

# LeaseTrend Review

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## WHO IS LEASETREND?

LeaseTrend®, Inc. is a company based in Cincinnati, Ohio that has been providing commercial real estate information for a decade. LeaseTrend collects and updates both tenant information and information on the commercial properties they occupy.

The primary product offered by LeaseTrend is a Tenant and Property Database that is accessible through proprietary software. The main menu in this software first asks the user to identify the city, property type of interest, and the database of interest (property or tenant.) These databases are linked, but are accessed separately through this initial menu choice.

Until recently, LeaseTrend focused on

providing tenant and property information for office markets. The company is now expanding. Data for a growing number of markets and for several property types are currently being collected. The choices on the main screen for property type are office, industrial, retail, residential income, commercial, land, and investment.<sup>1</sup> However, information on all property types is not currently available in all markets. Residential income property is not available in any serviced market at this point in time. Exhibit 1 lists the property types currently available, and those forecasted to be available, in each currently serviced market.

Information related to office property is currently available in all the listed markets. Industrial property is available for all but five markets. Information related to industrial properties, for four of these five markets, is expected to be available by the end of the second quarter of this year. Information for the fifth market, Denver, is expected to be available by the end of this year. Cincinnati, Indianapolis, and St. Louis currently have data for all four listed property types.

## THE TENANT DATABASE

The first window, *after selecting the tenant database*, is made up of several fields organized into user friendly groups. For example, there is a group of fields containing the tenants address and another group containing

## EXHIBIT 1

### Property Type Availability in Serviced Markets

City	Office	Industrial	Retail	Land
Charlotte	available now	available now	1st Qtr. 1999	1st Qtr. 1999
Cincinnati	available now	available now	available now	available now
Cleveland	available now	available now	1st Qtr. 1999	1st Qtr. 1999
Columbus	available now	available now	1st Qtr. 1999	1st Qtr. 1999
Dayton	available now	available now	1st Qtr. 1999	1st Qtr. 1999
Denver	available now	4th Qtr. 1998	2nd Qtr. 1999	2nd Qtr. 1998
Detroit	available now	available now	1st Qtr. 1999	available now
Ft. Lauderdale	available now	2nd Qtr. 1998	4th Qtr. 1998	4th Qtr. 1998
Indianapolis	available now	available now	available now	available now
Kansas City	available now	available now	1st Qtr. 1999	1st Qtr. 1999
Louisville	available now	available now	1st Qtr. 1999	available now
Miami	available now	2nd Qtr. 1998	4th Qtr. 1998	4th Qtr. 1998
Orlando	available now	available now	4th Qtr. 1998	3rd Qtr. 1998
Pittsburgh	available now	available now	1st Qtr. 1999	1st Qtr. 1999
Raleigh-Durham	available now	2nd Qtr. 1998	1st Qtr. 1999	1st Qtr. 1999
St. Louis	available now	available now	available now	available now
Tampa Bay	available now	available now	3rd Qtr. 1998	3rd Qtr. 1998
West Palm Beach	available now	2nd Qtr. 1998	4th Qtr. 1998	4th Qtr. 1998

other property location information. Another group of fields contains lease information including the lease-term dates, the square footage, and rental rate for each tenant. There are also two groups containing data fields with tenant contact information. There is a group of fields that provide data on when the displayed information was last updated. All of these groups of data fields, along with some button menu items that provide further functions, are well organized and do not appear cluttered on the screen.

Two of these menu buttons allow users to access additional tenant information. The first button provides fields containing further tenant information such as the rate of growth of the tenant, the total number of employees and the number of those at the subject location, the year the tenant was established, the tenant's market area, information on the tenant's previous location, and a comment area for additional information collected by LeaseTrend. The second button is used to access notes the user inputs into the database (as opposed to LeaseTrend collecting the data.)

