

## **The Steven L. Newman Real Estate Institute**

### **Full Text of Report to the Board of Advisors Presented by Jack S. Nyman, Director November 10, 2010**

Thank you for your attendance today. There's a lot of talent in this room! Your participation *matters*. Board involvement can matter even more in coming months, because the Institute's role is expanding, in exciting ways that hold tremendous promise. The generous financial support of our founding chair, Bill Newman, makes it possible for us to realize more of that promise.

I'm going to be dropping some names this afternoon, to populate my talk with people and organizations that are now within our partnering orbit. The Institute is being recognized as a creative force for good – particularly in these challenging times. We are making a contribution. We are making a difference. I know we can do even more.

The Institute's profile has been rising. Over the past few years,

- We've added four certificate programs:
- We've launched major sustainability initiatives.
- We've ramped up our research.
- We've rolled out a high-profile series of public events, some of them newsmakers.
- We've been tackling major transportation and infrastructure issues.
- Notably, this past summer we won a major US Department of Energy grant for "Benchmark Green," a pioneering project to develop online courses that will be available nationwide. They'll help building operators, property managers and asset managers learn how to boost the energy efficiency of existing buildings.
- We've formed partnerships with senior players in the public, private, and nonprofit sectors. What we now have in hand is an opportunity to shape the Institute's role not only locally, not only regionally, but nationally.

That is, the Institute is poised to become a player on the national stage.

#### **HIGHLIGHTS OF RECENT ACCOMPLISHMENTS**

I would like to frame my report by stressing that we serve the real estate industry through a *set* of closely related activities: professional education, research and publishing, public events and sustainability. I emphasize *set* because the close coupling of our mission areas is a source of tremendous strength. We have developed a truly integrated delivery system.

One example illustrates this point vividly. Our research report, *Reconsidering Gowanus — Opportunities for the Sustainable Transformation of an Industrial Neighborhood*, became the basis for a [town-hall forum](#) held in Brooklyn Borough Hall. When *The New York Times* learned about our report, it invited me to [blog](#) about the Gowanus Corridor, in March.

Our forum, held in May, attracted media attention from *Crain's*, and local government news publications, as well as a large audience that included public advocates, government officials, residents, and community and business leaders – all eager to discuss the report's findings and recommendations and to better understand the impact of the recent Superfund designation.

Among many prominent speakers: the Brooklyn Borough President; a City councilman; the senior representative of a U.S. congresswoman; the Director of Planning for the NYC Department of Planning's Brooklyn Office; a former Chief Economist for the Port Authority, who was one of the co-authors of the report; and the president and CEO of the Brooklyn Chamber of Commerce.

The event expanded our networking, and that in turn has generated opportunities for further collaborations. And because our research and public events address issues at the intersection of the marketplace and public policy, our ties to the City have become stronger. We're now in talks with the Manhattan Borough President, the Public Advocate, the Mayor's Office of Long-term Planning & Sustainability, the City's Department of Environmental Protection, the Mayor's Office of Environmental Remediation, the New York City Department of City Planning . . . I could go on.

## **Sustainability**

Sustainability was a focus of the Gowanus report and the town hall forum, and it's well integrated into all our mission areas. There are two important reasons for this. An estimated 80% of all of the city's greenhouse gas emissions are related to its existing building stock, and energy efficiency does cut costs.

- We've been advancing as a leader on the sustainability front, by equipping students, building owners, managers, operators, and tenants with knowledge that they can use to achieve sustainability goals.
- Our certificate programs feature sustainability content.
- So do many of our research projects.
- Our [Sustainability Shoptalk](#) series of public events has been enthusiastically received – we've conducted six events, two future events are planned, and we've been urged to hold many more, by attendees and speakers. Also gratifying is the fact that so many speakers have remarked to me that they themselves have learned a lot from other speakers at these events. This genuine sharing of knowledge and insight helps advance the field – a major "Shoptalk" goal.
- Some events that haven't been formally defined as part of our "Shoptalk" series are laden with sustainability issues. Dramatic examples are "Transformational Infrastructure" and "Airports."
- Of particular note: the Port Authority's massive infrastructure holdings directly and indirectly affect real estate values, and the way it manages its assets has huge consequences for its sustainability goals. The Port Authority's Executive Director, Chris Ward, who is one of the most talented public servants I know, views the Institute as a strategic partner for the long term. We conducted three events with him last year and are looking at at least two more.

## *CIUS Building Performance Lab*

Also noteworthy is our partnership with the [Building Performance Lab](#), which is part of the [CUNY Institute for Urban Systems](#). Under an EPA Region 2 grant awarded to us jointly, we've been developing a comprehensive online "Building Performance Toolkit" that will be hosted on the Institute's web site.

