

Industry Legends: Ray Torto, Ph.D., CRE

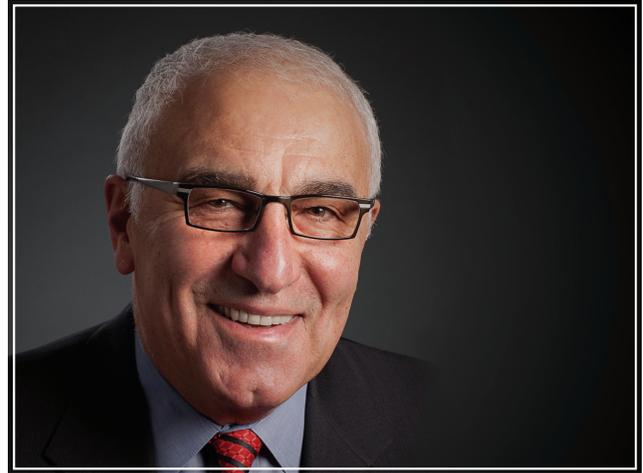
Volume 42, Number 1
November 27, 2017

INTERVIEWER

Steve Felix
Co-Founder & Partner, Felix/Weiner
Consulting Group
New York, New York

INTERVIEWEE

Ray Torto, Ph.D., CRE
Lecturer, Harvard Graduate School of Design
Cambridge, Massachusetts



FELIX: Ray, how did you get started in the commercial real estate industry?

TORTO: It was a little bit of a lucky break. I was working in the public sector as Commissioner of Assessing for the City of Boston at a time when developers from Texas were coming to Boston to build office buildings. They came to me because the taxes they had to pay were based on my decision.

I was (and still am) an economist and I'd say, "Why did you decide you should build an office building in Boston?" And they had no good answer. Nothing that dealt with the question of demand for office space.

FELIX: What year was this?

TORTO: You're going to date me, huh?

This was 1980. It was right after Texas (Houston, Dallas and Austin) had burst and vacancy rates were in the 30s. Boston was building, and they were looking to Boston as the next place to build office space. I realized they didn't have any good answers and I also realized at the same time that the real

ABOUT THE INTERVIEWER



the U.S. and Europe for more than 30 years.

Steve Felix is the Co-Founder and Partner of Felix / Weiner Consulting Group, which specializes in workshops and coaching for commercial real estate professionals. Steve has been an advisor to senior executives in

ABOUT THE INTERVIEWEE



School of Design, formerly Global Chief Economist for CBRE, and co-founder, in the early 80's, of the renowned Torto Wheaton Research. He has authored four books and numerous academic and professional articles on economics and commercial real estate.

Raymond G. Torto, Ph.D., CRE, advises senior executives and board members on real estate strategy, management and markets. An award-winning consultant, author, and public official, he is currently lecturer at Harvard Graduate

Industry Legends: Ray Torto, Ph.D., CRE

estate industry was becoming more and more institutionalized. There were more people with business degrees in the decision-making process in real estate. I figured there were more analytical ways of evaluating whether to build or not build, or invest, and so I ended up forming a partnership with Bill Wheaton. Bill and I built a research company that analyzed the market and forecast what was going to be the future demand and supply. And I turned out to be quite lucky.

FELIX: *Were your clients originally the developers themselves?*

TORTO: Our first client was a developer, Cabot, Cabot and Forbes. They hired someone to do a market study of St. Louis and paid \$50,000 for it. They threw it at me saying, “This is a piece of s—. Can you do better?” And I responded, “Yeah.” So they gave us a contract for seven cities. That was when I called Bill Wheaton because Bill had the model. I said, “Bill, you’ve got the model and I have the contract, do you want to form a business?” Bill and I met and he said, “Yes, let’s form a business but if we do any academic papers (because we’re both academics) the papers are going to be Wheaton and Torto. I said, “That’s fine, the business will be Torto and Wheaton.” And that’s the way we started. Bill always had more focus on the academic side.

FELIX: *As the Torto Wheaton business moved forward, who did your clients become?*

TORTO: We got another lucky break. We got a one-quarter-inch write-up in The Wall Street Journal about us building these econometric models and the next thing we know we had a call from Jim Vinson. Jim was the president of Merrill Lynch Hubbard. He said, “What are you guys doing up there in Boston?” And, as a cocky academic, I said, “You buy lunch we’ll come down and tell you.” He said, “Okay, come on down.”

So we went down to New York and he listened to what we were doing and he was interested – he gave

us a contract. Then we got another contract from Prudential in a similar situation. These were CEOs who were interested in the industry and they were thinking about what’s good for the industry and I think they thought, “This is interesting, what these guys are doing, maybe they’ll be successful, maybe they won’t, but I’ll throw them a little money and give them a chance to get started.” That’s why I say we were very lucky. We met some very good people along the way that were developers and investors who helped finance our beginnings.

