SELECTING REAL ESTATE INVESTMENT ANALYSIS SOFTWARE

A menu for self education assists the novice and more experienced shopper to decide on the right software package.

by L. Ried Schott

If you have been looking for real estate software to assist you in analyzing investment properties, you realize it is a laborious and confusing task. And if you do not realize this yet, you probably will—much too soon.

In the past few years, hundreds of real estate software programs have been developed. There are over 60 real estate investment analysis programs alone. So, what is the best way to find a program that will suit your specific needs?

Determine Your Needs

There are several approaches to take. First, try to identify your precise needs. With respect to real estate investment analysis software, the basic types of programs include the following: lease analysis, cash flow, valuation, development/construction, partnership/syndication and portfolio analysis. Select the types of programs in which you have an interest and list them in order of significance. Then, beginning with your immediate concerns, list the important features you desire in a program. Also, try to anticipate future needs.

This may sound simpler than it is, particularly if you have limited experience with computers and real estate software. Consequently, it may be necessary to become familiar with the programs in which you are interested by reading reviews, attending seminars and possibly by using some programs. It will soon become apparent that not all programs are created equal.

In looking at the fundamental aspects of the program, consider:

- Performance
- Documentation
- Ease of Learning
- Ease of Use
- Support
- Error Handling

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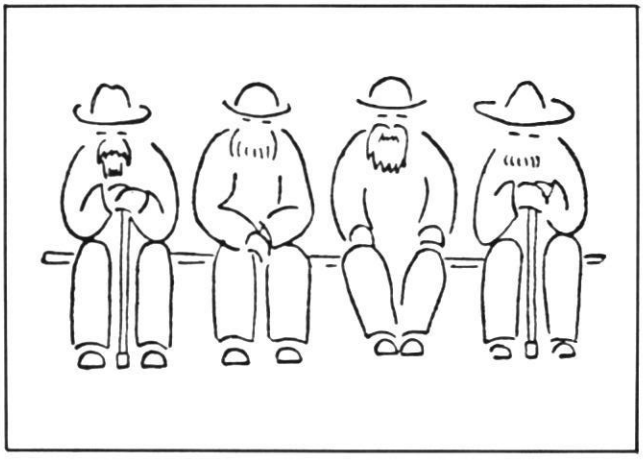

The technical capabilities can be equally important, especially the maximum number of items the program will handle (including tenants, expenses, escalations, etc.) and user defined capabilities (including escalations, pass-throughs, etc.). Transferring the data to a report generator, such as a word processor or Lotus, also may be important.

The bottom line, however, involves the added productivity the program will eventually provide. Unfortunately, it is difficult to estimate the cost effectiveness of a program without already having previous experience. Therefore, unless you hire a consultant, or put considerable faith in the experience of a user, expect to spend a lot of time in trying to evaluate real estate software.

Sources Of Data To Help Identify And Evaluate Software

If you are willing to take the time, you will need to know the major sources of data that will help identify and evaluate real estate software. These sources, and brief comments about them, are contained in the following publications.

Real Estate Computer Software Directories

You may want to consult one or more of the real estate computer software directories. There are at least five including:

- Directory of Software Vendors by Kenneth Leventhal & Co.
- Guide To Real Estate and Mortgage Banking Software from Real Estate Solutions, Inc.
- Mortgage Banking Software by the Mortgage Bankers Association
- Real Estate Applications Software Directory by the Texas Real Estate Research Center
- Software by Moore Data Management Services

The latter publication does not contain as many investment analysis programs as the others. Addresses, phone numbers and the costs of these directories are contained in the Exhibit.

Real Estate Computer Publications And Reviews

It is most helpful to supplement your search by reading publications that have reviews of various programs. Publications devoted to computers and real estate include:

PC News
GLARECUG c/o Richard Sorenson, President
(Great Lake Area Real Estate Computer User's Group)
First Chicago
One First National Plaza-Suite 0151
Chicago, IL 60670-0151
(312) 732-7330.
Frequency: Bimonthly, Annual Subscription-$25.00

Quarterly Byte
American Institute of Real Estate Appraisers
430 N. Michigan Avenue
Chicago, IL 60611-4088
(312) 329-8559
Frequency: Quarterly, Annual Subscription-$30.00

Real Estate Computer Review
Miller Freeman Publications, Inc.
500 Howard Street
San Francisco, CA 94105
(415) 397-1881
Frequency: Monthly, Annual Subscription-$97.00

Remug
c/o Mary Dum
948 Hilldale Avenue
Berkeley, CA 94708
(415) 526-4523
Frequency: Quarterly, Annual Subscription-$50.

Other real estate publications that occasionally contain computer reviews are: Appraisal Review Journal from the National Association of Review Appraisers and Mortgage Underwriters, St. Paul, Minnesota; Real Estate Issues from the American Society of Real Estate Counselors, Chicago, Illinois; Real Estate Review from Warren Gorham & Lamont, Inc., Boston, Massachusetts; The Appraisal Journal from the American Institute of Real Estate Appraisers, Chicago, Illinois; and The Real Estate Appraiser and Analyst from the Society of Real Estate Appraisers, Chicago, Illinois.

Reviews can be helpful since the directories have limited information about the programs. Of course, the vendor can be contacted for information and, usually for a nominal cost, possibly a demonstration disk. Also, names and numbers of some users can usually be obtained from the vendor. But, the vendor information can be limited and biased. Unfortunately, some reviews are not entirely objective.

Computer Seminars

Another possibility in helping make your decision on computer software is by attending a seminar. The American Institute of Real Estate Appraisers and The Society of Real Estate Appraisers have seminars including Lotus 1-2-3, but do not cover more sophisticated programs such as lease analysis.

