This memorandum is intended to inform and update you on the progress of the real estate initiative at Booth.¹ Your suggestions and criticisms are encouraged.

**SOME BACKGROUND:**
This is my tenth year at Booth. Over this period of time, we have witnessed some extreme swings in commercial real estate values and now find ourselves in the era of “disruptions” (e.g., Brexit, Trump, Italy, etc); please see the chart below which shows, among other things, the path of (unlevered) commercial real estate values over the last nearly 40 years:

As noted in earlier years, 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 and, correspondingly, many of our students have enthusiastically embraced a career in commercial real estate.

But, the rebound has also brought upon us some consternation: the dreaded “bubble” concerns. As one example, a favorite “parlor” game of most real estate conferences of late has been to ask the question: “What inning are we in?” The question usually evokes a spectrum of answers, ranging from dire hand-wringing (i.e., late/extra innings) to blissful serenity (i.e., middle innings). And while I think we would be well-served to recall Alan Greenspan’s admonishment after the last crisis:

I also think these so-called “disruptions” may just unleash a new era of economic growth, which is, on balance, good for commercial real estate. Time will, of course, tell.

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2 Among the *cognoscenti* weighing in on the potential effects of Trump’s presidency, the view of Howard Marks, Booth alumnus and co-chairman of Oaktree Capital, can be found at: [https://www.oaktreecapital.com/docs/default-source/memos/go-figure.pdf](https://www.oaktreecapital.com/docs/default-source/memos/go-figure.pdf).
REAL ESTATE LAB:
The essence of this (quarter-long) class is that the students tackle an actual transaction or portfolio, 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, Washington Prime Group (WPG), a NYSE-traded retail-oriented REIT, graciously permitted us to examine potential strategic initiatives that the company might pursue. By way of background: In 2014, Simon Property Group (SPG) spun out nearly $6 billion of middle-tier malls and shopping centers; the spin out was known as the Washington Prime Group (WPG). Later that year, WPG announced the acquisition of Glimcher Realty Trust (GRT), also a publicly traded, retail-oriented REIT – worth then approximately $4 billion. Earlier this year, WPG’s chief executive officer (and vice-chairman), Michael Glimcher, unexpectedly resigned. Stepping in to take over as interim CEO was Louis Conforti – a long-time supporter of the Booth real estate initiative. Later this year, Lou was named permanent CEO. Today and after several balance-sheet modifications, WPG is approximately an $8 billion REIT, concentrated in mainly lower-productivity malls (≈75%) and shopping centers (≈25%). The class concluded with the students’ presentation to Mr. Conforti (and one of his senior executives) in which they proposed and evaluated various strategic options (e.g., balance-sheet management, “big data,” competitive enhancements, redevelopment options, etc.) before WPG. Mr. Conforti was so impressed with the students’ presentation that he invited the entire team to make a similar presentation to WPG’s board of directors and/or senior-management team.

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 – with two new additions Maryland and Miami (Florida) – 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.) Another new challenge is the University Portfolio Challenge (UPC), which is jointly sponsored by Altus, NAREIT and NCREIF. It asks student teams to invest a notional $1 million across a broad variety of private and public (debt and equity) real estate sectors; the winner (of the $50,000 grand prize) is the team producing the highest return over the coming twelve months. The inaugural UPC concluded in June of this year. The Booth team finished second, among 15 schools, with a total return of 30.9% (the team liked publicly traded retail and self-storage). While we will try to perform better in subsequent UPC events, a 30% return is a tough bogey!

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 AJ Capital, Angelo Gordon, CBRE Global Investors, Citibank (real estate investment banking), CIM, Colony Capital, Equity International, Green Street, Goldman Sachs (real

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

4 If interested in more information, please see: http://realconfidence.com/upc/
estate investment banking), John Buck, Jones Lang LaSalle, Sterling Bay, Ventas, etc. Some students have also 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 tenth 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>2016</td>
<td>Roy March, Eastdil Secured</td>
<td>Sonjag Misra</td>
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<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 2016 (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. The theme of this year was “disruptions” with many presentations and panels devoted to the topic; the speakers mostly consisted of Booth alumni – all of whom did an outstanding job.

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 creating a forum for alumni to share ideas and resources and helping students identify various job opportunities. Second, I have to thank and acknowledge Eteri Zaslavsky; she is the leading force behind our annual real estate conference and many other Chicago-based events. Third, let me acknowledge Mike Kirby

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5 I’d also be remiss if I were not to thank our recurring sponsors: Latham & Watkins, Eastdil Secured, Equity Commonwealth and Draper and Kramer. And, we added two new sponsors this year: BMO and Ten-X.
(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. Fourth, let me also thank a number of Chicago-based alums, including Bruce Cohen, Debra Cafaro, Brian Finerty, Ari Glass, David Helfand, Ed Ryder, and David Schwartz, who have participated in a great number of real estate-related activities and events. Fifth, let me also thank a number of alums located outside of Chicago, including Keith Breslauer, Al Nickerson and Bill Stein, who have guest lectured. And sixth, any listing such as this runs the risk of significant omissions; I’m sure this is the case here as well.

**Twardock Gift:**
David Twardock, ’82, and Kathy Twardock established the “Twardock Real Estate Scholarship.” This merit-based scholarship will be awarded to students in the Full-Time MBA Program after the school has received the commitment in full. As the name implies, Dave has stated a preference that the scholarship be awarded to a student interested in pursuing a career in real estate, ideally with an interest in social enterprise. Absent a qualified candidate with an interest in pursuing a career in real estate, his secondary preference is a student interested in pursuing a career in social enterprise.

**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 Stephen Barter, Keith Breslauer, Debra Cafaro, Bruce Cohen, Mike DeMarco, Bruce Duncan, Andy Ebbott, Steve Fifield, David Helfand, Andrew Miller, Dave Twardock, et al.

**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:

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6 While a graduate of the University’s law school (but not its business school), she is clearly a kindred spirit.
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.)

Finally, and perhaps most importantly, let me wish you and your family happy holidays!
APPENDIX: SELECTED ACADEMIC ACTIVITIES

2016 Academic & Professional Presentations:
- University of North Carolina | Institute for Private Capital:
- PREA | Alternative Investments Affinity Group:

Booth Real Estate Conferences:
- 2016:
  - Agenda:
    https://static1.squarespace.com/static/558bff62e4b0c093c661b711/t/57c38b026b8f5b91e140b3b/1472432899729/2016-Conference-Flyer-082816.pdf
  - Videos:
- 2015:
  - Agenda:
  - Videos:

Working Papers:
- “Some Thoughts on Real Estate Pricing”:
  http://faculty.chicagobooth.edu/joseph.pagliari/research/working/RealEstatePricing11-30-16.pdf
- “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}