

COSTAR COMMERCIAL PROPERTY TRACKING

Guest Speaker: Blake Morris

OK. Our speaker tonight is Mr. Blake Morris from CoStar. And Blake is going to tell us a little bit about this product, this online software. And we appreciate that very much. Thank you, Blake.

Thank you. So as he said, my name is Blake Morris. I work for the CoStar Group, and the CoStar Group is headquartered in D.C. We're a publicly-traded company, and we've been around for about 30 years now. And what we really specialize in is we track every commercial property in a marketplace, and we have essentially a full census approach.

We've had several acquisitions over the course of the years. These probably represent some of the biggest ones that we have acquired. And probably the biggest one as far as dollar value that we've actually spent is loopnet.com. So if you guys are in real estate or just getting into it, you guys will probably become familiar with LoopNet. It's the number one commercial website out there.

So if you're a broker, an owner is going to want to market a property to get eyeballs on it, to get it leased out, to get it sold, he's most likely going to be jumping on LoopNet and putting that property on LoopNet, again, to get the eyeballs on the property.

The most recent acquisition is apartments.com. So we've now acquired them. We're getting into the multifamily space and really ramping up our multifamily product as far as the detailed information on these properties in regarding to rents, asking effective rents, concessions.

So this is really big for the developers, too, to understanding opportunity when we're looking at new developments. And they want to understand what the supply looks like, and they're building up their pro formas and trying to understand what kind of rents they're going to be getting out of this new property as well.

To go into, as I said also, we are the common language used by brokers, owners, lenders, appraisers. That's our food group. That's essentially who we sell to. That's our clients that access the system and have need for this data that we collect.

We are essentially the standard. There is no the company, really, in the world that does what we do. And we spend about \$125 million a year in research and gathering this data. And I'll go through in a second and show you what we're doing. But we're tracking everything in a property level. So every commercial property you might see in a marketplace, we have some touch or some involvement with that property.

To go through that research process, we have guys that are driving the markets. These guys are doing daily sign checks. So they go out. They'll check the property itself. They have lasers, and they have high booms on their cars. So they do all the imaging.

They'll measure the buildings. They'll count the parking spaces, if you're looking at retail and office, and gather as much information as they can on the property just from the outside. As I said, they'll capture the imaging as well. We also essentially do full life cycle.

So all the way through the proposed to the demolished stages of a property, we're going to track that. And we're going to go out and constantly update on that throughout maybe that proposal and that construction process. We track the top 4,000 retailers across the United States.

So this is big for developers and retail brokers as well. If you guys have ever seen any mapping that shows maybe all the Publix logos on a map and it shows radiuses around maybe a subject property they might be looking at or looking to develop. Again, you can very quickly come in here and do that with this system as well.

Courthouse, public records, SEC filings, Dun and Bradstreet data, the [INAUDIBLE]. We're getting thousands of the records uploaded every single night to this system. And then the research team will actually scrub and verify all this information and then enter it into the database if it's appropriate in that situation.

Transit data, OK. You also have traffic count data in this system, as well as demographic data. So if you have clients, your future clients that you might be working on. Or if it's a developer and he has certain data points that he needs. Maybe it's a certain average household income in a particular area. Maybe it's a population growth he may need. Or maybe he needs a certain traffic count.

See, these are all things you can actually plug into the system and it'll pull back all the properties that fit that particular client's needs. So it's just a much more efficient way of searching instead of pulling up a list and going through those properties and figuring out what those demographics and what those traffic counts are.

Partial footprint information. This just gives you a capability to literally walk down the street from your computer and click on a parcel and gather information, or click on a rooftop of a property-- commercial, strictly-- and get information about that property.

Historical data. We've been tracking properties for 20 years plus now. So how these properties have been performing over the course of time. It could be what's the vacancy rates been in a property. What's the rental rates been. Just any detailed information on that property. Again, that's what you're going to be able to go out and look at historic on that.

So if it's a client looking at potential investment in that property, he wants to understand how that property is currently performing now. And he wants to know the history on it as well, OK. And you can take that information at individual level, and you can run your own market statistics, area statistics to understand really as far as what's happening in that particular area when it comes those analytics.

Industry's largest research team. We actually have the largest research team right behind the Census Bureau when they're at full staff. We have about 1,200 researchers now. And what these guys do is these guys call every commercial property in a marketplace. Once every 30 to 45 days is the goal.

So it can be an owner. It could be a broker, property manager, tenant. We're going to have some touch with that property once every 30 to 45 days to see what's happening. Is there a change. Is there a property for sale. Is it for lease. Has any tenants moved out. Just any transaction or any movement a property, we're going to want to know about. And that's the information that we gather, OK?

