



A Research Star's Trek

Interview by James R. DeLisle

A Discussion with Michael P. McCarty, Senior Vice President of Research and Corporate Communications, Simon Property Group



Michael P. McCarty

Over the past several years, leading retail and real estate industry executives have been interviewed in search of “lessons learned” that can help guide the Next Generation as they navigate their own career paths. Despite the diversity in our interviewees, they share the common experience of having built their careers on a foundation anchored in research. We continue this

tradition with an interview with Michael P. McCarty, of Simon Property Group (SPG). In addition to his role at SPG, Mike is a member of the International Council of Shopping Center's (ICSC) North American Research Task Force and a Trustee of ICSC's Educational Foundation.

Current Position

Mike, I'm delighted that you have agreed to share your experiences, insights and recommendations to our Next Generation of retail/real estate research professionals. Let's start with a snapshot of where you are at this point in your career. What is your current position and to whom do you report at SPG? What are your key responsibilities?

My current position at Simon Property Group is that of Senior Vice President of Research and Corporate Communications. Corporate Communications consists of two departments: Investor Relations, and Partnership Relations. I report to the Chief Financial Officer. The research activities at SPG cover three core types of research: real estate research, consumer research and portfolio research. Given the specialized nature of these activities, each function is assigned to a research group.

That organizational approach makes sense, given the breadth of activities that fall under your research umbrella. What are the responsibilities of the Real Estate Research Group?

This group is responsible for identifying potential markets, for developing sites, and for reviewing sites

that have been submitted from various sources. Also, SPG has completed \$25 billion in acquisitions since our initial public offering in 1993. The research group has been an important part of the acquisition team. This group conducts all of the market feasibility studies used in making the go/no-go decisions on any given potential development project. This group works very closely with our development and leasing staff in preparing materials to be used in negotiation with both prospective anchor tenants and in-line tenants. This group also works closely with our finance team and is often called upon to answer specific questions or to address concerns raised during the course of negotiations with potential lenders. We also are often called upon to address questions raised by the Wall Street analyst community.

You obviously have a good handle on fundamental real estate research through that group. What kind of research does the Consumer Research Group conduct?

This group is responsible for gathering information concerning our properties directly from the customer. Our annual research program consists of mall intercept surveys, telephone surveys and focus groups. While the majority of this research is conducted for the mall management and marketing staff, it has become increasingly useful in evaluating our new Simon Brand Ventures “second curve” business initiatives. This group is often called upon to evaluate the effectiveness of various branding and sponsorship initiatives. For example, we interview our shoppers regarding their opinions about SPG's VISA gift card program, which will approach \$600 million in sales this year. This research is used to evaluate the programs effectiveness and help guide future enhancements. Our Consumer Research Group also is called upon by our leasing staff to assist them in preparing marketing materials for potential tenants.

It sounds like you have a good handle on the micro or project side of the research spectrum. Where does the Portfolio Research Group fit into the overall research function?

This group assists senior management in evaluating the performance of the portfolio on a quarterly and annual basis. Additionally, special projects are



completed on a continuing basis throughout the year when questions arise or when new portfolio perspectives are required. This group specializes in turning data gathered from various reporting areas within the company into information that assists senior management in their decision-making process.

In addition to the fundamental research you have explained, you talked about your Geographical Information Systems (GIS) Group. How do they fit into the overall research equation?

This group is responsible for the design and maintenance of our GIS system. The group supports all the other research functions within the department and is an integral part of our report production. Their reports are used both for internal decision-making as well as in corporate marketing efforts. Our ability to integrate GIS technology off the shelf with our internal information systems has enabled SPG to produce a very unique and powerful system for evaluating our current portfolio as well as expansion opportunities.

That's certainly a full plate of responsibilities. When you put your Corporate Communications hat on, what other responsibilities do you pick up?

There are two major responsibilities that I have with respect to Corporate Communications. First, I was asked to take over the administration of the Investor Relations group in 2001. This expansion of my responsibilities made sense because I was already interacting with our investors and with the Wall Street analysts in my research role. For example, I have been responsible for preparing Simon's Management Discussion & Analysis every month since we became a public company. Second, I was asked to take over the administration of the Partnership Relations group in 2006 because I was already interacting with our partners in my research role. For example, I have been involved with new partners who were acquired as a result of the acquisitions of new centers and portfolios, such as The Mills, at every step of the way, from our purchase up through their assimilation into our company.

