

# Back to school

A growing number of American universities are offering dedicated graduate degree programs in an effort to curtail the practice of Wall Street poaching and directly address the specialized skills required by the private equity real estate industry.

By Erik Kolb

In the July/August issue of *PERE*, there is a special section looking at the recruiting, compensation and teambuilding practices of the private equity real estate industry. Of particular note in that section is a guest column on the industry's recruiting practices through the eyes of a recent MBA graduate – a view that is likely to be a revelation to some firms that think they have recruitment figured out.

In the column, Will Renner, a 2014 MBA graduate of the University of North Carolina's Kenan-Flagler Business School, pointed out that “the real estate hiring process appears unorganized, unpredictable and unattractive” to new recruits. That is because much of the industry lacks a professional recruitment process, unlike the investment banks and consulting firms that take the time to visit college campuses each fall.

Meanwhile, the industry's standby method for new talent acquisition – poaching junior analysts from investment banks – is becoming harder to do as finance houses crack down on the practice and recruits become disillusioned with the frantic pace. Indeed, the *New York Times* flagged the issue in its *DealBook* blog in early July, following up on a more in-depth piece in its Sunday Business section the weekend before.

One commentator on the *Times*' Sunday article suggested that private equity firms do their own recruiting on college campuses, bypassing the banks altogether. “The time has come for private equity firms to realize they are too big individually and in aggregate to slipstream off the shoulders of investment banks anymore,” the commentator, a blogger named the Epicurean Dealmaker, wrote.

Indeed, some private equity and real estate firms already are moving in that direction. For example, *DealBook* cited The Carlyle Group and Kohlberg Kravis Roberts, which hired college graduates for the first time this year. Renner, meanwhile,

pointed to such firms as Hines and Harrison Street Real Estate Capital, which created an undergraduate intern program that seeds its hiring pool.

## The university solution

Luckily for private equity real estate firms, a growing number of US universities are shouldering the burden. Schools like the University of Pennsylvania, Columbia University, the University of North Carolina, the University of Southern California and the University of Texas at Austin are offering courses in real estate finance, capital markets and development to graduate students and spending significant time crafting teamwork and leadership skills. Although a number of private real estate firms visit such campuses to present to students and conduct interviews, there is room for many more, particularly at schools with lesser-known or less established real estate programs.

Regardless if there are immediate jobs available, real estate firms can benefit by forming an on-campus presence, which offers the opportunity to market to a large group of young professionals during a single meeting. That scale is far more attractive than a series of one-on-one meetings or interviews with candidates. And when there is a position to fill, campus recruitment efforts provide a selection of thoroughly scouted candidates from which choose.

That said, getting a true count of the number of graduate degree programs currently offered with a focus on real estate is a bit tricky. University officials generally agree there are about 40 to 45 specialized Masters of Science in Real Estate (MSRE) programs currently available, many offered through a university's architecture school. Interestingly, that total has nearly doubled from 20 to 25 programs available as recently as

## Masters of Real Estate offerings in the US

University and Corresponding School	Year dedicated real estate program was launched	Total number of graduate students enrolled in the real estate program in 2012-13	Number of those students that graduated in 2013	Name of academic center focused on real estate education	Number of real estate classes offered	Total real estate-focused faculty, including adjuncts	Time required to complete real estate degree program	Total cost of completing real estate program, excluding housing [for public universities, please use out-of-state figures]	Total cost of completing real estate program, excluding housing, for in-state students	Number of 2013 graduates accepting positions in the real estate industry
Cornell University, Baker Program in Real Estate	1996	50	25	Center for Real Estate Finance	26	26	2 years	\$94,100	N/A	25
Massachusetts Institute of Technology, School of Architecture and Planning	1984	26	26	The Center for Real Estate	10	11	1 year	\$62,650	N/A	26
Texas A&M University, Mays Business School	1983	42	35	Real Estate Center at Texas A&M University	10	6	18 months	\$38,750	\$24,635	35
University of Florida, Hough Graduate School of Business	1991	26	26	Bergstrom Center for Real Estate Studies	8	7	1 year	\$40,000	\$12,000	26
University of Southern California, Price School of Public Policy	1986	33	33	Lusk Center for Real Estate	21	35	1 year	\$75,600	N/A	33
University of Washington - Seattle, College of Built Environments	2009	35	15	Runstad Center for Real Estate Studies	17	10	2 years	\$73,000	\$36,000	15

the early 2000s.

