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# BETTER REAL ESTATE MARKET ANALYSIS FOR METRO AREAS THROUGH THE USE OF UNIQUE SOURCES OF INTERNET DATA

*by Donald R. Epley*

**T**he purpose of this paper is to identify specially selected Internet sites that contain unique, useful, and typically free data that can improve the level and quality of real estate market analysis particularly at the metro area. The sites described here have been used for the generation of trade area data at the metro area and for selected comparable markets. They should be scrutinized by all market analysts as each one contains useful data that can certainly add to the ability of the analyst to generate trade reports on individual local markets and further, find comparable data that can be used for competitive regions.

## **ABOUT THE AUTHOR**

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The intent is to strengthen the real estate market analyst's array of analytical tools and sources of data to provide more informed conclusions on overall market trends, and specific site marketability. Another objective is to reduce the analyst's search time as the hourly investment can be significant to search for the appropriate sites and icons and to categorize the type of data and potential use.

All of these sites have been used and examined frequently. Also, they have served as the basis for one university class in real estate market analysis where students are asked to conduct various types of market studies as assignments for typical, market analysis techniques. The

result is a student-assembled portfolio of methodology and market analysis that can be used immediately on the first market analysis assignment.<sup>1</sup>

This site information is organized to answer fourteen typical questions that can arise in the analysis of real estate markets. Every reader who conducts market analysis at any level needs to invest the time to peruse these sites and bookmark and document the information found on each. An effort has been made here to provide a brief description only as each reader will concentrate on the specific data that is of interest to his/her type of analysis once the site is visited.

Also, real estate brokerage sites have been omitted. Those can be visited for a particular assignment if desired.<sup>2</sup> The purpose here is to identify unique sources and types of market data that might not be commonly known to the market researcher.

### SPECIFIC MARKET ANALYSIS TASKS

The practice of counseling has been described by The Counselors of Real Estate as a *process* rather than a *procedure*.<sup>3</sup> Reliable sources of Internet data are a necessary prerequisite to timely real estate market analysis and an integral part of the decision-making process.

Real estate market analysis has been explained as the identification and study of demand and supply for a particular (real estate) product.<sup>4</sup> It asks three basic questions:

- Will users exist to buy or rent?
- What is the rate of absorption in rent or price terms?
- How can the product be designed or planned to make it more competitive?

The sites below have been selected and used to find specific data that will help in analyzing the demand and supply conditions in a metro market and find answers to the above questions. These resources allow the user to:

- a. Estimate the potential demand. Determine the population, employment, and housing characteristics in the trade area. Use data that is similar to allow comparisons among cities for an estimate investment potential. Several of these sites below offer user-friendly data that are very useful and, in one site, detailed to the census tract level.
- b. Compare cities and regions with comparable

data for the U.S. The task may be to develop comparisons of selected indicators among regions that are also comparable to the same indicator for the U.S. Several of these sites contain comparable figures.

- c. Find data that is hard-to-locate and unique such as a quality-of-life indicator. A quality-of-life indicator that can be used for comparisons among regions is found on one site for a number of metro areas. Another example would be construction costs that have been aggregated for use in one area, and can be used for cost comparisons in competing areas. Another site contains this information.
- d. Find population projections for the metro market that are comparable to projections in competitive areas. A population projection for the metro area is needed frequently for the calculation of a gap that may exist between the current and future level of demand and projected supply for a specific real estate product. Reliable projections are not plentiful, and further, not always comparable to projections for competing metro areas.

### SOCIO-ECONOMIC DATA

**Where do I find personal income by county that can be compared to the U.S. on the same site? Will the site allow the user to calculate percent changes between selected years?**

A little known site with very useful and valuable socio-economic data for the five Northwestern states and the U.S. is maintained by the Agricultural Economics Department at Washington State University (<http://niip.wsu.edu/>). It contains a significant amount of census information that has been selected and loaded in a user-friendly manner. Additionally, the site contains a summary of selected economic indicators that are updated periodically. It is a good source of comparable U.S. data that has been designed for convenient use. The author is a professor of agriculture economics and maintains the information as part of his university assignment.

Further, for those analysts who are interested in the amount of local growth from a change in local industry mix compared to the amount of growth from the industry's share of the total, this site has a rare calculation routine for *shift-share* coefficients between two selected years.<sup>5</sup> Area regional analysts will find these calculations useful in comparing growth areas and searching for explanatory reasons. Many of the economic indicators found on the WSU

site have been taken from data accumulated by the Bureau of Economic Analysis (<http://www.bea.gov>). One observation about the WSU data is that it is often dated information. For example, the latest personal income estimate is three years old.