In 2007 the Lab founded a remarkable consortium: the NYC Building Performance Stakeholder Consortium. Its over 200 members are drawn from the entire spectrum of the real estate industry: leading commercial and residential property owners, real estate brokers, developers, investors and lenders, architecture and engineering firms, utilities, nonprofit and community organizations, educational institutions, labor unions, and government agencies.

Among these parties are Arup, Brookfield Properties, CBRE, Clinton Climate Initiative, Con Ed, Cushman & Wakefield, Deutsche Bank, Grubb & Ellis, GSA, Hines Interests, JP Morgan Chase, Keyspan, NRDC, NYC Economic Development Corporation, NYC Office of Long-Term Planning & Sustainability, NYSERDA, Real Estate Board of New York, Related Management, Silverstein Properties, Skadden Arps, TIAA-CREF, Tishman Speyer, The Durst Organization, US EPA, and Vornado Realty Trust.

We host the consortium's meetings and have become an official partner and cosponsor. The consortium meets several times a year to discuss the benefits and challenges of going green. These meetings are particularly dramatic: participants are candidly wrestling with real-world problems and trying to craft solutions that can help transform entrenched industry practices.

## **Education**

The hallmarks of Baruch are academic excellence, diversity, and affordability. We take those values to heart. To better reflect them, we've applied a more strategic approach to our [education programs](#), and we've been collaborating closely with Baruch's School of Continuing and Professional Studies on marketing. We've streamlined our course offerings to deliver more value to students, at a slightly lower cost. We've eliminated courses that aren't profitable. We're expanding our instructor base. We've streamlined our course catalogue to make it more user friendly for students who are entering the field: our marketing materials now present simple graphics that map academic and career paths.

I'm pleased to report that enrollment has grown by 183% over 2008-09 levels. The totally redesigned web site that we launched in January 2010 has contributed to this. Surveys indicate that over 40% of the growth in our enrollment was due to our new site, which features powerful search engine optimization, web-based targeted-marketing, online registration, rich content, and visitor-centered design.

Overall, we're offering a sounder educational package, more competitively priced and more entry-level friendly. Our students are benefiting, along with our bottom line.

## **Research and Publishing**

Turning to research, I'll state the obvious: that the real estate industry is rich in subject matter. We define our research scope broadly, and while New York City and the region are

often our focus, many of our findings are relevant to urban areas around the nation and the world.

I'm particularly proud of our [Research Roundtable](#), which we founded in 2009. Participants include leading figures from the real estate industry who advise us on our research agenda. Its meetings have been tremendously productive. I'm delighted that some members of our board serve on the Roundtable, along with faculty from Baruch and CUNY.

Our [research reports](#) are published on our web site, at a considerable savings in printing costs and with tremendous gain in reach.

We recently published the following:

- *The Evolving Landscape – Energy Efficiency Retrofitting for NYC Commercial Buildings*, an examination of how federal stimulus funds could best promote sustainability projects at the scale required to transform NYC's commercial property.
- *24-Hour Cities - Parts 1 & 2*, a comparison of the investment performance of 24-hour cities versus 9-5 cities.
- *A Precarious Balance – Inflation, Deflation and Real Estate*, an examination of the effects of recent economic conditions on the real estate market.
- *Sustainability Today – Where Are We Now and Where Do We Go From Here?*
- *"ET" is the New "IT" for Landlords and Tenants,*" a look at market barriers to the wider deployment of new energy technologies.

Two research projects currently under way are

- *"Discovering Distressed Assets: The New Real Estate Frontier: Whole Loan Workouts and Recapitalization Opportunities.* This study explores the use of Bloomberg terminals to discover distressed commercial mortgage-backed security investment opportunities.
- *Unprecedented Visibility*, on enhanced energy information portals for maximizing the energy efficiency of high-performance buildings.

Also in the works are

- *24-Hour Cities – Part 3.*
- *Open Space Redefined – A Look at the Redesign and Revitalization of Union Square Park.*

Other reports are in process.

Corporate executives, New York borough presidents and other elected officials, and leaders of NGOs continue to propose research projects to us. They're attracted by our growing reputation and scholarly independence. We want to further leverage our research capabilities by engaging more Baruch and CUNY faculty and departments in our projects. We foresee unlimited opportunities for partnering that produce high-quality, timely products, and conferences based on notable research findings.

## Public Events

In the past 2 years, we've held [13 conferences](#). Without exception, they've been successful. There's a real appetite for the content we're delivering.