There is less consensus, however, on the number of Masters of Business Administration (MBA) programs that offer a dedicated real estate concentration or ‘major’. Indeed, the current estimate for real estate MBA programs varies from at least a number equal to the number of MSRE programs to as much as twice as many. The best estimate puts the number of real estate MBA programs somewhere between that, or roughly 60.

### The proliferation of collegiate real estate

According to Lynne Sagalyn, director of Columbia University’s real estate MBA program, real estate first became an area of serious study in the mid-1980s, when the industry began to develop its institutional investment management presence. “Those with foresight saw the need to train the future leaders of the industry,” she says.

That said, it was not easy getting real estate accepted at the graduate level. Many business schools decided to follow Harvard University’s model of creating generalists, which went against the traditional discipline-based model – and still does, Sagalyn notes.

Now, after a period in which such programs have remained relatively static, the number of graduate-level real estate offerings is on the rise once again. Albert Saiz, director of the Center for Real Estate at the Massachusetts Institute of Technology (MIT), says the recent increase has to do with the fact that the wider world is beginning to realize the importance of real estate as an asset class. Specifically, there is a greater recognition of how large of a market real estate is and its importance to the function of the global financial system, he adds.

According to David Hartzell, director of the real estate MBA program at the University of North Carolina’s Kenan-Flagler Business School, there are a few reasons for the recent proliferation of graduate real estate programs. First, there has been an increase in professionalization throughout the real estate industry, which has led to increased demand for trained students. This is evident in the number of people returning to school as well as the number of graduates hired by the industry, he says.

Second, the need for investment management skills has

been expanding across a wider breadth of opportunities. This includes not only fund managers but insurance companies, banks and other financial services entities, Hartzell notes.

Lastly, there is the current run-up in the cycle. “An increasing market equals an increase in employment,” Hartzell says. Private equity real estate firms in particular want to “get someone who can hit the ground running and jump higher,” he adds.

### Gaining a competitive advantage

With the number of dedicated graduate-level real estate programs expanding and growing, there is a greater need than ever to ensure the quality of such programs. That means a program that puts emphasis on problem solving, qualitative and quantitative analysis, communication skills and negotiation skills.

Sagalyn believes that a real estate-focused MBA absolutely gives students a leg up over traditional MBA students. “Just as it is easier to go into the investment management business with an MBA, students with a real estate focus to their MBA studies are likely to have a faster start to a successful career in the [private equity real estate] industry,” she says.

Indeed, dedicated graduate-level real estate programs have become a useful source of talent for private equity real estate firms, which use such programs as a sort of screen so they don’t need to worry about training new hires in the basics. “Private equity firms are not like the big banks,” Sagalyn says. “They don’t have the infrastructure to train new hires and therefore are depending upon people with banking experience to now have specialized training.”

To differentiate its real estate program, MIT takes a hybrid approach, offering a Masters in Real Estate Development (MRED) that includes a number of finance and economic courses not typical of such a degree. “The industry’s requirements are more sophisticated than 20 years ago,” Saiz says. “No one focuses on just one aspect of the business anymore.”