FELIX: *Part of the great story of Torto Wheaton is the people you had there and then as things evolved when you merged or sold to CBRE some of those people have moved on to other places. You had a great group of people.*

TORTO: They were super. In fact, I think it was the way we managed them. We used to tell them, “We don’t care what time you come in, and we don’t care what time you go home, just get your work done.” We measured outputs not inputs. They all took ownership of their work, and they all took pride in their work, and so they got it done well – it was a very comfortable place for them to be together. They were all intellectually stimulated by the kinds of colleagues they had and the conversations we had all the time about what was happening in the world and what was happening in real estate.

FELIX: *That philosophy that you described, “We don’t care when you come in or when you leave, just get it done” has really gotten much more popular today especially with the millennial generation because they don’t like being told what to do.*

TORTO: Well, my people were smarter than I was. It was better to listen to them, with their ideas and I would just have questions. I would start with a question and they would come up with the answers. That was great. I know that for Bill and me it was a great

Industry Legends: Ray Torto, Ph.D., CRE

experience. I'd ask a question and Bill would disagree with my answer. The next day he'd come back with a better answer, he had thought about it, and we'd move forward. We were always growing intellectually and that's what made a lot of the people happy to be there. There was a lot of personal growth. It also helped that the firm was growing and the clientele was very intelligent and the clients asked a lot of good questions. And then there were a lot of interesting issues in real estate – the beginnings of commercial real estate as an asset class.

FELIX: *The reputation of Torto Wheaton had always been stellar. It's a great story. I know you mentioned that you've been an academic for many years and you still are. I know you mentor students as well and give them advice. What's some of the advice you give to students today, those that are passionate today about getting into the commercial real estate industry?*

TORTO: Well, I answered your first question by saying it was a little bit of luck. The classes have guest speakers that come in – 4 or 5 during the semester – and the first question I ask the speakers is, “How did you get into real estate?” The answer in all cases is ‘luck’, ‘random’, ‘by chance.’

The advice I give a lot of my students is that if you're interested in real estate it takes a little bit of luck – there are no five-year plans. When you see an opportunity that works for you, you must execute. It isn't just the luck – you must execute on that luck.

I have a lot of very, very serious students at Harvard and they all had five-year plans and I try to discourage them from plans like that. A lot of things change. And the other thing is to try to give them an understanding about the industry. They get to meet a lot of people and I keep telling them that in real estate everything is negotiable. I remember a good friend of mine at a development firm and at a lunch they made an offer

to him that was extremely great. He turned it down because he knew everything was negotiable and he could do better.

FELIX: *I've spoken with students over the years and I ask them, “What do you want to go into?” and many have said “development.” I've had one mentor in my career, a fellow named Dick Steinberg from Mall Properties. I went to see Dick and I told him what the students are saying. Dick said, “You tell them that no one hires a developer. You want to be a developer, go buy a run-down building in Brooklyn, get friends and family money and redevelop it and then, you're a developer.”*

TORTO: I had some students who were trying to develop and come up with a plan for financing development of low-income housing. They wrote up a whole plan that eliminated the developer. They figured that was the guy that made the most money and he probably didn't have the best of intentions and they thought of him as someone who is a slum landlord. They were young, liberal students and they said, “you get rid of that guy and we save all this money and we can have this housing.” So I asked them, “Who is the quarterback? You need someone who has the vision, brings in the money, buys the land and signs the contracts.” Anyway, the point of the paper was changed.

FELIX: *You and I have lived through a time when the commercial real estate industry has become global and it's amazing how small a world it's become. You mentioned that you have some international students in your programs.*

TORTO: At Harvard we have, at least in my class, two-thirds of the students are from overseas and 50% of that group is from China and they speak better English than I do! I don't speak Mandarin. They're smart young people.

Industry Legends: Ray Torto, Ph.D., CRE

FELIX: *Are some of those students planning on going back home to China after they've gotten their degree?*

TORTO: They don't look at the degree as the end of their education. They look at maybe a year or two of experience, working for an investment manager or some agency in the United States and then a lot of them have an interest in going back and contributing to the development of their own country. But the education isn't just the degree. The education is working in the industry. •

*This interview was originally published on October 27, 2017, by Steve Felix at stevefelix.blogspot.com.
Republished with permission.*



THE COUNSELORS
OF REAL ESTATE®

www.cre.org

This article/submission represents the opinions of the authors/contributors and not necessarily those of The Counselors of Real Estate® or its members. The Counselors assumes no responsibility for the opinions expressed/citations and facts used by the contributors to this publication regardless of whether the articles/submissions are signed.

