For most Americans, the closest they come to real estate transactions are the basics: purchasing a home, renting an apartment or leasing commercial office space. And most will agree, those transactions are complicated. To even begin to think about commercial and investment real estate can be downright intimidating.
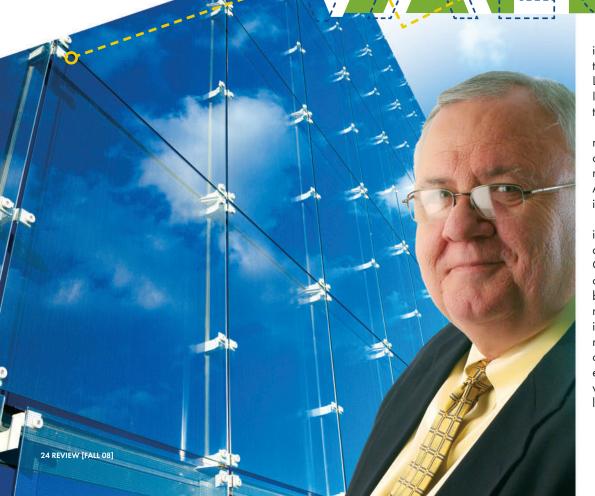
BY FRANCI ROGERS

the VALUE of

Students entering the Real Estate curriculum at Baylor's Hankamer School of Business may start off feeling a bit overwhelmed by their strange new world of technical terminology and formulas. But by graduation, these students have always been well versed in this area of business, and ready to tackle the "real world."

Now, thanks to a partnership with ARGUS Software and Integra Realty Resources (IRR), by the time they leave school, Baylor graduates will have already faced real-world problems and found real-world solutions.

ARGUS Software is a Houston-based company, which creates software for the commercial real estate industry. Real estate professionals in all aspects of the industry use software created by ARGUS for valuations, portfolio management, budgeting and many other functions. Through its University Endowment program, ARGUS offers copies of their programs to accredited universities. Integra Realty Resources, a commercial real estate valuation and counseling firm, provides real life data Baylor professors can use to create an infinite number of learning scenarios.

"ARGUS is really cutting edge in the industry for real estate investment analysis. It is the recognized software in the industry," said L.M. Dyson, associate professor of Finance, Insurance and Real Estate. "It is an excellent teaching tool."

The software, Dyson explained, allows real estate professionals to accurately value commercial properties in industrial properties, retail space, office space and multi-housing. And valuation can be a complex and extremely important part of any real estate transaction.

When the value of a single family home is determined, most often appraisers look at comparable home sales in the area. Commercial property is valued by the amount of income it generates. The more money it brings in, the more valuable it is. But it is far more complex than it appears. Many factors, including building cost and market fluctuations must be considered. To determine the amount of income a property is producing, a real estate professional must examine things like vacancies, uncollected rent, discounted leases, lease durations, and many other factors.

This is where imperfect occupancy rates, prices and market values begin to alter situations.

"The marketplace doesn't always fit into that perfect black box," Dyson said. "ARGUS, and the real life data, teaches students to handle the curves. They have to use their own intuitive judgment. And that's invaluable."

The added bonus for students, said Dominy, comes when they are looking for their first jobs.

"ARGUS is a program that takes a lot of getting used to," he said. "Someone coming in to the business already trained in the program, understanding the whole program and how it all works together, has a chance to really do well."

Sam Moss, BBA '04, now works for IRR and was in one of the first classes to use the ARGUS program while at Baylor.

"It provided a foundation to continue my learning here," Moss said. "Even just having exposure to the terminology gave me a better understanding of the real world."

"Say you are going to value a shopping mall with 150 tenants," Dyson said. "There are big anchor stores, which will have completely different deals on their lease than, for example, a 500-square-foot cell phone kiosk tenant. The cost is different; the lengths of the leases are different. And leases are also set during a huge variety of economic and market conditions over the years. All of those things need to be factored into the income potential of the mall."

When changes occur, it can create challenges for everyone, especially students just learning the business.

VALUATION

"With ARGUS, we can put in all those factors and see the results," Dyson said. "The beauty of this software is that you have the ability to observe the results of change quickly. With other programs, you have to go back through every lease and manually change those assumptions."

Pairing the ARGUS software with the data received from Integra Realty Resources gives students an even more realistic picture of what can, and does, happen in the real world.

Integra provides real-life cases, which have been altered only to protect their clients' identities, to Baylor professors. Using the software, students are asked to complete the same analysis on each case as the original appraiser. When complete, they can even compare their findings to what Integra originally determined.

"This has made it so much better," Dyson said. "We're adding more reality to the process for our students, and that is worth all the effort. With any analyzing software, the output is only as good as the input."

David Dominy, managing director of Integra Realty Resources in Houston, is pleased to provide the data Baylor students are using with the ARGUS software.

"We assist them by providing case studies," he said. "In academia, things can sometimes get a little 'pie-in-the-sky.' But these are actual situations, and things students will have to deal with when they graduate."

In addition to getting a taste of real life, Dyson said, his students are gaining confidence by using the software along with the factual data.

"The first step is pure mechanics: students learn the software. Success is getting the same answer (as the appraiser)," Dyson said. "The next step is for the students to do their own inputs."

Blake Shaver graduated from Baylor with a degree in Real Estate and Marketing in May 2008. He also joined IRR, having had ARGUS experience from school.

"At first it was a lot of information being thrown at you all at once," Shaver said of his first several classes. "But the only way to learn it is to actually do it. When I came here (to IRR), it really helped. It speeds up the process of doing things on your own."

Shaver also values the time he spent in Baylor's CNL Real Estate Learning Lab, a specialized classroom established in 2006 funded by Baylor supporter Mr. Robert Bourne.

"Being able to learn on the same equipment I'm using now, and being able to follow the professors on the big screen saved so much time," he said. "It allowed me to learn more quickly once I came here."

Dominy, a 1982 Baylor graduate, and the father of two current Baylor students, said the benefits of the partnership between Baylor, ARGUS and IRR are apparent.

"We are trying to do what we can to help," Dominy said. "And what we get are quality people we've hired out of Baylor. They are knowledgeable, great producers with an outstanding work ethic. They're just topnotch all the way around."