

# **Stakeholder Impact on Property Education Programs**

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**Abstract**

This paper examines the forces of change currently impacting on property education and describes the probable resultant changes in the delivery and content of existing property education programs over the next decade.

Over the past few years several surveys of property education stakeholders have been undertaken internationally and this literature is reviewed at the commencement of his paper. The current and anticipated demands of the different stakeholders, in particular the employers, students and professional associations, are categorised and evaluated in the paper. In addition the current pressures on property courses within Australian Universities are superimposed on this situation.

Probable responses to stakeholder demands are evaluated in the light of current educational trends. Based on these demands and responses, future paradigm shifts are considered. The probable, major impacts include a multi-media, client-driven learning environment, different foci in the curriculum and the primacy of professional upgrade education. These issues are elaborated on in the final part of this paper.

**Keywords:**

Online learning, behavioural studies, industry-linked, integration, market analysis, problem-based learning

## **Introduction**

There is an ongoing debate on the status of property (or real estate) as an academic discipline. Grissom & Liu (2003) examine whether real estate is a functional area of study or an area of trade training. Many authors refer to property/real estate as an “eclectic” area of study but fail to agree on the exact paradigm for property as a discipline.

While this debate continues the academic discipline area of property is changing rapidly because of the competing requirements of different stakeholders. I define the major stakeholders of property education programs to be the students, the funding (and managerial) bodies, the industry employers, the academics and the general public. Currently these stakeholders are having a major impact on property education. The funding bodies, usually governments, are seeking a better return from their investment and imposing performance measures on educational institutions. Student fees are increasing and the exposure of students to academic mentors is reducing. Academics are being encouraged to focus more heavily on research and publications than on student contact, and, employers have little time to mentor a graduate through a period of initial experience. These pressures can have negative effects on student learning and the academic discipline area unless educational practice changes to meet this challenge.

In fact the stakeholders are demanding a more effective learning environment that accepts that funding is reduced, contact time with students is reduced and that students must be “industry ready” when they complete their courses. This is a paradigm shift and the best way to meet this challenge is to focus on the requirements of the stakeholders, in particular the student, and to understand that the primary driver of the property discipline area is human behaviour.

The worth of all property assets is based on their usefulness to people over time. Without human input and the beneficial gains by humans, property would be a worthless asset. Humans both make the property market and provide the professional expertise to ensure that the market operates effectively. Thus meeting stakeholders’ demands requires a more effective understanding of human behaviour in the property context. This translates into an awareness of student needs and aptitudes and human interaction in the property markets.

In order to plot the way forward it is important to start with the changes proposed by the previous generation to the valuation (appraisal) profession and the state of this profession today. I will focus primarily on the Australian market, which is the one I know best.

## **Property Valuation Theory and Practice – 30 years ago**

It is more than thirty years since Richard Ratcliff, a great forward thinker, wrote his groundbreaking paper on appraisal theory and practice (Ratcliff, 1972). He stated:

*In recent years the appraisal profession has witnessed growing doubt and even protest over the institutionally-enforced rigidities of certain concepts and practices which appear, in the eyes of many perceptive practitioners and inquiring professors, to be of doubtful validity (p.522).*

He proposed that long-held appraisal (valuation) theory required modification in the field of economics, professional approaches and business (decision-making) analytical methods. He emphasised that “*appraisal is an economic analysis under uncertain conditions and thus can be expressed only in terms of probabilities*” (p.526) and “*the*

*conception of appraisal as measurement leads to an undue preoccupation with the inert property object to the neglect of the exogenous market forces which play the active role in establishing the price” (p.525).*

Most property professionals acknowledge these concepts today. However the pertinent question is whether these “tenets of the new school” – as Ratcliff labelled them – have been effectively incorporated into valuation education and practice over the past thirty years.

My brief response is that the “new school” concepts have not been adequately incorporated into valuation education and practice in Australia. While many of the concepts put forward by Ratcliff and other reformist thinkers of the time, such as Graaskamp (1977), Wendt (1974) and Grissom (1985), have influenced valuation thought, many “institutionally-enforced rigidities” and “the undue preoccupation with the inert property object” still exist today. These rigidities still impact on valuation education within Australia because of the inflexibility of the vision, procedures and employment practices of the university sector.