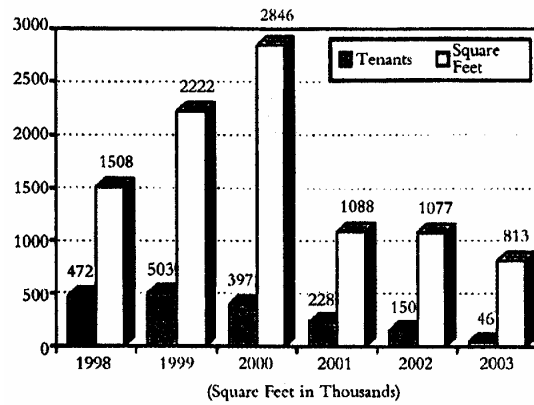
Customers can update their data daily online, or through disks available on a monthly basis. Any data entered by the user, unless it is in the user note fields, will be overwritten by the updated data.<sup>2</sup> Some data, however, is moved to fields containing historical data.

There is a search button to find tenants that meet user-specified criteria. A query can use pre-designed basic criteria such as sub-market area, lease expiration date, and square footage. Queries can also be made using other criteria specified by the user, based on information relating to specific buildings, geographic information, building class, building type, occupancy status, tenant growth status, lease terms, tenant demographics, SIC codes, and update dates. A useful query feature is the ability to repeat searches for a given group of records or for a given set of criteria. In the first case, a group can be saved for future searches and in the second case, search criteria can be saved for future searches. The query capabilities are suitable for the needs most users may require. One limitation, however, is that searches must be made one city at a time, based on the market chosen in the initial menu screen.

#### THE PROPERTIES DATABASE

The first window *after selecting the properties database* is similar to that described for the tenant database. The window is made up of several fields organized into user friendly groups. However, the field groups focus on property specific information, as opposed to tenant information. The property database

**EXHIBIT 2**  
**Cincinnati Office Market — Sample Graphs**  
**Lease Expirations by Year**

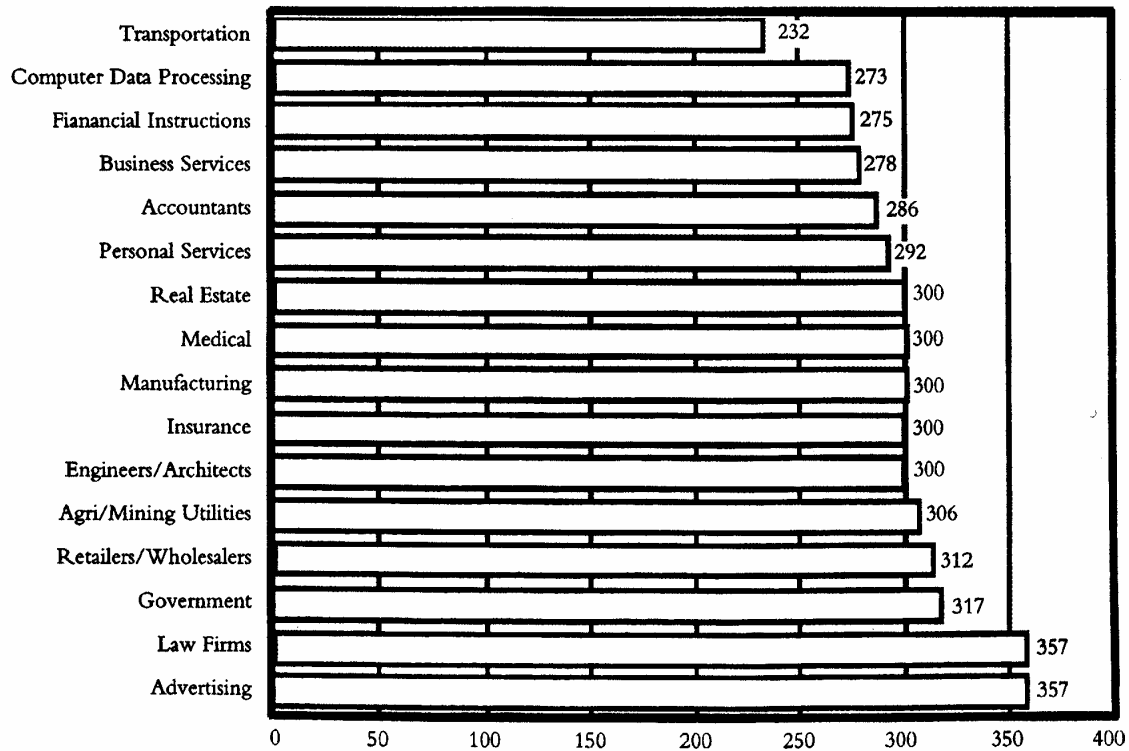


groups fields for building address information, detailed square footage information (including the net rentable area and available square footage), sale and lease-term information, leasing contact information, and other building information (such as class and sub-market).

