Autumn 2013 quarter so that a revised program of study can be submitted to the Graduate School for review and approval. Once the curriculum is approved, course documentation will be developed and submitted to the University Curriculum Committee for approval. The current plan is to fully implement the new curriculum in Autumn 2015. New course offerings may appear during the 2014-2015 academic year, but the revised graduation requirements would be implemented in Autumn 2015.

Issue: *"Increased competition from other universities."*

Recommendation: *"Consider evening schedule for local working students, which is the standard at many other real estate programs in urban areas around the country."*

Response: Relative to the competition, many of our peer institutions are either moving towards or have already implemented a more condensed curriculum. While some offer a MSRE, others provide a MSRED or a MRED. Regardless of the degree conferred, the average length of time necessary to complete these programs is approximately one full calendar year. While establishing a level of market differentiation is critically important to any endeavor, particularly one as competitive as academia, so too is the ability to recognize and react to significant changes and trends in market conditions. In so doing, it is hard not to be persuaded by the perceived advantages gained by a shorter and more condensed program.

More specifically, there appears to be a strong correlation between time and enrollment, as many one-year degree programs boast a total 2013 enrollment that is more than double the size of the 2013 incoming class of MSRE students. Even more curious is the fact that the one-year cost of tuition for several of these programs is nearly double the out-of-state tuition rate of a MSRE degree at UW. To reinforce this point, listed below are 4 national programs that can be completed in one year on a full-time basis, with a part-time option, along with their corresponding cost of tuition.

- **NYU/Schack**, MSRE, 42 credits, full or part-time curriculum: Tuition: \$68,670 (\$1,635/graduate credit x 42 credits = \$68,670) (<http://www.scps.nyu.edu/academics/departments/schack/academic-offerings/graduate/ms-in-real-estate/curriculum.html>)
- **MIT**, MSRED, Structured to be completed in one-year, requiring students to take a minimum of 4 courses during the fall and spring semesters, plus electives and complete a thesis during the summer. Tuition for 2012-13 = \$62,650. (<http://mitcre.mit.edu/>)
- **USC**, MRED, 44-credits, one-year curriculum, full or part-time: Tuition: \$75,600. (<http://priceschool.usc.edu/files/documents/masters/mred/MRED.FT.2009.pdf>)
- **Georgia State**, MSRE, 36-credits, one-year curriculum: Out-of-state tuition: \$43,632. (<http://realestate.robinson.gsu.edu/academic-programs/ms-in-real-estate/>)

As stated, the intent is to construct a program with a total graduation requirement of either 48 or 60 credits. Under the first option, establishing a minimum academic load of 12 credits per quarter would reduce the overall time commitment for a full-time MSRE student from 6 quarters to 4 quarters. Likewise, assuming a part-time commitment of 2 courses per quarter (6 credits) would allow for the completion of the MSRE program in as little as 8 quarters or 2.5 years. Conversely, and assuming the same metrics, at an average of 12-credits/quarter, the 60-credit requirement would take 5 quarters to complete on a full-time basis. Whereas the part-time student taking an average course load of 6-credits/quarter could complete the program in 10-quarters or just over 3-years. It should be noted that the UW requirement that Masters degree programs contain no fewer than 36 credits is satisfied by either scenario.

Issue: *“Concerns about the relationship between the MSRE program and the certificate program in real estate offered by Professional and Continuing Education.”*

Recommendation: *“Strong enrollment for the certificate in real estate program offered by Professional and Continuing Education indicates a high level of demand for real estate education in general in the Seattle area.”*

Response: Consistent with the Committee’s recommendation, there is a need for stronger integration between the now 26+ year-old Commercial Real Estate Certificate Program and the 3-year old MSRE program. Toward that end, the current Advisory Board of the Certificate Program will be replaced with a Committee that will report directly to the Runstad Center Advisory Board. This in turn will allow the history and connection of the Certificate Program to combine with the breadth of resources and network of the Runstad Center to establish a single and unified brand for real estate education at UW.

The past success of the Certificate program suggests that if given the opportunity, a significant cohort of the working professionals would elect to pursue a Masters of Science in Real Estate degree. Characterized as a young, working-professional, this individual is reluctant to expend the opportunity costs necessary to give up their full-time job in order to pursue a full-time, two-year

course of study. Therefore, the ability to attract the full-time working professional into the MSRE program will greatly depend upon an ability to offer opportunities to pursue a degree by taking courses in the afternoon and early evening. When polled, the response among each of the stakeholder groups produced a near unanimous consensus of opinion that the Committee's recommendation to "consider an evening schedule for local working students" is the absolute right direction for this program at this time.

Although evidence strongly suggests that a move towards a late afternoon/evening schedule would have wide appeal among the local and regional domestic market, this not to suggest that the MSRE is contemplating becoming an "evening" program. On the contrary, the aspiration is to remain a full-time program that can also accommodate the working professional. This is both consistent with what peer institutions across the country are offering, as well as our "sister" college is doing. The Foster School of Business is running a vigorous marketing campaign that promotes their 3 work-compatible MBA options.

Issue: *"The Committee sees a lack of clarity of roles and accountability. The roles of the MSRE program director and the Runstad Center director seem to be unresolved since the time they were separated from when they were one person."*

Recommendation: *"Clarify the relationships between the MSRE Program, the Runstad Center and the Department of Urban Planning."*

Response: The former Director of the MSRE program has resigned, and a search is being initiated to hire a new faculty member who will become the MSRE Graduate Program Coordinator. In the interim the Director of the RCRES has been working with the MSRE faculty to coordinate the program. The plan is to broaden faculty participation in the program. In recognition of its interdisciplinary nature, the potential to convert the MSRE program to an interdisciplinary program led by a steering committee composed of faculty members across campus is being explored. For the near term, the MSRE faculty members will remain in the Department of Urban Design and Planning. As the program grows and additional faculty members are hired, the potential for creating a separate academic unit to house the real estate programs will be explored.