To plan for the future we should briefly review the current position of valuation practice.

### **Current Status of the Valuation Profession in Australia**

At present there are real threats to both valuation practice and property educational institutions in Australia. In particular, the valuation profession is under threat because of the difficulty of obtaining professional indemnity (PI) insurance. Furthermore the cost of PI insurance is becoming prohibitive. In the past ten years there have been many cases of litigation against valuers for failing to use reasonable care and several cases have resulted in major damages claims, such as *Interchase Corporation Ltd v CAN 0100876573 Pty Ltd and Others* (2000) QSC013.

Furthermore the profession has become highly competitive resulting in client expectations of unreasonably low fees and “short-cut” valuation approaches such as desk-top valuations. This can, in some cases, result in unprofessional practices. In addition the valuation profession is being deregulated in some States in Australia resulting in the lowering of the overall entry standard to the profession. While acknowledging the concerns of the practitioners, it is more useful to examine how these challenges can be changed into opportunities.

Property education courses in Australia are, like valuation practice, suffering from a reduction in funding and a downgrading of their status within the universities. There has been a reduction in the number of property academics at most Universities in the region and this is adversely affecting the education programs.

The valuation profession (practice and academic) is at a crossroads. The growing importance of property as a distinct asset class means that the profession should benefit from the changing environment but it is questionable whether the valuation profession (in particular) has capitalised on the potential market opportunities. It must meet the current challenges by doing, what it is currently doing, better and developing new client services; this means expanding its knowledge base. It will need a change in practice and attitude to raise the performance to another level.

Ratcliff saw a similar situation thirty years ago and encouraged change in the profession to meet the challenges. Today there is a similar or greater challenge for both practitioners and educators.

They must “adapt or die”. A highly relevant quote is made by Drucker (1999, p.20) (quoted in Manning and Roulac 2001) states:

*one can no longer expect that the organisation for which one works at age thirty will still be around when one reaches sixty. But also, forty or fifty years in the same kind of work is much too long for most people. They deteriorate, get bored, lose all joy in their work, retire on their job and become a burden to themselves and to everyone around them.*

How can a “new school” today lift the valuation profession to new heights? I believe that the focus should be placed on quality learning environments for both new students and seasoned professionals. We should start with the output required from property education programs, as opposed to the narrower focus on valuation, and ensure that the learning environment provides the best opportunity for students to achieve the desired output.

### Property Education Program Outputs

The desired output from any property education program is a graduate who has the knowledge and understanding to have a positive impact on the property industry. Upon completing a property course, the graduates should have a sound understanding of the property discipline body of knowledge, have the ability to analyse property market behaviour and communicate their understanding in an appropriate manner. I am, intentionally, emphasising that a good knowledge base alone is inadequate for a professional education and that the ability to analyse and communicate are two essential outputs of an education program.

Consider the current requirements of the property industry. A recent survey by Epley (2004) in the USA surveyed corporate real estate executives to determine what concepts and skills they required of their “service providers”. The three most critical areas were described as:

- Real estate market interpretation
- General tasks of analysis (as opposed to specific tasks)
- Relationships with other personnel and the public.

The top ten ranking concepts and skills from the survey are shown on Figure 1 below:

**Figure 1: Raking of Decision Making Subject Areas - Epley (2004, p.51)**

<b>Concepts and Skills</b>	<b>Mean</b>	<b>Std Dev.</b>
Access and interpret market data	4.2	0.9
Identify clients and their goals	4.2	1.3
Use net present value analysis	4.1	0.9
Conduct a site analysis	4.1	0.9
Use market data to set rents	4.1	1.0
Interpret a vacancy and absorption rates	4.0	1.0
Conduct a location analysis	4.0	1.0
Apply people skills	3.9	1.2
Identify property types and characteristics	3.9	1.2
Describe economic impact of various leases	3.8	1.0

The Epley study confirms the current expertise required of the property professional. A property education program should, as part of its evaluation performance, assess how well its graduates meet the reasonable demands of the experienced industry executives.

To achieve the desired output means that the student must be given a supportive and well resourced learning environment as well as an appropriate curriculum. While this is not new, there are new elements in both the curriculum and the learning environment that have taken on critical roles in the education process. Specifically they relate to human behaviour. This will be expanded in the following sections on the curriculum and the learning environment.