Published by The Counselors of Real Estate, a not-for-profit organization, 430 N. Michigan Ave., Chicago, IL, 60611. Copyright 2018 by The Counselors of Real Estate. All rights reserved. (Published online at cre.org/rei).

Real Estate Issues is a registered trademark of The Counselors of Real Estate, a not-for-profit organization.

The Counselors of Real Estate®, established in 1953, is an international group of high-profile professionals including members of prominent real estate, financial, legal and accounting firms as well as leaders of government and academia who provide expert, objective advice on complex real property situations and land-related matters. Membership is selective, extended by invitation only. The organization's CRE® (Counselor of Real Estate) credential is granted to all members in recognition of superior problem solving ability in various areas of real estate counseling.

REAL ESTATE ISSUES®

Published by THE COUNSELORS OF REAL ESTATE®

Since its launch in 1976, *Real Estate Issues* has been the premier forum in which the world's foremost real estate thought leaders present innovative ideas, novel strategies, and intriguing commentary on all matters relating to real property.

Visit www.cre.org/rei to view the digital archive of *Real Estate Issues* articles.

Subscribe at www.cre.org/subscribe to receive digital or print editions of *Real Estate Issues*.

2018 EDITORIAL BOARD

PUBLISHER

John J. Hentschel, CRE

Hentschel Real Estate Services, LLC
Abingdon, Md., U.S.

2018 CHAIR OF THE BOARD

Joseph G. Nahas, Jr., CRE

Equus Capital Partners, Ltd.
Philadelphia, Pa., U.S.

EDITOR-IN-CHIEF

Peter C. Burley, CRE

Oak Park, Ill., U.S.

MANAGING EDITOR, DESIGN/PRODUCTION

Alyssa Bray

The Counselors of Real Estate

LIAISON VICE CHAIR

Frederick J. Campbell, CRE

The Cascade Group, LLC
Madison, Wis., U.S.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mary Walker Fleischmann

The Counselors of Real Estate

TOPICAL EDITORS

Cate Agnew, CRE

Natixis Corporate and Investment Banking
New York, N.Y., U.S.

Charles A. Bissell, CRE

JLL Valuation and Advisory Services
Richardson, Texas, U.S.

Anthony F. DellaPelle, Esq., CRE

McKirdy, Riskin, Olson & DellaPelle, P.C.
Morristown, N.J., U.S.

Hiroyuki Isobe, CRE

Japan Valuers Co., Ltd.
Tokyo, Japan

Franc J. Pigna, CRE

Aegir Port Property Advisers
Coral Gables, Fla., U.S.

John Sokul, CRE

Hinckley Allen
Manchester, N.H., U.S.

William Ted Anglyn, CRE

Parking Property Advisors, LLC
Naples, Fla., U.S.

Mary C. Bujold, CRE

Maxfield Research & Consulting
Golden Valley, Minn., U.S.

Jack P. Friedman, Ph.D., CRE

Jack P. Friedman
River Forest, Ill., U.S.

Constantine Korologos, CRE

Bereley Research Group, LLC
New York, N.Y., U.S.

Thomas Joseph Shircliff, CRE

Intelligent Buildings LLC
Charlotte, N.C., U.S.

Hans J. Vrensen, CRE

AEW Europe LLP
London, United Kingdom

Massimo Biasin, Ph.D., CRE

Biasin & Partners
Bolzano, Italy

Arthur J. Burrows, CRE

NAI Hiffman
Oakbrook Terrace, Ill., U.S.

John Albert Griffing, III, CRE

NAI Halford
Pensacola, Fla., U.S.

Richard Marchitelli, CRE

Cushman & Wakefield, Inc.
Charlotte, N.C., U.S.

Noah D. Shlaes, CRE

Newmark Grubb Knight Frank
Chicago, Ill., U.S.

REVIEW BOARD

Vasilios K. Diakogeorgiou, CRE

UBS Realty Investors, LLC
Hartford, Conn., U.S.

Joe W. Parker, CRE

Appraisal Research Company, Inc.
Brandon, Miss., U.S.

George T. Vallone, CRE

The Hoboken Brownstone Company
Jersey City, N.J., U.S.

John A. Dalkowski, III, CRE

National Real Estate Research, LLC
New York, N.Y., U.S.

Roy J. Schneiderman, CRE

Bard Consulting, LLC
San Francisco, Calif., U.S.

Gregory Servodidio, CRE

Pullman & Comley, LLC
Hartford, Conn.

Hugh F. Kelly, Ph.D., CRE

Fordham University
New York, N.Y., U.S.

Daniel L. Swango, CRE

Swango International
Tucson, Ariz., U.S.

Alex Ruggieri, CRE

Sperry Van Ness/Ramshaw Real Estate
Champaign, Ill., U.S.