### Current trends

Despite the evidence that the MSRE and real estate MBA programs are becoming more similar, most agree that the two competing offerings still are fundamentally different. Both may offer a student the same technical content, but some argue that

Average salary of 2013 graduates who accepted real estate industry positions	Number of graduate students in real estate career club	Participation in real estate case competitions that involved students from other schools	Host conferences for real estate industry participants	Provide for experiential learning, such as internships	Offer placement services or host a job fair for graduates	Other activities supporting real estate education at the graduate level
\$92,875	75	National Real Estate Challenge at UT Austin, The CASE at MIT, Ed Bacon Student Design Competition	Annual Cornell Real Estate Conference	Summer internships, Capstone Project Workshop, Residential Development workshop	Annual Real Estate Career Summit, Fall Career Fair, Real Estate Career Services Office	Annual Cornell Real Estate Review, monthly Cornell Select Leaders Job Barometer, annual Cornell/Hodes Weill Real Estate Allocations Monitor
N/A	26	The CASE at MIT	Annual MIT Real Estate Forum	Summer and winter internships	Two job fairs and dedicated career service director	Trips to Brazil and Africa to work on a development site
\$58,000	42	ULI Hines Student Urban Design Competition, The CASE at MIT, NAIOP Real Estate Case Competition, ARGUS Software University Challenge	N/A	Summer Internships	Career services center, plus a host of career development activities	Argus Training, GIS Training and Excel Training; students are sent to a variety of conferences including ULI, ICSC, NAREIM and NAREIT
\$65,000	20	ULI Hines Student Urban Design Competition	University of Florida Trends and Strategies Conference	N/A	Career placement and a job fair	Ring distinguished Speaker Series; student mentoring by 150-member advisory board
\$125,000	120	National Real Estate Challenge at UT Austin, NAIOP USC vs UCLA Real Estate Challenge	USC Casden Multifamily Conference, ICSC University of Shopping Centers West	N/A	Annual Real Estate Industry Night, real estate resume book	Memberships to ULI, ICSC and NAIOP; mentor program; alumni speaker panels; networking mixers with alumni
\$70,000	35	ULI Hines Student Urban Design Competition, NAIOP Real Estate Case Competition	N/A	N/A	Career services and mentoring from mid-career professionals and our advisory board	N/A

only the MBA programs offer the broad set of skills necessary to create the real estate business leaders of tomorrow. Others, particular those who head MSRE programs, would disagree.

In terms of current growth trends, MSRE programs have enjoyed a rise in popularity, partly because such programs

have become more accessible to undergraduate students. The general trend for MBA programs, meanwhile, has been down due to the high cost of such programs.

According to Sonia Savoulian, managing director of the Lusk Center at the University of Southern California, real

