

# The New York Times

Sunday, February 2, 2008 Article which features COMMREX (Commercial Real Estate Exchange)

## Real Estate Investing, Made Easier Online

By VIVIAN MARINO

IT wasn't long ago that finding commercial property, especially for the neophyte investor, meant traveling by car or plane to various sites with measuring tools, notepads and camera in tow, then pounding the pavement to inspect comparable places, vet tenants or peruse town hall documents. Newspapers and trade publications were also routinely scoured.

A search was only slightly less cumbersome for the more seasoned investor, who typically relied on word of mouth to learn about deals. Information was sometimes safeguarded by investors and brokers and meted out in quid-pro-quo fashion.

"You have to get on the phone with everyone you knew and network", said Leo McDermott, a senior vice president for a commercial real estate brokerage firm in Baltimore, and also an investor, "and basically trade information."

The reluctance to share freely could be readily understood. "The amount of effort it took to build up adequate market research, and the cost involved, was tremendous", said Dan Fasulo, a managing director of Real Capital Analytics, which tracks property transactions, and an investor and former broker.

But that was a decade or so ago. Nowadays, investing in commercial real estate is easier and far more transparent. With the help of resources that have emerged online in recent years from third-party sources and, increasingly, brokers, property buyers can quickly narrow their searches, view sophisticated maps and obtain myriad pieces of data about market conditions, demographics or recent sales and leases, long before they ever set foot in a building. Many Web sites also include international property.

As a result, more deals are easier to accomplish, particularly for small investors. Son Vann, 36, a management consultant from Houston, bought his first property, a 20,000-square-foot warehouse in the southwest part of the city for around \$500,000, over a year ago with the help of LoopNet, the online commercial listing service.

Mr. Vann's goal was to find an industrial building with a strong capitalization rate, the industry term for the initial rate of return. "You can do a lot of prescreening and

basically sort it by cap rate within a certain region," he said. "Any property listing that falls below your cap rate you don't have to bother looking at."

The listing agent for the warehouse that he bought also provided information about cash flow, rents and major expenses like property taxes, and he was able to contrast the numbers with those of comparable properties under consideration.

"They can get so much more information today than just five years ago," said Thomas P. Byrne, the chief marketing officer at LoopNet. (The most sought-after listings, he said, are buildings with "triple net" leases, in which tenants pay all the continuing operating expenses like taxes and insurance.)

Like others in the field, Mr. Byrne speculates that the next generation of sites will incorporate personal networking structures like [MySpace](#) and YouTube. After all, "it is a people business, and our investors want to communicate with one another," he said. We're just in the early stages of thinking how to leverage that."

Compared with the residential market, however, the commercial real estate industry has lagged behind in making listings and other resources available online to the investing public. (Only about 1 percent of the visits to real estate Web sites, in fact, are to those dedicated to commercial property, according to Hitwise, a company that tracks searches.)

"A lot of firms have had the resources, but have not necessarily done a spectacular job of getting people to come to their sites," said Warren Bimblick, a senior vice president at Penton Media, which produces free Web publications like National Real Estate Investor and Retail Traffic.

The complexity of the marketplace may be part of the reason. For one thing, commercial properties are valued differently than residential properties: the more revenue a commercial building generates, the more it is worth. The asking price usually has little to do with the prices paid for similar properties. Far more due diligence is required, though gathering material and presenting it in a user-friendly way has proved a major undertaking, given the spectrum of property types and markets.

"It's a massive logistical operation with significant costs," said Andrew C. Florance, the founder of the CoStar Group, which also offers commercial listings.

"There were actually lots of companies trying to do this years ago, and the vast majority of those efforts failed," Mr. Florance explained, pointing to high-profile ventures like Teleres, partly owned by [Dow Jones & Company](#), and Zethus, backed by [Goldman Sachs](#).

CoStar's extensive database, which appeals to sophisticated investors, has been 20

years in the making and is still growing. From its [NASA](#)-like headquarters in Bethesda, Md., the company regularly dispatches an army of more than 1,000 researchers to gather and verify for-sale and for-lease listings across all property types nationwide.

This comprehensive data helped Mr. McDermott, 51, the Maryland investor, find three Washington-area properties - a residential condominium, an office condo and a mixed-use office and retail building - in which to invest.

He now marvels at the proliferation of information. "I think every real estate company or public-sector group has information on the Internet now," he said. "All of your government entities are certainly online, and then there are companies like CoStar that have data for sale."

Veteran investors and large institutions with deep pockets (and in-house research available, too) will tap into a variety of sources like CoStar, Real Capital Analytics, Reis Inc., and Torto Wheaton Research, which is owned by the brokerage firm CB Richard Ellis.

But for the novice, knowing where to go can be somewhat daunting. And then there are the various membership plans from which to choose. Here is a brief look at just a few of many useful sites.

[LOOPNET.COM](#) With more than 2.5 million registered members and 915,000 unique visitors monthly, [LoopNet.com](#) is the largest and most heavily trafficked service - or, as Mr. Byrne calls it, "the [eBay](#) of commercial real estate." The LoopNet marketplace has more than 535,000 listings, including more than \$425 billion of property available for sale and 3.7 billion square feet of space for lease in the United States and Canada. There's a basic free membership, with very limited listing and searching capabilities, and premium products starting at \$39.95 a month.

[COSTAR.COM](#) This company has 75,000 subscribers in the United States and [Europe](#), though a larger database than LoopNet. There are more than 2.6 million properties representing more than 43.5 billion square feet of inventory and some 894,000 for-sale and for-lease property listings in the United States, [Britain](#) and [France](#). CoStar verifies each one. In addition to offering photographs and aerial views, the company provides data on comparable sales, tenant contacts and lease expiration dates, among other things. Though its services are used by big investors, there are memberships starting at \$24.95 a month for those with smaller budgets.

[COMMREX.COM](#) Visitors can search free, but if they want to list property for sale or for lease on the Commercial Real Estate Exchange, they must become a member, which only costs \$79 a year or about \$6.58 a month. Each listing can include six photos, along with virtual tours and maps, and they automatically broadcast out

entered properties to a national mailing list or listserv. According to the company's Web site, membership exceeds 25,000 real estate professionals and monthly unique visits exceed 500,000. The database has more than 10,000 properties. They offer a one week free trial to try out the service.

[CIMLS.COM](http://CIMLS.COM) The Commercial Investment Multiple Listing Service, with hundreds of listings, has a free basic membership that enables users to search listings and place information and one photograph about a property. A gold membership, currently \$20 a month, includes many extras like priority placement of a listing and the ability to attach marketing packages like property fliers.

[CATYLIST.COM](http://CATYLIST.COM) Catylist Inc. provides locally branded Web sites for commercial brokers and organizations. But it also serves as a national portal, providing access to an aggregate database of more than 100,000 listings and recent transactions nationwide. Membership costs \$35 a month. Its revamped site, [CommercialiQ.com](http://CommercialiQ.com), will make its debut in mid-February.

**BROKER SITES** A wealth of free information about markets and listings can be found at the sites of big brokerage firms, including CB Richard Ellis, Cushman & Wakefield, Grubb & Ellis, Marcus & Millichap, Colliers International, NAI Global, Jones Lang LaSalle and Re/Max. In some cases, users have to register before they can really look.

**MORE HELP** [Vandema.com](http://Vandema.com), a division of Vandema Investments, has a directory of more sites, broken down by property types like motels or farms.