Personal Background

Turning to your personal background, where were you raised and what was life like when you were growing up?

I've lived in Indianapolis, Indiana since 1983. My wife, Karen Gentlemen, and I have raised three children there. Our two sons, Ryan and Brooks, are out of college and pursuing their own careers: Brooks in

Charlotte, North Carolina and Ryan here in Indianapolis. Our youngest child, Julia, is currently a junior at George Washington University in Washington, D.C. As far as my background, I was born and lived for a short time in Santa Monica, California. Although very few of your readers will connect with this, I was actually born in the same hospital where the television show "Marcus Welby, MD" was filmed. But, I'm dating myself. From California, my family moved back to my mother's hometown of Madison, Wisconsin.

That's interesting, since I am also a Wisconsin native and spent over 10 years in Madison. What do you remember about those days?

One of my earliest memories of growing up in Wisconsin was that of my grandfather, a doctor practicing in a very, very small rural farming community in Central Wisconsin. When I was very young, I can still remember the days before television, when I sat on my grandfather's lap and listened to Notre Dame football games on Saturday afternoons. That experience has stuck with me through the years and, although I did not go to school at Notre Dame, to this day I continue to follow its football program.

To say that I was a "hometown boy" would be an understatement. I went to grade school, high school, undergraduate and graduate school in Madison. In fact, the only thing that took me away from Madison was when I was drafted into the U.S. Army during the Vietnam War. Growing up in Madison, I was really unaware of just how liberal the community was. It was only after I moved away after college and lived in various other parts of the country, that I was able to connect my personal experiences of living in Madison with the perceptions held by outside communities.

Career Path

Thanks for the explanation of what you do at SPG and sharing the personal side of your life. Let's explore how you got to where you are today. How did you first become interested in retail real estate research?

After being discharged from the Army in 1972, I went back to graduate school at the University of Wisconsin in Madison. Like most soon-to-be graduates, I began looking at the postings of companies that were coming to interview at the school. Even though I was about to complete my MBA, I had absolutely no idea what business sector I wanted to work in, let alone what company, or even the individual area within an industry or company. In other words, I was completely open to



anyone who would interview me. As all graduates learn, interviewing can be a very humbling experience. However, all it takes is one job offer, if it's the right job offer. In my case, my career did not begin in retail real estate research, but in retailing. I interviewed with and accepted a job offer from Famous Barr Department Store Company in St. Louis, Missouri, which was then a division of The May Company.

That is an interesting starting point for a career, and it probably gave you some good insights into the tenant side of the business. What did you do when you started, and how did your career unfold from there?

I started out in the Assistant Buyer Training Program. I moved from assistant buyer to, ultimately, a department manager. After about two years, I read an employment ad in the *St. Louis Post Dispatch*, which indicated that a "national retail company based in St. Louis" was looking to fill several positions in its corporate real estate research area. Ironically, this job was with The May Department Store Company, which Famous Barr was a division of. It was at this point that I made the switch from retailing into real estate research. While at The May Company, I held various positions within the research department, ultimately rising to the level of manager with the responsibility for The May Company's discount store division, Venture.

Where did your career take you from that point? What attracted you away from that job, and what turns did your career take from there?

In 1978, I was recruited by Federated Department Stores and I relocated to Cincinnati, Ohio to accept the position of Research Director within their real estate research group. Ultimately, I became responsible for the research program for the Bloomingdales, A&S and Filene's divisions. After several years with Federated, I was recruited by Homart Development Company, which at the time was a wholly-owned subsidiary of Sears, and I relocated to Chicago. At Homart, I was responsible for their existing center research program, which in addition to real estate studies, also included the consumer research function. From there, I moved to Indianapolis to join Melvin Simon & Associates, which ultimately became Simon Property Group. To date, I've worked for SPG for 24 years. I think that my job-hopping days are over.