### Real estate MBA offerings in the US

University and Business School	Total number of students enrolled in full-time MBA program in 2012-13	Number of those students that graduated in 2013	Year dedicated real estate program was launched	Total number of MBA students in the real estate program in 2012-13	Number of those students that graduated in 2013	Name of academic center focused on real estate education	Number of real estate classes offered	Total business school faculty, including adjuncts	Total real estate-focused faculty, including adjuncts	Time required to complete real estate MBA program	Total cost of completing real estate MBA program, excluding housing (for public universities, please use out-of-state figures)	Total cost of completing real estate MBA program, excluding housing, for in-state students
City University of New York - Baruch College, Zicklin School of Business	180	80	2005	10	5	William Newman Department of Real Estate	12	190	20	2 years	\$58,000	\$27,000
Columbia University, Columbia Business School	1,500	747	1992	50	50	Paul Milstein Center for Real Estate.	10	486	16	2 years	\$151,536	N/A
Cornell University, Johnson Graduate School of Management	556	277	1996	15	13	N/A	26	95	26	2 years	\$111,896	N/A
Emory University, Goizueta Business School	338	186	2007	20	20	Center for Alternative Investments	7	96	4	2 years	\$92,000	N/A
Georgetown University, McDonough School of Business	515	249	2012	15	10	Real Estate Finance Initiative	4	157	4	2 years	\$102,650	N/A
Georgia State University, J. Mack Robinson College of Business	750	400	1980	35	16	The Real Estate Center at GSU	11	200	15	3 years	\$84,455	\$38,342
Northwestern University, Kellogg School of Management	652	550	1992	40	20	Guthrie Center for Real Estate Research	8	355	9	2 years	\$118,620	N/A
Southern Methodist University, Cox School of Business	242	123	2010	9	8	Folsom Institute for Real Estate	4	172	7	2 years	\$100,140	N/A
University of California - Berkeley, Haas School of Business	497	242	1981	30	15	Fisher Center for Real Estate and Urban Economics	8	269	12	2 years	\$107,918	\$102,824
University of Cincinnati, Carl H. Lindner College of Business	77	38	2013	10	5	University of Cincinnati Real Estate Center	5	236	5	18 months	\$37,945	\$30,819
University of Colorado - Boulder, Leeds School of Business	186	103	1996	35	13	The CU Real Estate Center	6	100	10	2 years	\$60,948	\$32,760
University of Connecticut, UConn School of Business	104	52		13	8	Center for Real Estate and Urban Studies	5	152	7	2 years	\$100,000	\$60,000
University of Florida, Hough Graduate School of Business	150	100	1970	20	12	Bergstrom Center for Real Estate Studies	8	100	7	2 year	\$80,000	\$24,000
University of Miami, UM School of Business	200	175	2009	20	7	N/A	5	100	5	2 years	\$60,000	N/A
University of North Carolina-Chapel Hill, Kenan-Flagler Business School	283	283	1998	60	31	Leonard Wood Center for Real Estate Studies	12	113	7	2 years	\$111,092	\$74,180
University of Pennsylvania, Wharton Business School	1,700	800	1985	60	28	The Samuel Zell and Robert Lurie Real Estate Center	12	225	17	2 years	\$134,420	N/A
University of Texas - Austin, McCombs School of Business	530	265	1992	40	15	Real Estate Finance and Investment Center	5	200	7	2 years	\$97,000	\$66,500
University of Wisconsin-Madison, Wisconsin School of Business	205	103	2006	25	13	James Graaskamp Center for Real Estate	14	125	16	2 years	\$55,616	\$28,626

estate students typically seek to enter either the development/operator world, which favor MSRE programs, or the finance/investment world, which favors MBA offerings. The ratio of which program is in favor varies, depending upon which stage of the real estate cycle the market currently is in.

For example, coming out of the downturn, more students favored MBA programs, but MSRE offerings are coming back in favor now as US property markets stabilize. As a result, Savoulian predicts that there will be an even greater shift towards MSRE programs over the next decade. □