Two seminars that cover more in depth real estate software are Evaluating Real Estate Investment Analysis Software sponsored by the Northwest Center for Professional Education (NCPE) and a seminar by Real Estate Software Associates (RESA). The latter includes the directory—*Guide to Real Estate and Mortgage Banking Software*. The former includes a 500-page manual with printouts from about 60 programs.

The NCPE seminar lists programs in the following categories: development/construction; lease analysis; partnership/syndication; limited capability cash flow; advance holding periods; income investment appraisal programs; and spreadsheet templates and financial models. Some programs are listed in as many as four of these categories.

The RESA seminar concentrates on only 10 of the leading software programs, all of which they sell, including: Center, Pandex, Fin-Sim II, Lotus 1-2-3, MicroREAM, ProfitLine, Real Decisions, Realdex/Pase, Pro-Ject and Dynamis. RESA runs detailed "back to back" runs of the noted programs and illustrates the differences and similarities in each.

The NCPE seminar is designed to appeal to individuals with more varied interests. It provides an overview to real estate investment analysis software but covers so many programs that it may be confusing. If you have narrowed your program search down to a few of those covered in the RESA seminar, then that seminar probably will provide you with a more detailed perspective of the programs. But, it would be advisable to attend the NCPE seminar first if you are interested in both seminars or if you have limited knowledge of real estate software.

Word Of Mouth

Another method of finding good real estate programs is by word of mouth.

1) Ask your peers at meetings, conferences, seminars, visits, etc. A difficulty with this approach is

that what may satisfy one person's needs may not be adequate for another. Further, your peers may not be as expert on real estate software as you thought.

2) Contact a real estate organization. Unfortunately, it is doubtful that many staff members are familiar with real estate programs.

3) Also, your clients may have considerable experience with real estate software. It may be advantageous or necessary for you to use the same program as a client, but you may still want another program for more support or for other clients.

Word of mouth is most useful in finding others using programs you are considering since that can give you candid responses. But be aware that one person's needs may not be the same as yours.

Real Estate Computer Consultants

Finally, if you do not have the time to investigate the leads from the sources furnished in this article, you may want to hire a real estate computer consultant. The costs vary considerably, from $30 to over $100 per hour. For an individual or small firm, this cost may seem unreasonable at first. Yet, if you consider the time and costs involved in going through the steps that have been presented, the advantages become much more reasonable.

In selecting a consultant, beware of those that sell particular programs and/or hardware. If they operate on a commission basis, their objectivity can be affected.

When hiring, do not only look at the possible service costs for selecting a program, but consider the cost of the software, hardware, training and support as well. Sometimes the vendor supplies training and support without an additional fee; this can reduce the consultant's fee and your start up time. A good consultant can help you evaluate these considerations, and most important, help you determine what computer software and hardware are most cost efficient.

The final decision in buying real estate investment analysis software may not be up to you; it may involve a decision of a committee or supervisor. As the factors presented here indicate, this is a difficult decision to make especially for those with limited computer experience. This increases the importance of choosing a capable consultant.

Costs, Timing, And Deciding About Real Estate Software

The costs of some of the more sophisticated programs usually vary between $1,000-$5,000. Surprisingly to some, these costs, plus consulting fees, easily can be recouped over one or two large assignments, especially if you already have a computer such as an IBM PC or compatible. (The great majority of all software runs on IBMs; consequently, the choice of hardware is not as critical as previously.) If you require a computer and printer, you can get by for under $3,000, possibly as low as $2,000. Once the program is learned, future assignments should require less time and revisions can be greatly simplified. It may not matter if the program is the ultimate one that fulfills every conceivable need of yours as long as it performs your basic wants. When a better program becomes available, you will be in a better position to evaluate and use it if you have some prior experience.

There will be other programs in the future that will be more powerful, less expensive and easier to use than what exists now. If you can get by for another year or so, it might be to your advantage. But can you afford to

EXHIBIT

A Listing Of Real Estate Software Directories

Directory Of Software Venders
Kenneth Leventhal & Co.
Available from:
Northwest Center for Professional Education
13555 Bel-Red Road C-96870
Bellevue, WA
(206) 746-4173
Listing 180 vendors
Cost $89.00
Publication Date: January, 1986

Guide To Real Estate And Mortgage Banking Software
Real Estate Solutions, Inc.
2609 Klingle Rd. N.W.
Washington, D.C.
(202) 362-9854
Listing 525 programs
Cost: $95.00; Annual Subscription: $135.00
Publication Date: Twice Annually

Mortgage Banking Software
The Mortgage Bankers Association of America
1125 Fifteenth St. N.W.
Washington, D.C. 20005
(202) 861-6500
Concentrating on loan servicing/production
Cost: $115.00
Publication Date: August, 1985

Real Estate Applications Software Directory
Texas Real Estate Research Center
Texas A&M University
College Station, TX 77843-2115
(409) 845-2031
Listing 277 vendors
Cost: $30.00
Publication Date: April, 1984

Software
Moore Data Management Services
1660 S. Highway 100
Minneapolis, MN 55416
(612) 540-1000
Listing 537 programs from 339 vendors
Cost: $29.95

wait? Avoiding real estate software can decrease your productivity in the near future and provide less desirable results. It also is possible that you may lose clients who do not believe you to have the level of the sophistication they deem desirable.

However, to acquire real estate software can be costly and time consuming. So, in deciding upon real estate computer software, try to look at the whole picture. Through the sources indicated, proper investigations and possibly through the assistance of a consultant, you can improve your decisions in selecting real estate software.

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