We partnered on many events. Recent partners within CUNY include Baruch's Robert Zicklin Center for Corporate Integrity, CCI-Corporate Communication International, the CUNY Institute for Urban Systems, the University Transportation Research Center of City College, and the CUNY Aviation Institute of York College.

Among other recent partners: the Manhattan Borough President's Office, the Brooklyn Borough President's Office, the Regional Plan Association, the Port Authority of New York & New Jersey, the Greater New York Construction User Council, and the Sallan Foundation.

The speakers we attract are top drawer. We are fortunate to be situated in New York: we have access to such rich talent. But in fact we've attracted many speakers from out of town, as well. All of our conferences are free to Baruch students, staff, and faculty.

I mentioned our town hall forum on Gowanus. Video of it aired on CUNY TV. So has video from a number of our other events.

Some of the events held since the fall of last year include:

- [\*Transformational Infrastructure: Key Decisions on Transportation and Infrastructure That Will Shape the NY Metro Region's Real Estate Future.\*](#)
- [\*Liquid Assets: Capitalizing on the Water and Energy Nexus\*](#), a Sustainability Shoptalk event.
- [\*Sustainability 2.0: Envisioning Business and the Urban Environment.\*](#)
- [\*Legally Green: What You Need to Know about Your Property and the Greener, Greater Buildings Plan\*](#), a Sustainability Shoptalk event.
- [\*Sustainable Transit: Developing an Action Agenda\*](#). This event was organized by the CUNY Institute for Urban Systems and the University Transportation Research Center. I had the honor and pleasure of serving on its planning committees and of moderating a session with the MTA's Chief of Strategic Improvements and Capital Programs. It was titled, "Meeting Sustainability Goals Through Innovations in Facilities, Design, and Operations."
- [\*Airports: 21<sup>st</sup>-Century Makeovers for the New York Metro Region\*](#). Obviously, airports are crucial to our region's economic health. But they're not conventionally thought of as germane to real estate issues. We think otherwise. Our "Airports" conference was the first of two. They include an explicit real estate component.

For our first "Airports" conference, our powerhouse roster of speakers included the Port Authority's Chris Ward and other top agency officials; Congressman Gregory Meeks; top officials from the FAA in Washington, DC; representatives of the NYC Economic Development Corporation, the Regional Plan Association, and The Partnership for NYC; and senior executives from American Airlines, Jet Blue, and Delta, to name but a few.

McGraw-Hill was our media partner, and it wants to be a continuing media partner. The August-September 2010 issue of its journal *New York Construction* featured an article on the conference.

- [\*Freight and our Region's Future: A Call to Action\*](#) featured The Port Authority's Chris Ward, who asked us to organize the event.
- [\*Real Estate Repositioning\*](#) was held last month. We cosponsored this well-attended conference with the Greater New York Construction User Council, to explore strategies for repositioning real estate assets in a tough economy, highlighting financial and tax tools that can be tapped.

Our keynote speaker was Tony Malkin of Malkin Holdings, who reported on the historic retrofit of the Empire State Building, which has an \$11 million annual energy bill. He presented a compelling business case for sustainability.

Together, all of these events have created tremendous momentum, and have incorporated numerous influential speakers into our network. Many of them want to partner with us on future events. Only resource constraints limit what we can offer. That makes soliciting underwriters for events a necessary goal. We're exploring various business models that could generate additional revenue for us in this regard.

Future events both planned and under active consideration include:

- *Greening Modernism*. This conference will be keyed to the release of an important book by noted architect and author Carl Stein, FAIA. Speakers will examine how the approaches that made modernism such a powerful force for change can be marshaled to advance sustainability goals. Continuing Professional Education credits have been arranged through the AIA. We are working to arrange for similar credits from other organizations for future events.

Several iconic modernist buildings will be highlighted at this event, such as the Seagram Building, Lever House and the UN Secretariat Building. The Secretariat Building is undergoing a \$2 billion renovation. Our confirmed keynote speaker for this conference is the UN's Assistant Secretary General, Michael Alderstein, who is also the Executive Director of the UN's Capital Master Plan. He will speak about this massive undertaking.

- *Ten Years, Ten Lessons*. Keyed to an Institute research report, this conference series would examine lessons learned and changes enacted in the 10 years since the 9/11 attack on the World Trade Center. It would focus on ten essential sectors of society, including government and the real estate industry, with an eye to the future as well as the past.
- *Sustainable Innovation: A New York Region Showcase*. A forum would showcase start-up companies in New York State whose innovative sustainable technologies are applicable to the real estate industry.
- *Airports 2: Airports as Global Cities - New York to London and Beyond*. This 2-day conference will follow from our successful 2010 "Airports" event. We're receiving expressions of strong interest from aviation authorities in the UK and Europe and from major airlines. Our original cosponsors, including the Port Authority, will partner in this event. The Regional Plan Association's forthcoming study on the future of our

region's airports will inform part of the agenda, as will the Better Airports Alliance it formed to advance the urgent case for needed investments in our airports. We are a founding member of the Alliance and host its strategy meetings.

