

Information Overload: Emerging Academic Challenges and Their Implications

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INTRODUCTION

THE FIRST DECADE OF THE INFORMATION AGE should have been a boon for commercial real estate, and no other segment of the industry could have benefited more than the next generation. Undergraduate and graduate students enrolled in real estate programs have more tools and opportunities than previous generations, but classroom observations and employer sentiment suggest that current students increasingly struggle with an emerging set of information age problems.¹

These challenges threaten long-term achievement and extend well beyond the classroom, but unlike generation-defining problems from previous eras, remedies to these challenges are more likely to be generated from awareness and experience than academic study. Consequently, working practitioners have more to add to the current academic environment than ever before.

PROBLEM 1. KEEPING UP

Just as typewriters and carbon copies have been replaced by computers and email, formal real estate training in the information age is a distant relative of the program that educated most working professionals. The current educational environment is increasingly defined by the following traits:

- **Options.** Previous generations of students interested in commercial real estate careers generally majored in business administration, finance or accounting and had the singular option of obtaining a generic Master of Business Administration degree. Today's students, on the other hand, have dozens of degree options at the undergraduate and graduate level. Degree and course options go far beyond "introduction to

commercial real estate" and include topics such as hotel investment management, financial engineering and real estate development.²

- **Competition.** Domestic business schools have a far larger pool of applicants than in previous eras, which is driving a nationwide trend toward increased specialization and selectivity. Today's top students need standardized test scores in the 95th percentile range to have a fighting chance of getting into the highest-ranked schools, a stark contrast from 30 years ago when standardized test scores were rarely required. Additionally, competition does not abate after acceptance, as a tenth of a grade point frequently separates 20 percent or more of graduating classes.
- **Delivery.** Although campuses were unaffected by the Internet prior to the 1990s, the information age is rapidly expanding educational options. Transient education platforms (such as online, night and weekend offerings) are some of the fastest-growing academic segments and provide a wider range of students with access to higher education. Students in cities nationwide can get a Cornell University Master



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Information Overload: Emerging Academic Challenges and Their Implications

of Business Administration degree, for example, without spending more than a week on campus,³ and traditional business schools are expanding beyond their home cities, offering specialized night and weekend degrees to working professionals in nearby locales.⁴

- **Expense.** Tuition has increased over the last 30 years by approximately 10 percent per year,⁵ and several other factors exacerbate the financial burden of higher education. Graduate degrees have become the norm for breaking into the industry, and many of the nation's top real estate programs are located in New York, San Francisco, Los Angeles and Cambridge, where housing costs add at least \$10,000 per year to the total education bill.
- **Institutional goals.** Academic institutions have been forced to adapt to an evolving landscape and, in an effort to maintain financial viability within a highly competitive environment, universities are targeting high value-added platforms such as specialized graduate programs (particularly for working professionals) focused on alternate delivery.

Overall, the current educational landscape is defined by technology, competition and specialization, and faculty observations suggest that students are responding in ways that expose them to costly mistakes. More specifically, students are migrating toward a “fast surfing” approach to information seeking (think Google-based research instead of textbook reading), which leaves them lacking conceptual understanding.⁶

PROBLEM 2. MASTERING THE BASICS

Commercial real estate students face a myriad of academic options. From courses on “Mixed-income Housing Development” at MIT to “Urban Fiscal Policy” at Wharton to “Strategic Real Estate Management” at New York University, students have a range of exciting topics to choose from but, unfortunately, countless options divert attention away from core real estate principles. Consequently, many students complete real estate programs without mastering basic industry concepts.

Intelligent and ambitious students zip through complex analytical problems with amazing efficiency, but dozens of these same students struggle when asked to interpret and critique a property appraisal. They dive into data-slicing exercises with ease but stumble when asked, “Is

this cap rate too high, too low or about right?” or “Are you a buyer or a seller at this appraised value?”