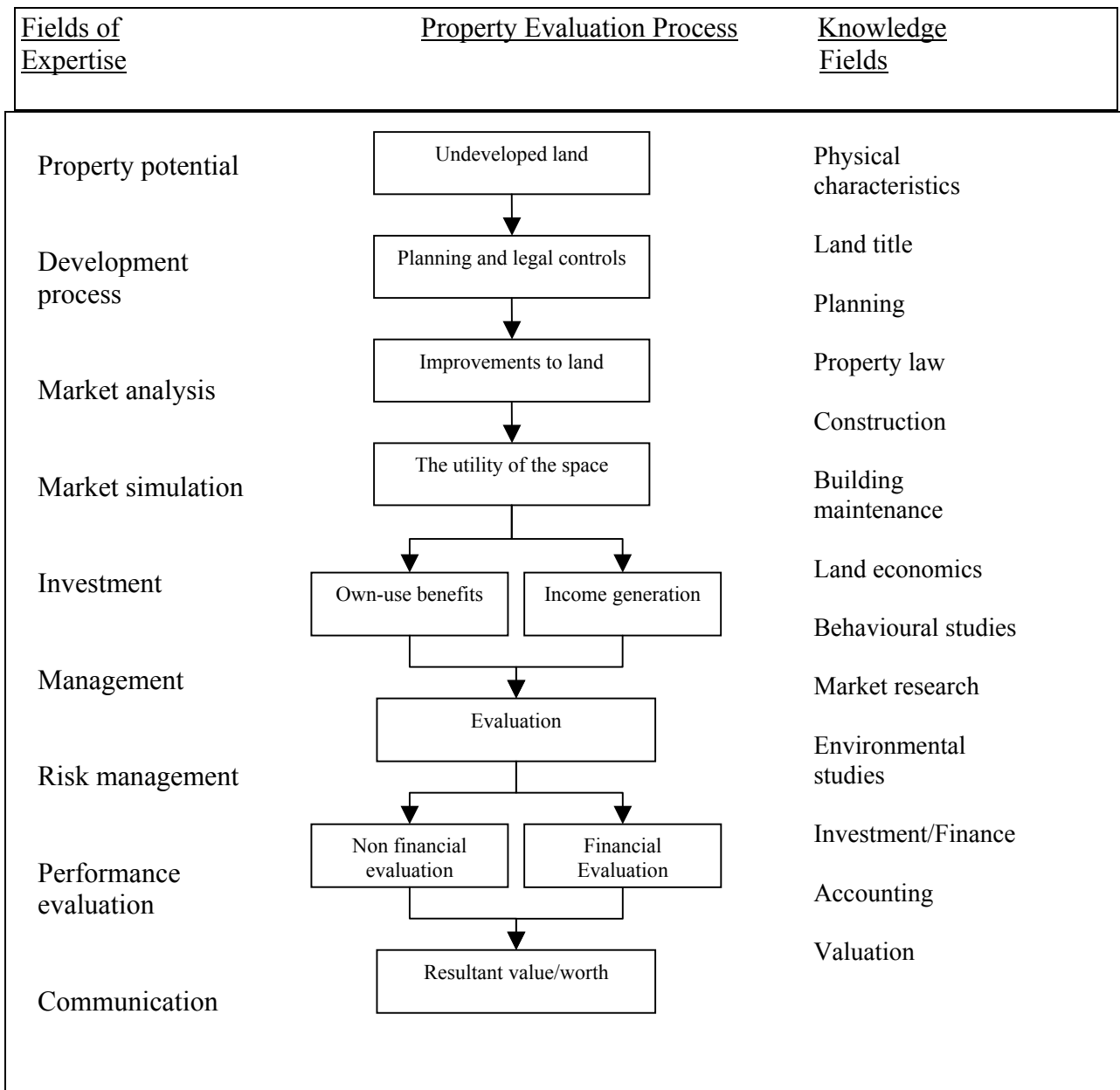
### **The Updated Curriculum**

Traditionally specialist undergraduate programs have covered the broad spectrum of property related subject areas adequately. There has been a strong focus on the physical, locational, legal and economic characteristics of property. However greater emphasis needs to be placed on human behaviour and interdisciplinary studies.