Similar to the tenant database, there is also a screen for more information within the property's database. This additional information screen has fields grouped to provide property information on the construction and grounds, building services, amenities, ownership and management information, and provides an area for additional comments.

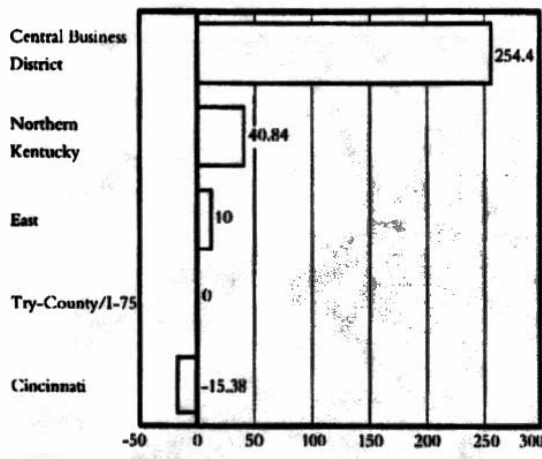
As was the case with the tenant database described earlier, the main screen in the properties database includes software buttons to access further functions, including search capabilities similar to those described for the tenant database. The useful feature of being able to search for a given group of records (prop-

**EXHIBIT 3**  
**Cincinnati Office Market — Sample Graphs — Average Square Feet per Employee by Type**



### EXHIBIT 4

1st Qtr - 1997 to 1st Qtr - 1998 — Net Absorption



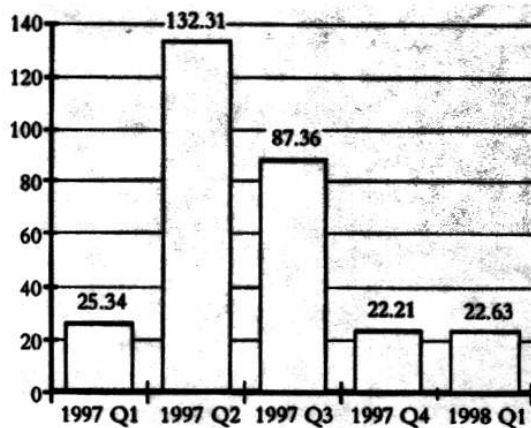
erties) or a given set of search criteria is preserved to facilitate the creation of periodic reports.

Additional features (not accessible from the tenant database) include the ability to display pictures of a property, a map locating a specific property, and the floor plate of a given property. However, not all records

### EXHIBIT 5

Cincinnati Office Market

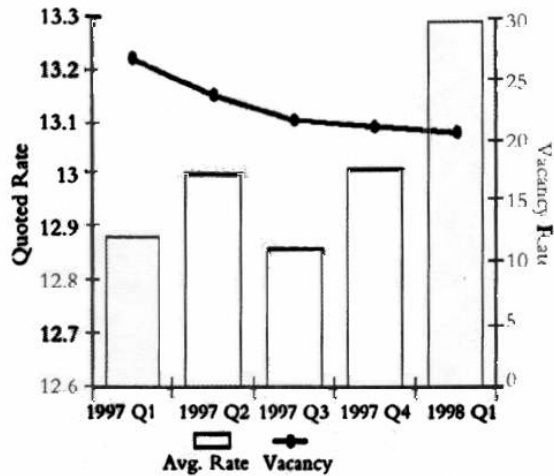
1st Qtr - 1997 to 1st Qtr - 1998 — Periodic Absorption



### EXHIBIT 6

Cincinnati Office Market

1st Qtr - 1997 to 1st Qtr - 1998 — Vacancy and Weighted Average Quoted Rates



have pictures, maps and floor plates yet, which limits the user's ability to make use of these attractive features.