Similarly, many students dazzle professors and classmates with presentation graphics, but they stumble when asked to explain differences between a positive financial leverage situation and a negative financial leverage situation, or when asked to predict the relative performance of Property A (a full-service hotel with a 65 percent fixed-cost ratio) versus Property B (a downtown office building with long-term leases and a 50 percent fixed-cost ratio).

This increasingly common breakdown is complemented by institutional migration away from the original purpose of higher education. Colleges and universities traditionally sought to impart conceptual understanding of fundamentals, or what researchers call “propositional knowledge,” which is critical to problem solving in a constantly evolving world.⁷

However, academia increasingly responds to lightning-fast flows of information and daily doses of new data by promoting procedural knowledge, the understanding of memorable processes such as applying formulas and creating charts. This institutionalized focus on procedural knowledge hinders achievement by limiting students' ability to solve problems but, more importantly, it limits the generation of new knowledge. As a result, identifying the shrinking minority of students primed for problem solving apart from those with procedural memories has grown into a primary and costly challenge for employers.

PROBLEM 3. COMMUNICATION DEFICIENCIES

Effective written and spoken communication skills are vital in the contemporary work force⁸ and are threatened by the migration toward reactive (and often thoughtless) conveyance of ideas. Handwritten letters and formal reports have been replaced by quick email notes, interactive chats and text messages. And although new media limits wait times, information age technology frequently undermines student communication skills.

For example, student essays and presentations often lack clarity and style, and undeveloped communication skills bleed into the work force. In fact, nearly one-third of employers report that college graduate writing skills are deficient.⁹ Additionally, classroom observations suggest that students particularly struggle with effective writing in real-world situations. Given an essay topic, a two-thousand-word limit and six months to complete an assignment, student writing excels and is generally

Information Overload: Emerging Academic Challenges and Their Implications

readable and compelling, but even exceptionally bright students struggle when given 30 minutes to explain, for example, the differences between publicly traded real estate (REITs) and privately held properties, without the benefit of notes, classmates, books or the Internet.

Student presentations also often lack clarity, but unlike their writing, which is commonly threatened by a lack of organization, their presentations tend to be plagued by rigidity and an aversion to diverting from bullet points on slides. It is certainly true that professional writing and presentation skills improve over the course of a career, but students stand to benefit from targeted feedback, clear expectations and peer review when it comes to writing and presenting.

PROBLEM 4. BEHAVIORAL PITFALLS

Coverage of the most relevant problem area is largely absent from contemporary real estate curricula. Behavioral finance, an emerging body of academic work that combines psychology and traditional economics, explains why “wealth maximizers” consistently make irrational decisions, and the field arguably provides real estate investors with more useful information than any other area of study, as it explains industry phenomena.

The transaction environment of 2007, for example, highlights the real estate sector’s structural propensity for booms and busts. Investors purchased nearly \$450 billion of commercial properties immediately before valuations fell by 30–40 percent, and lenders provided the bulk of acquisition capital (about \$300 billion) at record low rates.

Behavioral economists explain the sector’s excessive swings by diving into irrational behavior and highlighting tendencies such as investor overconfidence. Investors often seek information that confirms assertions about the real estate world while dismissing contrary evidence (confirmation bias), tend to think that past events were more predictable than they actually were (hindsight bias) and struggle with the alignment of economic interests.

Cyclical ebbs and flows are natural components of investing, but behavioral finance attempts to differentiate irrational behavior and provides flags for investors (and students) looking to avoid costly mistakes. Due to natural overlap with real estate investment activity, behavioral finance topics deserve a place in contemporary classrooms and increased understanding among practitioners.

REMEDIES

Information age challenges have increased the disparity between the “best” and “worst” students, and classroom observations of each group can impart value to students and practitioners alike.