**Where can I locate the minority composition, percent of owner occupied and renter occupied housing, and selected income and population characteristics by census tract for a given Metropolitan Statistical Area (MSA)? Does any site contain data that is recent compared to common government sites that contain important but old information?**

The Federal Financial Examination Council (<http://www.ffiec.gov>) requests combinations of data from the U.S. Census to conduct its examination of financial lenders that must comply with the Community Reinvestment Act. The data is available on the Web, and can be purchased at a very reasonable price from the Federal Reserve Bank. It contains census tract information for selected MSAs such as population and housing characteristics under the *Census Reporting System* heading. One interesting feature is that the site offers census tract income data that is updated annually by the U.S. Department of Housing and Urban Development.

**Where would I locate a summary set of statistics on an MSA that could be compared quickly to similar statistics in another similar community?**

The U.S. Census (<http://quickfacts.census.gov/>) offers prepared "quickfacts" that can be printed easily and used to crosscheck other statistics from other sources or attached to reports. It is very useful to compare quickly the characteristics of local regions and cities.

In addition, the Census maintains a site where socio-information for the U.S., state, and local areas can be gathered (<http://factfinder.census.gov>). One difficulty is that the user will need to aggregate files for comparisons among comparable areas. Also, selected census information can be mapped and printed at the U.S. Census Bureau's Mapping and Cartographic Resources site (<http://tiger.census.gov>).

**Does any source of information exist similar to "quickfacts" from the U.S. Census that contains a snapshot of socio-economic information that can be used as comparison among metro areas and**

**states? Is the state and metro data similar and comparable?**

Yes, similar comparable data can be found at Site Selection Online (<http://www.siteselection.com>), which provides information on population, housing, income and occupation, transportation to work, and consumer expenditures. The user should select the *Area Demographics* followed by the *Metro Index* or *State Index* icons.

Further, this site contains a set of indicators that have been selected to determine the "quality of life" in each metro area and state. This information is readily available and a very useful part of market analysis comparisons among regions.

**Where can I locate a user-friendly site for many different socio-demographic topics that could be classified as U.S. Demographics, Economics, and Education?**

The Government Information Sharing Project, at Oregon State University, contains data that is divided into categories entitled "Demographics," "Economics," and "Education." The first category, "Demographics," contains data for U.S. counties; a Census of Population and Housing; Population Estimates by Age, Sex, and Race; and a file for Equal Opportunity. The "Economics" category includes Regional Economic Information; Agricultural Census information; U.S. Import/Export History; Consolidated Federal Funds Report; and Earnings by Occupation and Education. The "Education" category contains the School District Data Book Profiles. (<http://govinfo.kerr.orst.edu/>)

**The state provides employment data for local areas, but, unfortunately, it is always six months old. Does any site contain local employment data that is as detailed and more current?**

Yes. The Bureau of Labor Statistics (<http://www.bls.gov/>) offers employment data as recent as two months old for the state and selected local areas. Additional information is available on consumer expenditures and a national compensation survey. A number of local economic indicators for population, housing, and income are available.

**Where can I locate information on current population and the saturation rate of convenience stores?**

Those analysts who are involved with retail analysis should investigate the trade data maintained at <http://www.c-store.com>. Use the *Trade* icon that

will present population by state, the number of convenience stores, and a saturation rate.

**Where can I locate reliable population projections for the metro market? Further, are these projections comparable to similar projections in comparable metro areas?**

Free population projections on the Internet are limited. The U.S. Census provides projections to the year 2025 for state population and categories of age, race, sex, and Hispanic. The data can be found at <http://www.census.gov>, and the user should select the *People* and *Projections* icons.

A private site found at Site Selection Online (<http://www.siteselection.com>) contains projections for the percent of population growth for two years for both metro areas and states. Also, this site has a percent growth in the number of households for the next two years.

Detailed population projections typically rely on a statistical model that contains the analyst's assumptions on growth relationships to other indicators. The projections can be purchased from a number of private companies that are not covered here.

#### **PUBLIC RECORDS**

**Where can I locate specific site information similar to the data in the public records?**

Selected public record information on selected locations such as the assessed valuation and the parcel number of a post office address can be found at the Public Record Research System (<http://www.brbpub.com/>). Users should use the *Public Record Sites* icon and scroll down to the *County/City Sites* heading.