So that's looking at our research process and how we're getting our data. So now we'll actually go into the system and I can actually show you just some examples of how this system works. So this is the actual internal CoStar database. You have to be a member. Again, this is why essentially we only sell to professionals. It's that private database, all right.

So looking at the top left, you have your property section. So if you were coming here and you'd want to see what properties are for lease or for sale, you'd simply just click on those. Moving down, you have your analytic section. You could run a property analytics to understand maybe what an area vacancy rates or absorption or rental rates look like in a particular area.

And on the top there, you have your comps. So what's sold, right? So what's sold in this particular area. Could be anything. Office, retail, land, specialty. And you essentially pull up the criteria that fits your needs. And it'll tell you what's sold and the detailed information on those sales comps.

Right below that's going to be your people section. This section just essentially gives you information maybe on tenants. If you're a broker and you're doing tenant rep work. And you want to essentially use this tool to search on leases that are coming up for expiration to go out and prospect on that particular tenant, to hopefully maybe represent them.

Lenders like this, too. Because they want to know is there movement within a property. If they're going to do a loan on a property, they want to know if half the tenants in that particular property, their lease is coming up. So we track all that type of information. Right below that in the people section, you get into real estate professional database.

So if you know of a particular company or name of individual and you know they own a property, but maybe you want to see all the other properties that they own or they've had some involvement with. Again, that's what that essentially. We track their portfolios and their transactional movement.

Deal makers. Who's doing what deals, right? So pull up the brokers. I want to see the top brokers have done the top office deals in this particular area. You can very quickly do that. And last, is right below that is your lease analysis. In the lease analysis platform, again, sometimes getting into your tenant rep or an owner might use this to help them understand what a lease looks like.

So looking at it from the tenant rep perspective, as a tenant rep, I might take a client. I might show them three different spaces. Their question to me is most likely going to be, what do you think the best deal for me is going to be, OK? So in the lease analysis program, I can essentially take those three properties and build out that lease.

When a landlord might give me a free month rent. There might be \$100,000 build out. They may give me \$50,000 on that. All right. So essentially, very quickly I can go through, build out those leases in this program, and I can print off a nice report to show the client. Over the course of that, maybe it's an eight year lease, OK. What's going to be the best space for me and my needs and my financial commitment, OK?

So what we'll do now is we'll go through. And we'll go an example. And we'll go in the property example in the top left. I'm going into all properties here. What this first is going to give you a map view.

Now what you're going to be looking at here on the screen, you're going to see two different colored icons. You're going to see black color, gray colored icons. And you're going to see red colored icons. And the gray colored icons, these are non-active properties. OK. The red color icons, these are active on the market. Meaning it is for sale or it is for lease.

So we track everything. In the upper right hand corner, you can see how many properties that we're currently looking at in this map view. In this situation, we're looking at close to 24,000 commercial properties right there on that map. And we can hone down to a particular area, as far as maybe an area that you want to take a look at.

So let's say we wanted to look at custom. And we want to look at what the retail market looks like right along Dale Mabry. So I'll go right up and down Dale Mabry here, both sides of the road. And we'll look in that area.

So right in that little area there that I drew, I'm down to 483 properties now. So again, get the full census. Now I want to essentially narrow down to exactly what I'm looking at. So I'm going to say, let's look at retail properties. I want to see existing, under construction, proposed.

OK. I'm going to look at existing. Currently in the marketplace. I can narrow down by size, year built, multi-tenant properties. So now we've narrowed it down, OK. And if I want to get further in that as far as narrowing those property types down, I can do that.

Through this tab here, you really narrow down by particular-- if you want to look at building class. You want to get down to further futures on the property. Sales comps. If it's sold. Starting tenants in a particular area.

Maybe you had a client that you're working with that his buildings or his company perform well near a Panera Bread or a McDonald's, whatever it may be. You can actually go in here, type in those tenant names, and say, I need to find all spaces property for sale or for lease that are at least within a mile or two mile radius of a Panera Bread.

Or I'm opening a burger shop, but I cannot be within a five mile radius of a Five Guys. OK. These are all different parameters you can come in here and search on proximities. Demographics, as I said earlier in the presentation, you can search on this, right. So if I need a certain average household income or population, I can search on that as well.

So once I went through and I've actually put in my criteria, I now get the properties that I'm looking. And there's 59 in the search result. So I'm going to hit view results. Get to my list view. So now you're going to get your list view.

So these are all the properties that were in that geographic area that I selected, OK. And I can go through these one by one if I wanted to go, and I can sort them in any way I want as well. So once you essentially have sorted the actual properties itself, you now can dive down in a particular property.

So maybe you were looking to create some evaluations here, and maybe you want to go through each property and maybe narrow some out to really get down to a certain sample size that really fit the need to whatever your end goal was there. So I pull up this particular property. It

Gives you the address up on the top. Summary information, it's going to give you everything about the property. When the last sale was. The building. So this is a three star retail community center, 167,000 square feet.