- **Increase Awareness.** Most of the emerging problems outlined above are unintentional by-products of reactive tendencies, and the best defense comes with awareness. Students or practitioners looking to better understand these increasingly common pitfalls will find value in reading related texts (e.g., *Nudge: Improving Decisions about Health, Wealth and Happiness* by Thaler and Sunstein), by completing a journalism writing class (journalism methods are applicable because they focus on quick, digestible writing, which anchors contemporary business communication; e.g., Gotham Writers’ Workshop sponsors online and day classes in article writing that start at \$150), or by enrolling in a public speaking program (e.g., Toastmasters).
- **Focus on individual problem-solving skills.** Information overload and a rapidly evolving landscape result in fast surfing, which often leaves students with a working memory of superficial topics but lacking in the area of ad hoc problem-solving skills. Discerning problem solvers from “fast surfers” is difficult, particularly in a forum such as a job interview where applicants seek to illicit a positive reception. However, some tricks of the trade prove to be very helpful in this regard. Interviewers should rely on interactive discussions about complex situations instead of asking “yes” or “no” questions. Providing a job applicant with a case study situation that includes more information than necessary to solve the problem will highlight problem-solving skills (or the lack of), because “fast surfers” try to fit all information into a response while problem-solvers tend to focus only on valuable information. Brain teasers are also effective in fleshing out problem-solving skills (e.g., “how many golf balls can fit into a Boeing 747?” or “how many movie theaters are in the United States?”). The key with brain teasers is to carefully observe a responder’s problem-solving approach instead of debating correct answers.
- **Find quality mentors.** Another distinction between academic high performers and underperformers relates to the presence (or absence) of an effective mentor.

Information Overload: Emerging Academic Challenges and Their Implications

Good mentors take on one or two young professionals and get actively involved in their development in the field for at least one to two years. They build relatively deep working relationships and provide invaluable support as students progress over the career learning curve. The least effective mentors, on the other hand, tend to take on too many students and rarely get beyond informal pleasantries.

One effective way of sparking such a relationship is to begin by sharing reading lists. A rapidly growing body of plain English texts gives mentors and students an informal basis for conversationally exploring real world problems. Student favorites include: *Fooled by Randomness* and *The Black Swan: The Impact of the Highly Improbable* (Nassim N. Taleb); *Liar's Poker*, *Moneyball* and *The Big Short* (Michael Lewis); *When Genius Failed: The Rise and Fall of Long-Term Capital Management* (Roger Lowenstein); and *Nudge: Improving Decisions about Health, Wealth and Happiness* (Richard M. Thaler and Cass R. Sunstein). In addition, the PricewaterhouseCoopers and Urban Land Institute annual publication *Emerging Trends in Real Estate* is filled with anecdotes and useful information.

- **Increase practitioner involvement.** Working professionals bring much needed experience to the increasingly specialized nature of commercial real estate academia. Reach out to faculty members at local universities and offer to provide resources such as teaching material, mentoring or guest visits. Students and institutions benefit from experience, and professionals gain a frontline view of emerging talent.

The key to successful practitioner involvement rests in the use of realistic material and the value of professional experience.¹⁰ The most effective adjunct professors and class visitors bring examples, case studies, experiments and distilled industry information into the academic environment. Authentic material engages students and prepares them for situations they will likely see in the future. Integrate actual real estate documents such as leases, contracts, mortgages and appraisals into class material. Hide names and locations for anonymity when needed, but use care not to delete transaction-defining details.

CONCLUSION

Today's commercial real estate educational environment is significantly different from the 20th century version experienced by most working professionals. Current

students benefit from many different options and flexibility, but a handful of emerging challenges threaten student development and future productivity.

More specifically, students increasingly depend on Google-like research methods, and institutional focus has migrated toward procedural knowledge at the expense of conceptual understanding. Consequently, a growing number of graduates are well versed in industry slang but lack problem-solving skills and struggle with basic communication.