Consider the property evaluation process framework for property. The process is outlined in Figure 2 below in the central column. It identifies the main property activities from development activities to its beneficial occupation. This is the process that must be fully understood by the property professional. Consequently they must have knowledge of all the components of the process in order to appreciate their impact on the value of the asset at a particular time in its life cycle.

The column on the right hand side of Figure 2 lists the essential knowledge fields. These are the subject areas, or knowledge fields, that the student must study and comprehend. It is a very wide range of subjects but the property student will consider only the components of these knowledge fields that relate to property and the assessment process. Property professionals must have a knowledge in all these fields but should also be aware of the limitations of their knowledge and be willing to consult with other specialists when necessary.

**Figure 2: The Property Evaluation Framework and Knowledge Fields**



The knowledge fields listed must be contained in a property curriculum as they form the basic body of knowledge. It is generally acknowledged that the fields of property law, building studies, planning, finance, market research, urban economics and accounting are essential components of the property evaluation process. However equally important fields, such as behavioural, cultural and environmental studies, have been largely ignored in the past. In particular human behaviour has been given inadequate emphasis in the property curriculum. This needs to be redressed today and even more so in the future when the next generation will change the demand criteria for property space (refer Boyd 2004).

Having dealt with the basic body of knowledge let me emphasise that a comprehensive body of knowledge does not represent an adequate property education. They are simply parts of a puzzle, if you are not capable of putting them together you have achieved very little and will not

be able to assess complex and evolving property scenarios. The emphasis must be placed on an understanding of the analytical processes that evaluate human behaviour within these knowledge fields. The student must be capable of simulating the impact that these interdisciplinary knowledge fields have on the property market.

The left hand side of Figure 2 lists the fields of expertise required of the property professional. This is the real challenge for property education - to ensure that the graduate is competent in these fields, albeit that the graduate has not had market experience. Consequently the student must understand these activities and know how to relate them to the property industry. Assessment requires that the student achieves competency (not at the simplistic 'can do' level) in combining knowledge from several discipline areas to perform complex property evaluation tasks. Thus the focus must be on the student's ability to extract this knowledge and apply it in novel situations. It is unlikely that students will do an exercise on, say, the assessment of the ground lease rent on the airside of an airport, but their educational background should prepare them to understand the investigation and process necessary to undertake such an assessment.

A further requirement of the property graduate is the ability to effectively communicate with their clients and be capable of promoting themselves as professionals; hence there is a need to be a competent communicator within the "fields of expertise" in Figure 2.

The interdisciplinary nature of property means that the education process will draw on presenters from outside the property field to deliver property support subjects. This is not a drawback because students must appreciate the place of property within the business environment. Furthermore property students can benefit from joint work with students from related disciplinary areas; further comment will be made on this in the learning environment section.

### **The Learning environment**

The traditional learning environment for property courses is provided by universities that have specialist undergraduate and postgraduate programs. Generally these courses use a face-to-face delivery mode. However due to stakeholder demands, in particular the need for continuing professional development, this situation is changing with new providers entering the market and different delivery modes being used. Against this background, how do you provide a more effective learning environment to students?

I will suggest five changes that should greatly improve the learning environment for property students. They are:

1. Quality interaction between academics and students
2. Industry-linked learning
3. Emotional intelligence development
4. Integrated, problem based workshops
5. Online learning

#### 1. Quality interaction between academics and students

The property academic is still the primary mentor for property students. However the increasing demands on these academics (publish or perish) means that their involvement in face to face



contact with students is decreasing. Some day soon we will see a justifiable revolt from students against the sharply declining staff to student ratios.

It is essential that the academics have dedicated and uninterrupted time to devote to student learning. To achieve this, their workloads in terms of hours taught, may have to be reduced. This can possibly be achieved by reducing the number of property specific subjects delivered, provided it does not disadvantage the course. With a reduced teaching load, the academic must provide uninterrupted contact hours for both the class and the individual.

Quality time for students should be in the form of class presentations, group work/workshop facilitations and one-to-one consultations. I consider that an academic should present no more than two or three subjects at any time but that their involvement in each subject should include group workshops and a dedicated meeting time for individual students (open door) of a minimum of three hours per week per subject. This would provide the student with the opportunity to communicate effectively with their mentors, which is still the best learning environment.