Another beneficial feature, in the properties database, is a button to see historical information relating to a property. However, the ability to export this or information in some other fields in order to carry out time series analysis, is very limited.

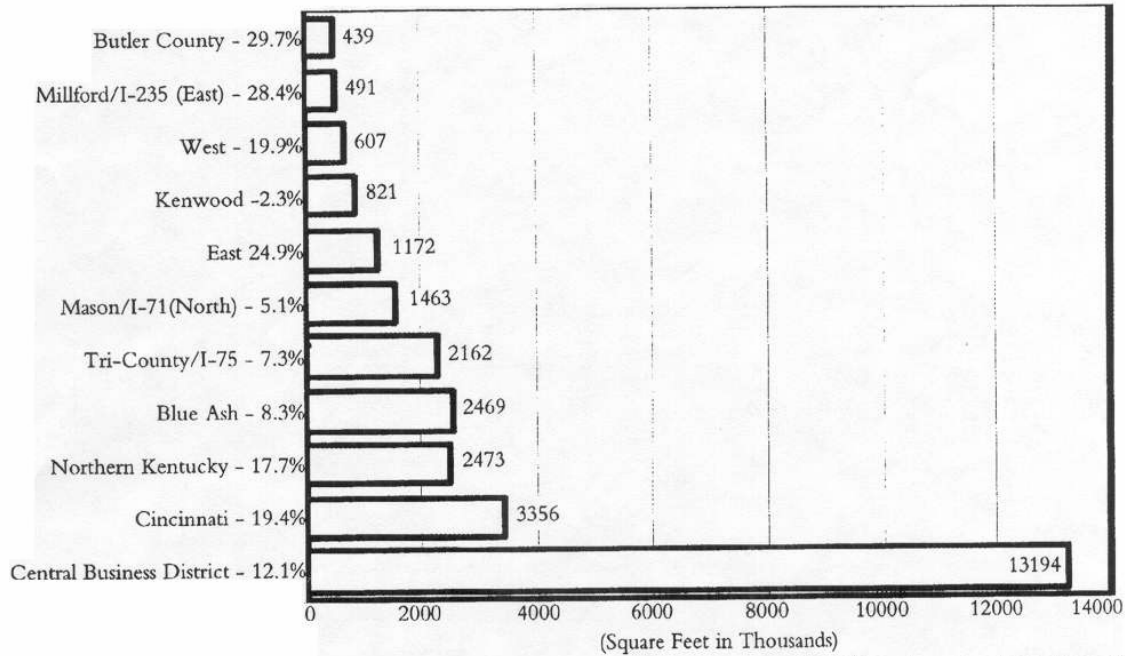
### REPORTING CAPABILITY

A variety of pre-formatted reports and graphs can be generated by the LeaseTrend software. For example, the predetermined report "types" available for office properties include a building profile (short or long version), market survey, sublease space, maximum contiguous index, market share, building class statistics, sub-market statistics, year-built statistics, and other reports. Some sample graphs related to these reports are shown throughout this article. (See Exhibit 2-7.)

Reports can be run on a particular building (or tenant), groups of buildings (or tenants), or for a given market. The user can control various features of what is included or excluded from these reports. LeaseTrend also offers an online service (InfoNet) that provides real estate data on the markets they service.

## EXHIBIT 7

### Cincinnati Office Market — Overall — Vacancy Rates & Square Feet by Submarket



#### DOES LEASETREND MAKE SENSE FOR MY FIRM?

It makes sense to obtain data, such as that offered by LeaseTrend, if the benefits derived from having access to the data outweigh all costs of obtaining the data. If your business can benefit from detailed tenant or property data as described in this article, you may wonder what your choices are. Who is competing to provide this service? In other markets, there are firms that provide property information (such as RIG or REIS).<sup>3</sup> In the markets serviced by LeaseTrend, as well as those serviced by other information providers, the primary competition comes from in-house staffs. The question, therefore, facing decision-makers is whether to outsource the data collection function?<sup>4</sup>

Information data providers, like LeaseTrend, may benefit from economies of scale in collecting large amounts of data. Extensive data collection allows these service providers to more efficiently gather data than those individuals who do this on a part-time basis. Obviously as the number of data users increases, then

the cost-per-user to obtain data is reduced.

