MEMORANDUM

TO: ALUMNI & FRIENDS
FROM: JOE PAGLIARI
SUBJECT: REAL ESTATE INITIATIVE
DATE: NOVEMBER 23, 2015
CC: DEAN’S OFFICE

This memorandum is intended to inform and update you on the progress of the real estate initiative at Booth over the last year. Your suggestions and criticisms are encouraged.

SOME BACKGROUND:
As you may recall, this is my ninth year at Booth. Over this period of time, we have clearly witnessed some extreme swings in commercial real estate values:

NCREIF Index - Market Values, Rescaled NOI and Capitalization Rates Based on a $100 Investment for the Period 1978 through (the Third Quarter of) 2015

1 Last year’s memorandum: http://faculty.chicagobooth.edu/joseph.pagliari/pdfs/REInitiativeOverview2014.pdf
Unsurprisingly, the students’ enthusiasm for our real estate class offerings waxes and wanes with the real estate cycle. With the passage of time, the real estate markets have recovered their pre-crash peaks and then some\(^2\) and, correspondingly, many of our students have enthusiastically embraced a career in commercial real estate.

**REAL ESTATE LAB:**
The essence of this (quarter-long) class\(^3\) is that the students tackle an actual transaction, concluding with a presentation to one or more senior managers from the participating firm(s) – at which point, the team receives feedback on the merits of their work. This year, Equity Commonwealth has permitted us to examine the potential repositioning of the office buildings known as One and Two Illinois Center (located at 111 East Wacker and 233 North Michigan, Chicago) – following EQC’s sale of these office buildings this summer. As many of you know, the “east Loop” has undergone a significant and positive transformation over the last twenty or so years. Having some sense of how these 40-year-old (Mies van der Rohe-designed) buildings might be repositioned in this exciting environment is an important learning experience for the students (and me). In this regard, I must particularly thank David Helfand (Booth alum and president of Equity Commonwealth); his ongoing support of the Real Estate Lab and the Booth real estate initiative more generally has been most welcome.

**REAL ESTATE CHALLENGES:**
The Real Estate Lab is a variation of the “challenges” now offered by a number of academic institutions, including the universities of North Carolina, Northwestern, Texas and MIT (as well as others offered by industry participants: Altus, ARGUS and CoreNet). The general format of these challenges is: The institution circulates a case study to the participating teams; each of which is given a week or so to prepare their solution and, then the teams fly to the host school to present their solutions to a panel of third-party judges. (Some schools devote significant resources to participating in such events.) The Booth team placed third in this fall’s challenge held in Austin and a (different) Booth team placed first in last spring’s Kellogg competition. The Kellogg event differs from most, in that there is no case study; instead, students are asked to propose a scalable real-world real estate investment, soliciting equity capital from potential private equity investors. The Booth team proposed developing data centers in the Chicago Transit Authority’s unused, subterranean “superstation” (located below Blck 37).\(^4\)

**STUDENT EMPLOYMENT:**
As indicated earlier, the number of real estate-related job opportunities for our students has been on the upswing. Over the last few years, students have taken (full-time) positions with Angelo Gordon, CBRE Global Investors, Citibank (real estate investment banking), CIM, Colony Capital, Equity International, Green Street, Goldman Sachs (real estate investment banking), John Buck, Jones Lang LaSalle, Sterling Bay, Ventas, etc. Some students have also

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\(^2\) This recovery, producing values higher than the pre-crash values, has prompted endless industry speculation about whether we are in a “bubble?,” “what inning are we in?,” etc.

\(^3\) Admission to this class is restricted to those students who have previously taken Real Estate Investments I and Real Estate Investments II.

founded (or co-founded) their own firms. And, a number of firms have also graciously hosted one or more summer interns.

Helping in these recruiting efforts have been “real estate treks” (i.e., student visits to a number of real estate companies in a given city) over the last several years. Participating firms have included: Angelo Gordon, CBRE, Five Mile Capital, Silverpeak, Starwood and Tishman-Speyer.

Should your firm consider hiring one of our fine students, please visit the electronic resume book (http://student.chicagobooth.edu/group/realestate/employers.html and use the password: “boothrealestate”) of current (full- and part-time students) assembled as part of our most-recent conference.

REAL ESTATE CONFERENCE:
Earlier this fall, we held our ninth annual Booth Real Estate Conference. These events have been well-attended (averaging > 200 people) and have been of high quality – as perhaps best exemplified by our keynote speakers and participating faculty members:

<table>
<thead>
<tr>
<th>Year</th>
<th>Keynote Speaker</th>
<th>Academic Speaker(s)</th>
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<tbody>
<tr>
<td>2015</td>
<td>Debra Cafaro, Ventas</td>
<td>Jonathan Dingel</td>
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<tr>
<td>2014</td>
<td>David Twardock, ex-Prudential Mortgage</td>
<td>Nick Epley &amp; Amir Sufi</td>
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<tr>
<td>2013</td>
<td>John Schreiber, Blackstone</td>
<td>Randy Kroszner</td>
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<tr>
<td>2012</td>
<td>Tom Barrack, Colony Capital</td>
<td>Luigi Zingales</td>
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<tr>
<td>2011</td>
<td>David Simon, Simon Property Group</td>
<td>Scott Meadow</td>
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<tr>
<td>2010</td>
<td>Neil Bluhm, Walton Street Capital</td>
<td>Steve Kaplan</td>
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<tr>
<td>2009</td>
<td>Sam Zell, Equity Investments</td>
<td>Kevin Murphy</td>
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<tr>
<td>2008</td>
<td>Jonathan Kessler, Morgan Stanley</td>
<td>Erik Hurst</td>
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<tr>
<td>2007</td>
<td>Joseph Pagliari, Chicago Booth</td>
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As an example of this event’s topics and speakers/panelists, links to the 2015 (and earlier) conference brochures are found in the Appendix. These conferences have adopted the University’s rigorous approach to using data to support assertions and test theories. As such, we try to avoid the “talking heads” problem so often found at competing conferences.