It is also expected that the academic will have the benefit of industry linked support and online facilities to provided a balanced learning environment.

## 2. Industry linked learning

While university based degrees are the appropriate entry level qualifications for the property profession, there are three recent developments that demand a change to current educational courses. They are, firstly, the strong growth in mature students entering property courses, secondly, the increasing demand for “on the job” continuing education programs and, thirdly, the reduction in practical field trip activities and workplace experience as essential components of undergraduate property courses.

Because of these trends it is necessary to place a greater focus on industry-linked learning. It is not intended that we revert to the traditional workplace (apprentice-style) learning model. Rather it is a partnership that allows actual industry experience to be incorporated into learning.

Industry-linked learning should be a combined activity of the educator and the practitioner. The learning may take the form of problem-based learning that involves both a real industry scenario and the input from an industry partner. Another good example of industry-linked learning is the critical examination, and possible re-enactment, of legal case studies. To date there has been inadequate focus in the property courses on the market-based challenges facing the industry. Many of these problems are dealt with in the courts, where different viewpoints are put forward and challenged. Some of the legal case studies provide excellent material for role-play activities. There are several existing models of industry-linked learning, inter alia:

- Involving practitioners in the presentation of university based courses (this is a regular practice at many universities)
- Involving academics in the presentation of workplace courses
- Joint consultancy between academics and practitioners
- Joint research between practitioners and academics

While accepting that these practices exist, they should form an integral part of the learning environment. For further discussions on linkages between industry and educators in the future refer to the proposals in Roulac (2002) and Boyd (2000).

### 3. Emotional Intelligence Development

In a profession requiring both a high level of specialist knowledge and regular interaction with other professionals, it is important that property professionals have emotional intelligence (EI). This form of intelligence should be nurtured in the education stage.

EI is described by Goleman (1998, p.317) as:

*the capacity for recognising our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships. It describes abilities distinct from, but complementary to, academic intelligence, the purely cognitive capacities measured by IQ....These two different kinds of intelligence – intellectual and emotional – express the activity of different parts of the brain.*

He adds (p.22):

*Emotional intelligence skills are synergistic with cognitive ones; top performers have both. The more complex the job, the more emotional intelligence matters – if only because a deficiency in these abilities can hinder the use of whatever technical expertise or intellect a person may have.*

Self-esteem and mental agility are characteristics of emotional intelligence. These are the generic attributes that the educator should possess and encourage in their students. If a company, team or academic grouping has leaders with emotional intelligence it will have a good chance of being successful. There are many examples of sporting team participants who demonstrate high emotional intelligence; they are positive, adaptable and supportive of one another. These are essential traits for a property professional.

Manning and Roulac (2001, p.19) describe the importance of emotional and cognitive competencies for property academics and students, they state:

*Of most interest to those concerned about the future direction of real estate and other college of business education is this experience that emotional intelligence can be learned throughout life and successfully taught to students in university college of business programs..*

This concept of developing emotional intelligence is an important part of the learning process. It can be fostered through well planned and integrated workshops.

### 4. Integrated, problem-based, workshops

MIT has developed highly successful media labs that focus on providing real world solutions to new problems (Mitchell 2004). This type of laboratory workshop could work well as a property studies exercise. It would require the input from property and other related discipline areas after an initial investigation (research) of the subject area. The preliminary investigation is then considered in a workshop format that involves both academic and industry professionals and senior students.

Examples of suitable workshop topics are the development potential of heritage listed properties, the effect of power transmission lines on property values and long term projections of office rents. These topics would require the input from several discipline leaders as well as students who have researched the topics from different discipline perspectives. This process has the

potential to develop the mental agility and interpersonal skills of the students (emotional intelligence) and result in practical outcomes, such as research papers. This type of activity is well suited for final year undergraduate students and postgraduate students.

Commentary has also been made under the heading *2. Industry-linked learning* on workshops with industry input and there is substantial literature on problem-based learning (refer Schwartz et al (2001), Knowlton and Sharp (2003), Lev (2004)) that can assist in establishing the structure of the workshops. An interesting business and property project aimed at developing critical thinking skills and analytical processes is described in Born (2003).