It looks as if you have had a variety of experiences and positions in your "earlier" years. You've obviously found a home at SPG. Looking back, was your career planned out, or did it just unfold as you went along?

Was my career planned? I would have to say "no"—

not at the beginning. Getting my first job in retailing was just the luck of the draw, and moving from retailing into real estate research was a lucky consequence of being in the right place at the right time. However, once I settled into the real estate research role and began to understand how that function was organized, I would say that I began to formulate my desired career path. How I progressed from that point to where I am today is a combination of good fortune in having picked good companies to work for and, equally important, having strong role models to follow at each point in my career, individuals who helped me grow and get ahead.

Were there some specific event(s) that were "defining moments" in your life that might be of interest to Next Generation leaders? If so, what were they?

I'm sure, like everyone, that there are many events and moments during my career that have shaped who I am and where I am today. However, the one defining moment that I would point out is the Vietnam War. This is because it is the primary reason that I went to college. As I progressed through high school, the war in Vietnam was ramping up and being portrayed 24/7 in the media. While I wasn't the smartest student in my high school class, it did not escape my attention that if I did not go on to college, the only realistic alternative for me was to be drafted. I had no particular interest in going on to college other than to avoid that alternative path. Once in college, I learned to love both the social and learning experiences that went along with it and, as a result, did very well in school. However, as I approached my senior year in college (1969-1970), the war in Vietnam was still raging. Once again, education proved to be an alternative path since graduate student deferments were still in effect. As a result, I rolled from my undergraduate degree directly into graduate school. This strategy worked well for my first year in the two-year program, then the military did away with graduate-school deferments, other than medical and law schools. So, in the end, I was drafted, but along the way I picked up the education that would sustain me in my life, which I probably would not have achieved otherwise.

What was the best career-related decision you made or the best opportunity that you took? Why was it important to you?

I can remember, early on in my real estate research career, recognizing that most research organizations were not very deep in their career path. As such, I realized that in order to move up, I was probably going to have to move out. With that in mind, I never allowed myself to become too comfortable in any one position, but rather was always on the lookout for the next career



opportunity. When the right ones came around, I never hesitated to make the move. Of course, this gets harder to do the older you get, particularly when you start raising a family. Uprooting spouses and children can be a very difficult thing. Fortunately for me, I made my last career move from Chicago to Indianapolis when my children were still very young and not in school. Since then, Karen and I have had the luxury of staying in one location and providing continuity in our children's lives.

Looking back, did you make any career mistakes in terms of staying too long on a job or passing up an opportunity? What would you do differently if you had the chance?

No, I cannot honestly say that there isn't much that I would do differently. However, that is not to say that there weren't career mistakes along the way. When they did occur, I was fortunate to be able to take those negative events and turn them into positive ones. In other words, when lemons came rolling down my career path, I was able to make lemonade out of them. The ability to turn challenges around has been an important part of my success and should probably be highlighted as a useful "lesson learned" for others.

What career advice do you have for young professionals embarking on their career paths? What should they be looking for in a job? How should they know when it's time for a change?

First, thoroughly investigate the company that you are about to go to work for. Whether this is the first job after graduation or a career change, if research is your specialty, then apply your specialty to researching the company you are about to join. Be sure you understand how your chosen function fits into the company's overall business. If it's a position within the research function, know this thoroughly but also understand how the research function fits into the greater business.

Second, once you are up and operating within your new position, identify someone within your department, or someone within the company, who you can adopt as a role model, hopefully, someone who can become your mentor. This can make all the difference in the world in navigating new jobs and new careers.

Third, always keep your eyes and ears open to new opportunities, both within your current environment, but more importantly, to new companies and new positions. Have enough confidence in your abilities to take the position or opportunity that seems to be just out of reach in terms of your qualifications. But one note of caution: You can kid anybody you want along the way, but just don't kid yourself.

Education

Let's talk a bit about education. What is your educational background, and how did it prepare you for your career? Did you have any formal retail or real estate education in college?