The land it currently occupies. Any tenants in the property. Amenities of the property. Building notes. Traffic counts. The market conditions I'll get into more in a second. But also the leasing activity.

So they last leased a space in here in April of 2013. So it's been quite some time. And you can actually take a look at the property to see currently, it's also 99% leased. So this is a very healthy property. It's really performing well, OK. So that might be another reason why there hasn't been a lot of leasing activity, because they're almost at 100% occupancy there.

All right. So very quickly, you can see on the side here we also have captured the images of the property. And you can scroll down and look at that. We have all the site plans, marketing flyers, and stuff in here as well.

Moving on, you essentially have your lease tab. Lease tab is going to give you currently what they have for lease in this property right now. Current occupancy, absorption, so forth. And you can click

on these space cards here and it's going to tell you essentially what they have currently for lease right now.

This is a 5,200 square foot. They're asking 15 triple net. And currently this space has actually been on the market for about 17 months. And here's your contact. It's Lisa at Colliers. So provide you all that information in there.

Moving on to properties for sale, it would happen in here. If a property is sold, we'll have the sales comps. So I have a complete sale history in here as well. So again, if your client is looking to buy this property, he wants to know what's happening as far as past transactions on this property. You can very quickly pull that up for him or her.

Analytics. Analytics on this property. With the analytics within a property, very quickly, it's going to give you the analytics for the subject property that you're looking at. But it's also going to peer it against the market, right?

So very quickly on this side here, you have your current property. What they're asking for rents, what the vacancy is. This gives you other similar properties in the sub-market of northwest Tampa. They're two to four start retail properties. Sub-market as a whole and Tampa as a whole.

So again, building out. If you're doing any pro formas or anything like that, you can very quickly see-- again, if I'm thinking about purchasing this property, I want to know how it's performing. But I also want to know, again, what the market's doing as well. OK. Because maybe I can get a couple more dollars in rent because they're below average as far as the market goes.

Moving on, the tenants and the property itself. Searching on their lease expirations, currently what they occupy. Demographics for the property, OK. Very quickly I can pull those up. One, three, five mile radius.

If you didn't search on that, the public records tab is going to give you-- again, pretty self explanatory-- a tax ID, a partial ID, tax assessments, information on the actual property itself. And then a contacts tab.

So contacts tab is going to give you anybody that's involved in the property, right? So the leasing company, the property manager, the broker might involve. The ownership, OK? If you want to get down to that true owner and their contact information. We'll get that information for you as well. All right.

And very quickly, you want to click on their name and pull up their profile because you want to see all the other properties they may own, you can do that as well. OK. Imaging, again. Images that our team has went out and we've taken. We have some virtual tours in here as well.

And then you have your mapping. So mapping tab, essentially it'll give you the information on the property. Show you where the subject property is. I can very quite quickly come in here.

I can throw traffic counts on the map. I can populate different logos as far as Publix logos. Or just anything you want to show as far as if you're doing any mapping and you want to show a particular client, you can very quickly do that with a mapping in the system.

So that's looking at the view just a particular property. So maybe this property was a good property for your sample or a particular area that you're trying to analyze. And maybe you want to leave it or maybe you want to get rid of it, OK? So once you've went back to the results table and you've went through these different properties and you've selected the ones you like, from here I can hit analytics on the top here.

And now it's going to give me analytics for all the properties that I'm currently looking at. So I'm looking at 56 properties. There's analytics on those 56 properties. So this is, again, understanding what's happening in this area now, right? So I could tell you in this area, the average rent is about 1,752 triple net. And the vacancy in this area is 7.7%.

And that's looking at 56 properties, 1.1 million square feet. All right. So within seconds, the system will tell you that. Gives you essentially the absorption of the past 12 months, all right, has been about 16,000 square feet. And the average price per square foot in this area is about \$141 a square foot.

So again, you can chop these up. You can analyze in your way. Do your own reporting in the system as well. Going back to the property view. So again, looking at a property. Trying to understand maybe what a certain property looks and you want information on it.

Or also looking at a particular area and trying to understand what that area looks like. So now you might want to come in here, if maybe you're looking at sales comps. So I'll go back to the home page. And you'll click on sales comps. Going to be very similar to what you saw when we clicked on all properties.

It's going to pull up the map view. You're going to determine again what particular area as far as the map goes. So we'll look at maybe just the north Tampa area here. And you might want to say, let's look at office buildings that are multi-tenant that have sold maybe in the past year.

All right. Let's get out of downtown. So in the past year, it looks like there's been 91 records for properties sold. So maybe I want exclude [INAUDIBLE] portfolio sales or any multi-property sales as well. So it narrows down my list. Maybe you want to look at buildings at least 10,000 square feet and above.