The observations outlined above are based on hundreds of interactions with students, and although they fairly summarize problem areas that consistently challenge today's students and young professionals, they certainly do not define all students. However, since these emerging classroom challenges result from reactions to information age changes, their solutions extend well beyond the classroom. ■

ENDNOTES

1. "Are They Really Ready to Work? Employers' Perspectives on the Basic Knowledge and Applied Skills of New Entrants to the 21st Century U.S. Work Force," special report by The Conference Board, Corporate Voices for Working Families, Partnership for 21st Century Skills and the Society of Human Resource Management, October 2006. Based on a survey of 431 employers, this report states "The future U.S. work force is here and it is woefully ill-prepared for the demands of today's (and tomorrow's) workplace...the report's findings reflect employers' growing frustrations over the lack of skills they see in new work force entrants."
2. Stampone, Joe, "The Real Estate Collapse? It'll Be in the Final," *The New York Times*, Dec. 17, 2010. Available at <http://www.nytimes.com/2010/12/15/realestate/commercial/15grad.html>. The article states: "It used to be that the only alternative was getting an M.B.A., but around 1995, with the advent of real estate investment trusts and debt securitizations, academic institutions began taking real estate more seriously."
3. The Cornell-Queens Master of Business Administration degree is delivered to students across North America over 16 months via teleconferencing, Saturday class meetings and three residence sessions on the Cornell and Queen's University campuses.
4. Many domestic business schools now offer full-scale programs leading to traditional degrees outside of their normal locations. Examples include the University of Texas McCombs Master of Business Administration offered in Dallas; Cornell University's Johnson Master of Business Administration offered in New York City; and Pepperdine's Graziadio Master of Business Administration offered in Los Angeles.
5. The College Board Web site, "Trends in College Pricing," 2011. Available at <http://trends.collegeboard.org>.

Information Overload: Emerging Academic Challenges and Their Implications

6. Heinström, Jannica, "Fast Surfing for Availability or Deep Diving into Quality: Motivation and Information Seeking Among Middle and High School Students," *Information Research*, Vol. 11, n. 4, 2006. Heinström, Jannica, *Fast Surfers, Broad Scanners and Deep Divers: Personality and Information Seeking Behaviour*, doctoral dissertation, Åbo Akademi University Press, 2002. Ford, Nigel "Psychological Determinants of Information Needs: A Small-Scale Study of Higher Education Students," *Journal of Librarianship and Information Science*, Vol. 18, n. 1, pp. 47–61, 1986. Ford, Nigel, Miller, D., & Moss, N., "The Role of Individual Differences in Internet Searching: an Empirical Study," *Journal of the American Society for Information Science and Technology*, Vol. 52, n. 12, pp. 1049–1066, 2001. On the topic of surface students and "fast surfing," researchers from Rutgers University concluded: "Students with a surface study approach tend to consult information sources only because they are required to do so. Particular pieces of information are sought in order to fill a momentary gap of information, instead of being linked together in a wider pattern of knowledge creation. This search pattern, described as fast surfing, is characterized by minimum effort invested in information seeking and favoring easily available information sources."
7. Maclellan, Effie, "Conceptual Learning: The Priority for Higher Education," *British Journal of Educational Studies*, Vol. 53, n. 2, pp. 129–147, June 2005. On the topic of conceptual (or "propositional") versus procedural knowledge, researchers concluded: "It is the learning of propositional knowledge that is privileged in higher education because propositional knowledge provides the potential for the generation of new knowledge, which will be needed for solving the as yet unknown problems to be spawned in our complex, ever-changing world."
8. Op. cit. at 1. More than 90 percent of employers say that written communication skills are of the highest importance for college graduates.
9. Op. cit. at 1. Approximately 28 percent of employers say that written communication skills among college graduates are deficient.
10. Additional suggested material for practitioner involvement in academia:

Harvard Professor William Poorvu with Jeffrey L. Cruikshank authored a very useful real estate text that relies heavily on real world material: *The Real Estate Game: The Intelligent Guide to Decisionmaking and Investment*, 1999; Michael Mauboussin, an investment manager and adjunct professor at Columbia University, writes about behavioral finance and outlines experiments that help bring theory into the classroom: *Think Twice: Harnessing the Power of Counterintuition*, 2009; and *More Than You Know: Finding Financial Wisdom in Unconventional Places*, 2006. Many real estate research firms publish free newsletters that familiarize students and practitioners with industry issues. Examples include *About Real Estate* from Torto Wheaton Research, *CoStar Advisor* and *Real Estate Investment SmartBrief* from NAREIT.