Small investors and small brokerage firms active in serviced markets will most likely face a relatively high cost-per-user for this information. Technological innovations have facilitated the possibility of sharing information among small players. However, moral-hazar problems have suppressed the evolution of free sharing systems among commercial real estate competitors.

Some large players may choose to outsource some data collection tasks. For example, CB Commercial, Insignia, LaSalle, Trammell Crow, etc. are LeaseTrend customers. Regardless of size, firms may choose to focus on their comparative advantages instead of data collection. Firms must therefore decide if they have a competitive advantage collecting the data themselves.

Economies of scope may also be available to information providers. For example, LeaseTrend began focusing on tenant data and then realized that their experience in doing so gave them a competitive advantage in providing information regarding where the tenants were housed (i.e. the properties). The joint product

is superior than what could be produced by individual firms each focused on only tenant or property data.

If the gains from scale and scope economies are large, then an outside service provider can share these gains with their customers and still make a reasonable rate of return for themselves. In the case of LeaseTrend, the cost of the real estate information currently ranges from about \$8,000 per year for office-tenant and property information in a small market like Dayton, Ohio to around \$24,000 per year for tenant and multi-property type information in a market like Detroit. What would it cost your firm to collect and continuously update detailed information on your market in-house? What will be the quality of data collected in-house? How often could it be updated?

Having data that no one else has is an obvious competitive advantage. Some firms may focus on this idea when deciding to collect data in-house.<sup>5</sup> These firms should evaluate why they believe they can gather information that others can't obtain. After service providers like LeaseTrend enter a market, detailed market coverage is available to all market participants. It then can be a competitive disadvantage not to have access to the same timely data available to competitors.

The decision for outsourcing should also consider potential hidden costs of doing so. For example, if an information service provider is doing the data collection, then the organizational capital generated by this activity will go primarily to the service provider. The cost of not keeping organizational learning in-house is difficult to quantify. However, decision-makers should be able to determine if organizational learning, relating to an outsourcing activity, is critical to the future of their firm. Control of what data is collected is also a consideration.

## CONCLUSIONS

LeaseTrend provides firms with the option for outsourcing data collection in several commercial real estate markets. Once LeaseTrend establishes itself in a market, it provides tenant data that would be difficult to match in-house in quantity or quality. Access to this service should allow brokers time to focus on making

deals instead of collecting data. Property data is also available and can be useful to institutional investors active in these markets.

Firms should evaluate if cost reduction and quality improvements are available by outsourcing their data collection needs or if other benefits exist if these tasks are kept in-house.

For more information on LeaseTrend products you can visit their web site at <http://www.lesasetrend.com> or call 1-800-258-2698.

## ENDNOTES

If you have a regional or national software product, data source or web page that you would like us to consider reviewing please send a note to Dr. Norm Miller via [millernn@email.uc.edu](mailto:millernn@email.uc.edu).

<sup>1</sup>Commercial is a catch-all category for properties that do not fit into the other categories: investment refers to property currently for sale.

<sup>2</sup>LeaseTrend is working on a new version of their software that will have more user-specified fields that will not be overwritten when updating data. Exportable fields for Latitude and Longitude, with data, are also being developed that will facilitate analysis in Geographic Information Systems.

<sup>3</sup>For a Review of REIS Online see Mueller and DeBeau (1996).

<sup>4</sup>For a detailed discussion on which corporate real estate management functions should be outsourced see Manning, Rodriguez, and Roulac (forthcoming, 1998).

<sup>5</sup>LeaseTrend will soon offer an enhanced version of the software described in this article, with or without data. This will allow customers, the ability to use the software to develop their own proprietary databases in markets not yet serviced (as well as those currently serviced.)

## REFERENCES

Manning, Chris, Mauricio Rodriguez, and Stephen Roulac. "Which Corporate Real Estate Management Functions Should be Outsourced?" *The Journal of Real Estate Research*, forthcoming, 1998.

Mueller, Glenn R., and James F. DeBeau. "Computer Review of REIS Online." *Real Estate Finance*, 13, 1 (1996), pp. 97-99.