So once you're down to your sample size-- we have 31 now-- you'll hit view results. And just like we did on the property, right, you'll be able to click on the sales comp itself. So let's pick on a random one here.

So you click on the sales comp, OK. This gives you an idea as to what the sales comp is going to look like. Now, typically our research team, they say they spend about eight hours per comp. They'll go through, they'll contact any party that was involved in that transaction. Buyer, seller, both side's brokers.

They'll go through all the documentation just to verify this content. This is very valuable when it comes to the evaluation, because it saves appraisers, saves lenders a lot of time for them to already have that information there. Now this seller is probably going to want to verify it themselves, just because that's their job.

But very quickly, just as an example of sales comp. You essentially, on the very top, you'll get your recorded buyer, and then right below that, you're going to get your true buyer. Their name, their phone number, their contact information.

On this particular transaction, we've attached the deed. We've attached the loan document on the actual transaction. What it sold for, discount to ask. Cap rates. Down payment. Who'd they bank with. How much did they put down. Prior history.

And then right below there, they're going to give you some transaction notes. So this researcher is going to try to paint the story. There's a story behind every transaction in commercial, right? So they're going to try to paint that for you.

So what happened with the property? Was it a foreclosure? Was this a 1031? Who bought it and why did they buy it? Or who sold and why did they sell it? They're going to paint that there for you.

If you ever had questions regarding this transaction or regarding any property in the database, on the very bottom there, there's a researcher's name and their contact information. And it also gives you essentially their verification source. So how they verified this actual property of this actual sales transaction.

So same thing if you wanted to look at this property. Maybe you wanted to leave this as your sales comp. You can go back to the results table. You can go through. Maybe I wanted to get down to maybe a sample of maybe five to six sales comps. And then just like we did on the property view, you want to click analytics.

And very quickly, it's going to give you what the average price per square foot, per acre. If we're looking at multifamily, going to give you per unit. So again, where's the value at. What's the market selling at per square foot in this situation. And it'll give you all the statistics and information on that.

If you are prospecting, maybe you're a broker, or maybe you're even an owner, right. And you want to see who's in this area. Out of all those 91 sales comps, who's been buying or who's been selling property, there's the list. So in the past year, in office and that search criteria, there's been the top buyers in that particular area.

Or I could see the top sellers. I could see the top lenders and so forth. So there's many different things, different ways you can spin this and use this pending on what your day to day business is, right, with this type of information. So going back to the home page. That's pretty much it as I like to show as far as the main value.

So you said office. So let's go into the Westshore market. That's a popular office market. So I'll zoom in here. So there's my Westshore market. And I'm just going to do a radius on WestShore.

So let's say that's going to be my Westshore market right now. Again, we get 823 properties here. So now I'm going to narrow it down. I'm going to look at office. If I want to see everything that's proposed, I can. So there's 12 properties currently proposed right now, right. That's important, right.

Especially when it comes to development. And if you're thinking about bringing 100,000 square feet to the market and there's 12 other properties coming online, you want to know that, right. You want to know that there might be another million square feet that might be getting delivered to the market before even your planning starts.

But we'll look at existing. And let's say we want to look at multi-tenants, and look at maybe a thousand. So we got 84 properties in that particular area in those search results that I was looking at. So I hit view results.

And as I said, just like we did earlier, you can go through these and get rid of some properties that might not fit this sample. But from here, very quickly, I can look at analytics on this. Analytics. So again, there's your building. You're thinking about developing a center.

And you want to understand, if I'm going to build this property out. I'm building out my pro forma, what kind are rents am I going to be able to get? Right? And what's the vacancy look like? So in that area for office, average square foot-- and that's gross-- is \$2,481 a square foot. And the vacancy for this area is about 13 and a half percent.

The five year average on this, OK, is 19 and a half percent. So currently we're below. And essentially over the past 12 months, there's been about 100,000 square foot absorption. So if you want to build out and you want to do your own forecasting as well, OK, you can.

Right here you have your forecasting tab. All right. So we're going to essentially just generically project out what that might look like over the next five years, all right. So you could come into the

system and you can actually view the data. We give you the data. You can interpret it and manipulate it any way you want.

So if you say, well, you know what? Let's say in Q4 of 2015, I'm going to bring one property to the market. And let's say it's 100,000 square feet. OK. And at the start, let's say I maybe only get say 20,000 absorption.

And once you're done, you can hit save. And you can graph the data. It's going to, again, show you what happened here. I delivered this amount of square foot to the property, and this is what I'm forecasting is going to happen with the absorption and the vacancy of this property.

So again, we'll give you the data. We'll give you the information, and you can manipulate anyway you want from there.