ALUMNI INVOLVEMENT:
There are also a great number of alumni to thank for the generous giving of time, insights and resources. First, I have to again thank Bernie Ocampo, head of the Booth Real Estate Alumni Group (http://chicagoboothreag.org/), who has provided ongoing support to a variety of real estate-related initiatives – including the annual real estate conference, creating a forum for alumni to share ideas and resources and helping students identify various job opportunities. Second, let me acknowledge Mike Kirby (co-founder of Green Street), who has helped me in a variety of intellectual/research pursuits, has hired Booth students to his firm, and continues to “sell” the deep insights he learned 30 years ago as an MBA student here. Third, let me also thank a number of Chicago-based alums, including Bruce Cohen, Debra Cafaro,5 Ari Glass, David Helfand, Ed Ryder, David Schwartz and Eteri Zaslavsky, who have participated in a great number of real estate-related activities and events. Fourth, let me also thank a number of alums located outside of Chicago, including Keith Breslauer

5 While a graduate of the University’s law school (not its business school), she is clearly a kindred spirit.
and Al Nickerson, who have guest lectured. Fifth, any listing such as this runs the risk of significant omissions; I’m sure this is the case here as well.

**Booth Alumni in the Real Estate World:**
As I have noted on several occasions, I was delighted to find – after my arrival at Booth – so many Booth alumni occupying positions of executive prominence in the area of commercial real estate. I continue to marvel at the students (now alumni) who choose to come to Booth and what they are taught while here – clearly, it is a powerful combination. This impressive alumni network got me thinking about the School’s good fortune in having so many accomplished real estate-oriented alumni and how we might better position the School’s real estate initiative in the practitioner community:

The Wheel of Good Fortune:
Booth Alumni in Key Positions at Selected Real Estate Firms

Like the earlier listing of contributing alumni, this list also runs the risk of significant omissions. So, please call them out. (Ultimately, it may be worth considering creating a web-based version of this wheel, with links to the prominent Booth alums at these firms.)
EXECUTIVE LUNCHEON SPEAKER SERIES:
A few years ago, we started the practice of hosting a series (generally, once a quarter) of luncheons with prominent real estate executives. These are informal affairs, held at the Gleacher Center, with approximately 15-25 students in attendance. The executive make a few remarks for approximately 20 minutes and then takes student questions for approximately another 20 minutes. Past speakers have included Keith Bresaluer, Debra Cafaro, Bruce Cohen, Bruce Duncan, Andy Ebbott, Steve Fifield, David Helfand, Dave Twardock, *et al.* Andrew Miller has agreed to do so in the coming winter quarter.

“DEAL TALK” | BILL STEIN & WILLIS TOWER:
Last year, Deputy Dean Stacey Kole started a series of “Deal Talks” in an effort to enable our students to see the intricacies of real-world deals. Professor Richard Leftwich is the host of the series. Earlier this fall, Bill Stein, a Booth alum and a managing director at Blackstone, gave a very interesting talk about his firm’s recent acquisition of the Willis (née Sears) Tower, as well as other insights on the real estate markets more generally. The event was very well-attended and, by all accounts, a huge success.

GRAASKAMP AWARD:
As some of you also know, I was fortunate enough to win this year’s (biannual) Graaskamp Award 6 – partly attributable to the research illustrated in the Appendix. While it is a humbling personal honor and an indication of the growth of the School’s real estate initiative, it is also noteworthy that three of the last four Graaskamp Award winners have an affiliation with the University. Besides myself, the 2013 award winner was Mike Kirby (who received his MBA from the business school) and the 2009 award winner was Peter Linneman (who received his Ph.D. from the University). This too, I believe, is a wonderful testament to the power and reach of the University.

Finally, and perhaps most importantly, let me wish you and your family happy holidays!

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6 For more information, see: [https://www.prea.org/awards/graaskamp/](https://www.prea.org/awards/graaskamp/)
Appendix: Selected Academic Activities

Academic & Professional Presentations:
• NCREIF:
  http://faculty.chicagobooth.edu/joseph.pagliari/files/other/AccessingREReturns.pdf

Booth Real Estate Conferences:
• 2015:
  o Agenda:
• 2014:
  o Agenda:
  o Videos:
    http://boothalumni.org/index.php?id=56
• 2013:
  o Agenda:
  o Videos:
    http://boothalumni.org/index.php?id=95
• 2012:
  o Agenda:
    http://faculty.chicagobooth.edu/joseph.pagliari/files/agenda/2012.pdf
  o Videos:
    http://boothalumni.org/index.php?id=97

Working Papers:
• “Principal/Agent Issues in Real Estate Funds and Joint Ventures”:
  http://faculty.chicagobooth.edu/joseph.pagliari/research/working/PrincipalAgentIssues.pdf
  {subsequently published in The Journal of Portfolio Management}

• “Long-Run Investment Horizons and Mixed-Asset Portfolio Allocations”:
  {forthcoming in Real Estate Economics}

• “Real Estate by Strategy: Have Value-Added and Opportunistic Funds Pulled Their Weight?”:
  http://faculty.chicagobooth.edu/joseph.pagliari/research/working/REReturnsStrategy.pdf
  {forthcoming in Real Estate Economics}