For our keynoters we are looking to recruit US Department of Transportation Secretary Ray LaHood and the Mayor of London, Boris Johnson, who's an activist in UK airport issues.

- Our conference "*On Air*" will examine the largely neglected and vitally important subject of indoor environmental air quality, as part of our Sustainability Shoptalk series. Funding for it has been secured.
- *Illegal Living: 80 Wooster Street and the Evolution of Soho*. This event would feature a talk by Roslyn Bernstein – a journalism professor at Baruch's Weissman School of Arts & Sciences – about a book she co-authored that chronicles how the building at 80 Wooster Street became the first successful coop in Soho in which artists lived and worked.
- *The Financial Impacts of Sustainability Ethics, Leadership & Practices*. We are looking to partner with Baruch's Robert Zicklin Center for Corporate Integrity on this event. It would examine the impact of sustainability practices on corporate reporting, stock valuation, lease-ability, and marketability – from the standpoint of publicly traded real-estate development companies and private or family-controlled real estate corporations.

## Grants & Development

### USDOE & NYSERDA

Of course we've been pursuing external funding. A milestone achievement was the [US DOE grant](#), which awarded \$422,500 to the Institute and the Building Performance Lab for 2 years of work. The New York State Energy Research and Development Authority (NYSERDA) awarded us an additional \$50,000 for a total project funding of \$472,500.

The project, which we have branded *Benchmark Green*, will design and deliver an online training curriculum tailored to commercial building operators and property and portfolio asset managers. Courses will equip them to plan a path toward deep energy reduction in building operations and will contribute to long-term workforce development. The courses will be offered through an advanced educational portal that will allow students to take the courses at any time of day or night, yet receive instructor feedback on questions, coursework, and projects in a timely manner.

This DOE grant is one of 58, totaling over \$76 million in federal stimulus funds announced by DOE Secretary Steven Chu in June. Significantly, our grant is for the total amount we sought. Interestingly, we're the only real estate institute among the awardees, which include Fortune 500 companies and major universities – among them, United Technologies Corporation, Siemens, Phillips, Johnson Controls, Dow, 3M, General Electric, the University of California, the University of Southern California, Cornell, and Purdue.

Instrumental to winning the grant was our reputation for conducting pioneering work in sustainability education on the certificate level. Our growing network within the real estate industry will facilitate marketing of this training program.

Our October 4 kickoff meeting with DOE revealed the rich opportunities for productive partnering that exist for us nationwide. I met more than a dozen other grantees, many of whom want to team with us on future projects. Just a small sampling includes Portland Energy, the Northwest Energy Efficiency Council, the U of Wisconsin's College of Engineering, and the NJ Institute of Technology's Center for Building Knowledge.

We've already mobilized to pursue work under this grant. Over the long term, we intend to build on the course content and information portal we will create to further expand our educational offerings.

### *Housing*

We're now pursuing funding for a project that would apply a rigorous methodology to compile statistical data on the adverse health effects on vulnerable residential populations in subsidized housing. The City's Public Advocate is interested in taking the study citywide and is assisting us in arranging grant funding.

### **Summary and Forecast**

Other opportunities beckon, too, but I'll stop here. To recap, we've seen sharp growth in certificate program enrollment; expansion of research projects and publications; greater strategic partnering within CUNY and well beyond it; expanded media coverage; a robust conference schedule; a federal grant award that puts us on a national stage; and overall a more prominent profile in the realms of business, government, academia, and NGOs.

Again, our ability to sustain our successes and convert them into durable trends turns in part on resource constraints. But we are resourceful, and my hope and expectation are that the Institute's role will grow only more influential over time – again, not for the sake of burnishing the Institute's, Baruch's and CUNY's reputations per se, but so that all of us can make greater contributions to the public good.

Frankly, I'm not aware of any other university-based real estate institute or center that has ventured into this territory in such an active and constructive way – with the express purpose of helping to shape and advance the public agenda.

And this brings me back to where I began: with the talent in this room. The Institute's successes ultimately create the opportunity for more talent to be put into play.

I hope that many of our board members will participate actively in our pursuits. I feel personally privileged to be able to contribute to this enterprise. I hope that you take pleasure and satisfaction in it, too.

This concludes my report. Thank you. I will welcome any questions you may have.