## 5. Online learning

The development of multi-media learning facilities is advancing in great strides and students are now well aware of the vast resources that are available on the internet. It is no longer reasonable to ignore the benefits of having active learning facilities online. The degree of incorporation of online facilities may vary greatly from basic storage of lecture and reference material to stand-alone subject delivery. Online education can be an effective means of learning if it is professionally designed and takes account of the different learning styles. As Martinez (2004, p. 267) states:

*The proper design of online education is emerging as far more important than the particular delivery method, technology or content.*

In the property field the incorporation of real life case studies online that are well illustrated are of great benefit to students who don't have the opportunity to undertake site inspections. The argument that practical courses, such as property studies, cannot be taught through the internet is being proved wrong. While the desirability of physical inspection and face-to-face debates will also be paramount, the learning opportunities of the internet are advancing and can't be ignored.

A survey by Wolverton and Wolverton (2003) compared the reaction of students to online, self paced learning modules to traditional face to face delivery modules. In general the students found the online format more interesting (69% of respondents) and more conducive to learning (67%). In relation to time and effort commitment, 60% of the students responded that the commitment was similar and 26% found it required more time and effort.

These findings are similar to the responses received by the author to his online postgraduate subject in Property Investment Analysis. Comments made included:

- *The online learning was pretty easy to understand once you had been walked through the web site. Still important to have the contact with the lecturer via email, telephone and the odd tutorial.*
- *I would like to see more practical examples and work exercises (self assessment activities) for each module. Having more exercises can assist me in understanding the theory behind property investment.*
- *Online subject content is not the way of the future, it is now. Busy professional postgraduate students like me need flexibility.*

The degree of incorporation of online teaching within a property course will depend upon the ability and enthusiasm of the educators. It should be acknowledged that the preparation and maintenance of online material is time consuming and challenging; however the final product is

part of a balanced learning environment and should be incorporated in forward looking property courses.

### **Course Accreditation Process**

In considering stakeholder impact on property programs, the role of course accreditation cannot be ignored. In Australia both the Australian Property Institute (API) and the Royal Institution of Chartered Surveyors (RICS) accredit property courses at the undergraduate and postgraduate level. These organisations represent the majority of practising professionals and have an important role as guardians of the output from property courses.

Both accrediting bodies are changing to a partnership arrangement with the educationalists and are attempting to establish standards or thresholds that focus on the academic output or employability of the graduates. Because of the financial pressures being applied to the educational institutions it is essential that the standards of the accrediting bodies ensure that the students are provided with an effective learning environment.

The accrediting bodies should further develop their roles as active partners and increase their involvement in workplace linked learning. There is an opportunity for “joint” or “substitution” courses between the professional association and the educators. The other crucial role of the accrediting body is the monitoring of the learning environment provided by the educators. This requires an examination of the resources, and, in particular the academic staffing, of the education providers. They should use their stakeholder interest to encourage and require the education institution to be adequately resourced. This means setting clear and unequivocal benchmarks on what represents quality resources for an effective learning environment.

### **Conclusions**

The changing demands of people, influenced by ICT developments, are having a great impact on the property industry. This means that property education must adapt to meet these demands from all their stakeholders. It would appear that the students, as stakeholders, are likely to be adversely affected by the changing stakeholder demands unless the education providers can provide an effective learning environment with lesser resources.

A substantiated improvement in the property course content can be achieved if greater emphasis is placed on behavioural analysis and interdisciplinary skills. This requires a reconsideration of the body of knowledge and the expertise essential for the property professional. It also means that the traditional learning environment must adapt and incorporate relevant technological advances and the expertise required by the marketplace. The greater assimilation of learning within the workplace will benefit both new entrants into the profession and seasoned professionals. It is probable that educators and professionals will soon form new educational partnerships that will be highly beneficial to the industry.

Several improvements can be made to the learning environment through integrated problem-based workshop activities and other industry-linked training opportunities. The practical usage of information technology is essential to assist the time-strapped learner and new competencies, such as emotional intelligence, are needed in this people-focussed environment.

The property industry requires professionals who can continually demonstrate their value adding capacity to decision makers and consequently the property education industry must provide their clients with the best opportunity to develop as multi-skilled property professionals.

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