I attended the University of Wisconsin, Madison between 1967 and 1974, with a two-year stint in the Army along the way. At the end, I received both a Bachelor's degree in Business and an MBA from the University of Wisconsin. I really had no formal retail or real estate education in college. At the time that I was at the University of Wisconsin, I really did not appreciate the opportunity in real estate education that could have been afforded me, had I only taken notice of it earlier. The University of Wisconsin was fortunate enough to have James Graaskamp as an esteemed member of its faculty. He, in turn, started the James A. Graaskamp Center for Real Estate. To this day, this remains one of the nation's premier real estate focused programs. The one real regret I have stemming from my college years was not taking advantage of this real estate program.

What contribution did formal education make to your career success? What courses or educational experiences turned out to be the most helpful to you?

Whether your career has been a "success" or not is really in the eye of the beholder. What I can say for sure is that having the graduate-level education opened doors to me that never would have been available. To this day, I can remember my first job after receiving my MBA and going to work for Famous Barr Department Store Company in St. Louis. A general merchandise manager within the buying hierarchy that I was in called me into his office the Friday that I was to receive my first paycheck. As he handed me my paycheck, he said that I should take my MBA diploma and stick it in a drawer somewhere. Then every two weeks, when I got my paycheck, I should open that drawer and look at my diploma. However, from this point forward it is all about "what have you done for me lately." The MBA got me the job, but it wasn't going to allow me to keep the job, or to advance up the organizational chart unless I performed, daily! Good advice.

Once you got into retail real estate research, did you further your career with professional training? Where did that come from, and how useful was it? How do you stay current with the latest trends and methods, or isn't that important to your success?

Well, I'm sure there were numerous opportunities along the way to partake in professional training. I just can't say that I ever did. However, on an informal basis,



I think that participating in industry associations, such as ICSC and ULI (Urban Land Institute), provided the most valuable informal education, by way of the networking it allows one to engage in.

How have things changed since you started your career in terms of educational training?

I would say that the skill set that I possessed and the education that I brought with me as I began my career would absolutely not work in today's world. Fortunately, I have had the past 33 years to slowly immerse myself into changing job requirements and to acquire the necessary skills. If I were entering today's market, I think that I would do so by preparing myself academically with a much more technical background. And by that, I mean both in terms of the qualitative sciences, with a heavy emphasis on computer skills. Today's real estate research jobs require a much stronger technical background than when I entered the job force.

What types of skills, training or mind-set does it take to excel in a job like yours? How should people interested in following your path best prepare themselves for success?

In addition to the technical skills that I had to learn on the job, the most important skill I had to cultivate is the ability to communicate clearly. This is something that I've really needed to work hard at to improve over the years. It's crucial to be able to write clearly about the complex information that we, as researchers, often must impart. Although I still have trouble with spelling, the wonderful technology of "spell check" and a great administrative assistant have certainly helped out there! In addition, it's been important to have very strong verbal communication skills and to not be afraid to speak in front of hundreds of people you can see, or the unknown number of analysts who may be sitting in on a call.

In addition to writing and speaking, a third communication skill that researchers must learn in order to succeed over time is how to impart information in a graphic way. That is, they must be able to figure out what information needs to go on that map, and what information is superfluous. They also have to be able to determine the best method for showing a change in data over time: which method will be both the most effective in ensuring people's understanding and in grabbing their attention?

Let's turn our attention to the academic community. How do you rate formal academic training that the Next Generation is receiving? How good a job are

schools and universities doing in training their students to hit the ground running?

I really do not have a perspective to rate the formal academic training that is available to the Next Generation at this time. But I suspect that their situation today, as it relates to academic opportunities, is not much different than it was when I was faced with that choice. I'm sure that there are great schools and great programs out there that are prepared to provide students with exactly the education and training required to meet today's job requirements. As it always has been, it is up to the individual student to choose wisely.

What recommendations would you make to the academic community?

I'm not sure that I am in a position to address the academic community in terms of what it should do going forward. However, I do have an observation as to what I *think* that our industry should do going forward. As I stop and look at the individuals that populate the retail real estate business in general, I am surprised at how homogeneous it is. I think that there is more work to be done in providing for a more diverse workforce. For example, academically, women have made great strides in the past decades, and have reached parity in terms of their presence in the best academic settings in the country. Yet, when you look at the professional workforce, it is a different story.