#### **COMMERCIAL BUILDING ENERGY USE**

**What is the energy consumption and average cost of usage using various types of fuels in a commercial building in the U.S.?**

The Energy Information Administration of the Department of Energy (<http://eiainfo.eia.doe.gov/>) distributes monthly and historical data on various types of commercial buildings. After opening the site, find the *Historical Data* icon, the subsequent *End Use Consumption*, and finally, *Commercial Buildings*.

#### **BUILDING COSTS THAT ARE COMPARABLE ACROSS THE COUNTRY**

**A number of private sources provide building cost data. Where can I locate building cost data that is reliable and comparable across regions of the country?**

The site of *Engineering News-Record* provides an historical and current building cost index that can be used for comparison among regions (<http://www.enr.com/cost/costcci.asp>).

#### **MULTIFAMILY VACANCY RATES THAT ARE COMPARABLE ACROSS THE COUNTRY**

**Where can I locate the most recent U.S. multifamily vacancy rates for various types of units that can be used for comparison to the rates that can be generated from local sources?**

The U.S. Census (<http://www.census.gov/>) maintains a site for multifamily vacancy rates. It contains rental vacancy rates and the same for housing. Once on the site, a user should select the *People/Housing* and the *Housing Vacancy/Data* icons.

#### **COMMERCIAL TRANSACTIONS AND CAPITALIZATION RATES BY REGION**

**Where can I find regional commercial transaction prices and capitalization rates that are reliable? I can locate rates from individual brokerage firms, but they vary for the same region, and I don't know which to use?**

Prices and rates are available from the National Council of Real Estate Investment Fiduciaries (NCREIF; <http://www.ncreif.com/indices>). This group maintains a portfolio of properties and extracts statistics for regions of the U.S.

#### **HOUSING PRICES AND NUMBERS OF TRANSACTIONS**

**Where can I find U.S. and regional figures on transaction prices and numbers of housing sales other than those provided by the U.S. Census?**

The National Association of Realtors Research Division (<http://www.realtor.org/research>) publishes statistics on housing markets that includes prices, sales, and affordability. A user should select from several icons that cover the volume of residential sales and prices.

## CONCLUSION

Needed data that can help make a real estate market analysis better, particularly on local and metro areas, can be found at a number of unique web-sites. This paper has provided a brief introduction to each one by identifying a typical question that can be answered from the data available at the site. Every real estate professional who is involved in market analysis at any level and location should investigate these sites periodically to maintain and improve their knowledge of trends.

Several unique sites provide data that are difficult if not impossible to locate. One example is a quality-of-life indicator that is provided on one site for a number of metropolitan locations. Another site maintained by a university contains a shift-share calculator that will provide estimates for two periods of time selected by the user. Another is a site that provides a construction cost index that has historical statistics for comparing and tracking construction costs. All of the sites cited here have been used extensively and can save significant amounts of time for the real estate market analyst.<sup>REI</sup>

## NOTES

1. These sites are the basis for a number of assignments in a college level class entitled *Real Estate Investments*. The students are asked to use the data for selected metro areas to determine the gap between demand and supply for a particular real estate product or service. The result is that the student has learned the methodology from the text and applied these techniques to various cities. Other valuable insights are extracted from the process such as the reliability of the data, metro areas where data is difficult to locate, and data that can be used for comparisons across the country.
2. Commercial brokerage sites are a source of data for specific property types such as price-per-square foot, rent-per-square foot, and vacancy rates for office or retail space. Sites may report the data by submarkets including the suburban area, central business district, and the total market. Selected data, such as rent-per-square foot, may be reported by several companies for the same market area. Every analyst must decide which data from which site is the best to use for the purpose of the study.
3. See The Counselors of Real Estate website (<http://www.cre.org>).
4. Schmitz, Adrienne and Deborah Brett, *Real Estate Market Analysis*, Washington, Urban Land Institute, 2001, p. 3.
5. *Shift-share* analysis is used to determine the reasons for growth in a specific region, and to compare one region with another. It is composed of three parts. The first is the *national growth* which is the change in local employment that would have occurred for a specific industry if it had growth at the national growth rate. The second is the *industry mix* which is the additional gain (loss) that would have occurred for a specific industry due to the industry growing faster (slower) nationally than all industries combined. The third is the *regional shift* which is the gain (loss) in local employment for a specific industry beyond the national growth and industry mix effects resulting from a specific industry growing faster (slower) than the same industry nationally. The "actual growth" of an area equals the sum of the *national growth*, *industry mix*, and *regional shift*.