Number of 2013 MBA graduates accepting positions in the real estate industry	Average salary of 2013 MBA graduates who accepted real estate industry positions	Number of MBA students in real estate career club	Participation in real estate case competitions that involved students from other schools	Host conferences/ events for real estate industry participants	Provide for experiential learning, such as internships	Offer placement services or host a job fair for graduates	Other activities supporting real estate education at the graduate level
3	\$75,000	60	The CASE at MIT	N/A	Internships	Career management center, career fairs	Fellowships and work-study programs with leading businesses in the real estate industry
50	\$117,563	200	UNC Real Estate Development Challenge, Kellogg Real Estate Venture Competition, The CASE at MIT, National Real Estate Challenge at UT Austin	Annual Real Estate Symposium, Real Estate Capital Markets Conference with Goodwin Procter, Columbia Real Estate Forum	Internships	Career management center, real estate career forum	Local site and company visits, domestic study tours, annual international study tours, daylong seminar on negotiating real estate joint ventures, mentorship programs
12	N/A	75	National Real Estate Challenge at UT Austin, The CASE at MIT, Ed Bacon Student Design Competition, Cornell International Real Estate Case Competition	Annual Cornell Real Estate Conference	Summer internships	Annual real estate career summit, fall career fair, real estate career services office	N/A
5	\$99,000	15	NAIOP Real Estate Case Competition	N/A	Internships, student-run real estate investment fund	Career management and placement	Internal case competition
10	\$113,000	20	National Real Estate Challenge at UT Austin, The CASE at MIT, UNC Real Estate Development Challenge	Real Estate Luminaries Series	N/A	Dedicated real estate career counselors, partnered with Mortgage Bankers Association to host a job fair	Training in Argus and Excel financial modeling, real estate clinic focused on underwriting of live real estate investments
16	\$72,600	25	NAIOP Real Estate Case Competition, ULI Hines Student Urban Design Competition, The REIAC Challenge	Views from the Top AREA GSU Alumni Conf, REAIC Distinguished Speaker series	Internships	career management center, networking event with REAIC	Argus training
20	\$100,000	200	UNC Real Estate Development Challenge, Kellogg Real Estate Venture Competition, National Real Estate Challenge at UT Austin	Kellogg Real Estate Conference	Real estate lab courses, internships	Career management center	Executive speaker lunches, treks
6	\$80,000	30	NAIOP Real Estate Case Competition, The CASE at MIT	Semi-annual SMU Real Estate Society	Internships	Placement services, resume book	Guest lecturers, training in Argus and Excel financial modeling
15	\$94,000	100	National Real Estate Challenge at UT Austin; Bank of America Low Income Housing Challenge; NAIOP Real Estate Challenge; UNC Real Estate Development Challenge; Kellogg Real Estate Venture Competition	Fisher Center Real Estate and Economics Symposium, Fisher Center Real Estate Conference	Internships	One-on-one career advising with dedicated real estate career advisor, job treks	Mentoring, interdisciplinary graduate certificate in real estate with cross-listed courses at Berkeley Law and the College of Environmental Design, ULI memberships, support to attend real estate conferences
5	\$55,000	35	ULI Hines Student Urban Design Competition	Monthly Real Estate Roundtable, International Symposium on Energy Efficient Buildings	Internships and cooperative learning assignments at real estate companies	Fall and spring career fairs, individual career development services, career management course, networking events	Site and market visits, international study abroad
13	\$85,000	30	NAIOP Real Estate Challenge ULI Hines Student Urban Design Competition	Annual CU Real Estate Forum	Summer internships	Placement services with staff dedicated to real estate, annual career fair	Training in Argus and Excel financial modeling, Yardi seminars, LEED accreditation seminars
7	\$105,000	7	N/A	Joint conference with Tsinghua University and the Shenzhen RE Center	Summer internships	career placement, job treks to NY and Boston	Field trips to NY and Boston, fees paid for industry conferences
12	\$75,000	20	ULI Hines Student Urban Design Competition	UF Trends and Strategies Conference	Summer internships	Career placement, job fair	Ring Distinguished Speaker Series, mentoring by 150-member advisory board
5	\$85,000	25	N/A	Annual Real Estate Impact Conference	Internships	Fall and spring job fairs, placement office	N/A
25	\$105,906	58	UNC Real Estate Development Challenge, National Real Estate Challenge at UT Austin	UNC Real Estate Conference	Student-managed real estate private equity funds, global immersion class	Dedicated associate director in career management center for real estate, career treks to major cities	Mentoring program, funding for students to join industry associations, specialized ARGUS and real estate financial modeling training
27	\$110,000	150	National Real Estate Challenge at UT Austin; ULI Hines Student Urban Design Competition	Spring and fall meetings of the Zell/Lurie Real Estate Center	Internships	Annual Zell/Lurie Real Estate Center career fair, career management office with dedicated real estate advisors, online interactive resume books	Mentoring program, ARGUS training
15	\$100,000	50	UNC Real Estate Development Challenge, National Real Estate Challenge at UT Austin, NAIOP Real Estate Challenge, ULI Hines Student Urban Design Competition	Semi-annual REFIC conferences, Alternative Investments Conference	Internships, practicum projects in which companies supply projects for teams of students to work on	Placement services, job fair	Mentoring program, sponsorship of travel to industry conferences, student treks to major cities, training in Argus and Excel financial modeling
13	\$90,000	100	National Real Estate Challenge at UT Austin, NAIOP Real Estate Challenge, Cornell International Real Estate Case Competition	Global Real Estate Markets Conference, Wisconsin Real Estate & Economic Outlook Conference, Graaskamp Center Spring Board Conference	Applied learning courses	Annual Real Estate Career Fair	Two global study tours: MIPIM conference and travel abroad for a real estate immersion study tour