Also, as retail real estate researchers, we are well aware of the changing ethnic makeup of our customer base, which, of course, reflects the broader society as a whole. Yet, when I look at the professional ranks within our industry, I don't see that same ethnic breakdown reflected. Now, I know that this is not news to our readers; and, in fact, the ICSC in particular, as the industry's trade group, has been very proactive and innovative in addressing these issues through various programs that they have adopted, such as the Next Generation Program.

Role Models

You've certainly had a rich and varied career, both in terms of companies and responsibilities. What role did other people play in shaping your life and helping you maintain your career?

I can honestly say that, at each turn in my professional career, there was a single individual who was, to a great degree, responsible for a change in my career projection. I alluded to this earlier. It is absolutely critical at any stage in your career that you identify role models who can help guide you in



navigating the maze that is a professional career path. While those individuals don't necessarily have to be your co-workers, I think that co-workers in particular can be extraordinarily valuable in the guidance and advice that they can provide.

Was there a particularly important person who influenced your career and if so, who and how did they affect your life?

Although I have had many mentors, I cannot go without mentioning Jerry Garvey, whom I have known since my days at The May Company. He has helped to give me the perspective of the developer, who is often the end user of research information, and he has sharpened my ability to communicate that information. He is the reason that I am at Simon, and it is to him that I am grateful for the many opportunities that have been provided. I also should mention Doug Casey, for whom I worked at Homart. From him, I learned that a truly great boss not only helps an employee develop his skills, but also knows when to let go. When I left Homart to go to Simon, it created a difficult, short-term situation for Doug, but he encouraged me to take the new position, because it was the best thing for my career.

Professional Relations

You play an active role in a number of professional associations. How important are industry affiliations for Next Generation professionals?

Industry affiliations are of the utmost importance. In the retail real estate world, those associations are many, but two in particular stand out. Those would be ICSC and ULI. I know that there are other professional associations, but those are the two that have benefited me the most.

What characteristics should people look for when choosing industry associations with which to become affiliated?

It's important to choose organizations that can provide not only educational opportunities to assist you in your career advancement, but also provide the social networking opportunity, which may be as, or more, important. While I don't necessarily agree with the statement: "It's not what you know, it's who you know," I do agree that both of those things should occupy equal importance when considering how to develop your professional career. I can say, without reservation, that the personal relationships that I developed through these associations have played an important role in every career change that I have made.

Do you have any networking tips for young professionals who are just starting their careers?

Clearly, the beginning of your career can be the most important time for you to immerse yourself in these industry associations. Even if your company will not pay for the cost of membership, pay for it yourself! It may be one of the best investments you make in your own career.

Role of Research

You've been both a producer and a consumer of research throughout your career. Since research can mean a lot of different things to different people and can cover a variety of topics ranging from fundamental to strategic, we are interested in what "research" means to you?

To me, research has always meant questions, and even more important, clear answers. If you think about it, research is always being used to answer one question or another as it relates to our business. I would like to think that we, as researchers, are the ones who turn data into information, which, in turn, is used to answer those questions. If you look around your organization, you will find that many of the areas that are "numbers-orientated" are really in the business of just generating data. Research has always had the responsibility of taking the raw data and turning them into answers.

One good example of this here at Simon is our accounting system, which provides the raw information about the sales and rents of all of our 25,000 tenants. It has been up to us in the Research area to create the Portfolio Research part of the department that can interpret what those numbers mean.

How important is research to the industry? Is research receiving the recognition it warrants? Why or why not?

There is no one answer to this question. The importance of research to the industry really depends on where you are and what part of the industry you are in. In the span of my career, I can say that I have worked in places where research was valued for its role, and was included as an important part of problem-solving. On the other hand, I've seen situations in which research was viewed as a necessary evil. That is, in some cases, research is valued for its ability to answer to questions raised by individuals outside of the organization, but is not necessarily valued within the organization.

How has research changed over the past several years? How do you rate the industry on today's research? Is it better or worse than in the past and why?

The greatest change in research over the past decade



has been the exponential growth of information that is available and the technology through which to gather this information. This explosion in both information and technology has enabled the research function to do much more with much less. For example, in 1993 when Simon Property Group became a publicly traded company, our total market capitalization was \$3.5 billion and the research unit at Simon Property Group had a staff of more than 15 people. Today, with SPG's total market cap north of \$50 billion, the research function has a staff of seven people. How could we keep up with this tremendous growth? The answer is obvious. The technology has enabled us to do much more with much less.

What are the biggest challenges the industry faces in terms of research?

While there are many challenges, I will make note of only two. First, how does the industry compete for the technical talent necessary to operate our business going forward in this new millennium? The second problem is also one of competition, but in the geographical sense. If your firm is not already global in its operation, it will be within the next 10 years or it might not exist. You may think that you have faced the challenges of conducting research within the United States or even North America, but are you prepared to identify and tap into information sources to help guide your expansion into India? Or Russia? Or Turkey?

Where is research headed in the industry and how are the kinds of questions changing?

As I suggested in my previous answer, I think that research is headed in the global direction. This has several implications for researchers. For example, it means gearing up on your geography to help your company as it enters the international arena and charts future expansion. It also means expanding your horizons to be able to respond to the new questions that research is being asked, which are no longer limited to retail real estate issues. That is, what we are being asked to consider goes way beyond simple geography and demographics and extends into macro-economic issues that affect decision-making. Rather than focusing on geographical and demographical questions in terms of numbers, we are being asked to put them in a broader context of how they influence decisions in light of other over-arching economic considerations. Indeed, in today's world, we are being asked to address the potential impact of the sub-prime mortgage debacle and how that issue is impacting a particular customer base that is sliced by geography and demographics.

In addition to globalization, what major trend do you think will most affect retail real estate, and thus research, in the future?

Consolidation is another trend that has obvious consequences. For example, prior to the merger of Federated Department Stores and The May Company, there were two entirely separate research departments. Today there is one.

Is research a good step toward leadership and senior management positions?

Yes and no. It really depends on where you are in your career path. Research is an excellent area in which to start a career, since it provides a perspective from which to view the company and the industry as a whole. This broad view can be an excellent launching platform into other areas of the company or industry. However, timing is everything. As you proceed up the retail real estate research hierarchy, the more focused your growth opportunities become. Somewhere along the career path, you will reach a senior position from which your only realistic growth opportunity is to move to a different company with a deeper research organizational chart or more responsibility.

Future Vision

During your career, you've obviously dealt with a number of emerging trends and new challenges. What are the key challenges you think that young people will face in launching and sustaining successful careers in real estate research?

Technology will continue to make more and more information available to us faster and faster. The challenge will be in keeping up with the ever-changing and growing technical skills available. If you fall behind, you will not possess the ability to tap into the expanding universe of information that others will be able to tap into.

How can the Next Generation of young professionals prepare for the "future world?"

I guess that one of the most critical steps is taken when you select the school to attend. A college or university itself must first recognize the "future world" before it can train its students to function and prosper within it. Let me point out that this is a conscious decision that the young professionals will have to make throughout their entire careers because, as we know, "the future" will never quite arrive. It is always changing and out there on the horizon presenting new challenges and the need to adapt.



What advice would you like to share with the Next Generation of young professionals?

Every time I hear the phrase “Next Generation,” I’m reminded of *Star Trek*, and so I would say that my advice is to “live long and prosper.” But seriously, in order to do those two things, that is, live long in our industry and prosper, people have to be prepared, both academically and socially, to deal with the issues that they will be expected to address. I would also remind

the Next Generation that the only constant in our business is change. So, they will have very little choice but to embrace it.

On behalf of ICSC and Next Generation young professionals, I would like to thank you for your time and for sharing your “lessons learned.”

This interview was conducted by **Prof. James DeLisle**, Ph.D., Director of the Runstad Center for Real Estate Studies at the University of Washington in Seattle, Washington and is part of a series of executive profiles of research-oriented leaders. Some of the interviewees’ careers remain in research, as they continuously hone their skills, while others have moved on to other functional areas. Regardless of current or future career choices, this series of profiles explores to what extent the mind-set and skills cultivated in research roles have been instrumental in their professional development, and how they have built on that foundation.