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Commercial Real Estate Data Standards

COMMERCIAL REAL ESTATE RESEARCH TERMS & DATA STANDARDS

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- *Data collection standards and methods can vary in significant ways depending on the source and method of data collection and the vendor.*
- *This report evaluates seven common data elements and discusses differences in data definitions and standards.*
- *Until data standards become pervasive, users must understand the different criteria used in the collection of commercial real estate data.*

There are currently several leading commercial real estate data standards as well as many data definitions among commercial real estate data vendors. It is therefore difficult to accurately compare common data elements (e.g. inventory, vacancy, net absorption, etc) since the definition of each term can differ in meaningful ways from one source to another.

THE STUDY

This study reviews data collection methods used by the leading national data providers for each of the major commercial real estate property types. Comparisons are made between each of the leading data standards across seven data elements. The goal is to establish how the leading data providers define, collect and process their information, identify the limitations and scope of data collected and note data-related restrictions and assumptions.

FINDINGS

Some of the findings for each of the data elements in the report are summarized below:

Inventory. Most commercial real estate data providers included all property sizes and subtypes within each market, although some real estate brokerage firms have predetermined data collection thresholds such as minimum square feet or transaction value in a market area.

Construction. A majority of data providers surveyed define “under construction” to mean properties where ground has been broken and/or property is still at some point in the construction process before a

certificate of occupancy has been issued. For research firms that rely on permitting and construction data at the local level, data quality is dependent on the thoroughness of the data collection effort. Modeled (or estimated) data is usually acceptable for trend analysis.

Demolition. Demolition is commonly defined as the total square feet or the number of units removed. Demolition is not as closely tracked as new construction and is often an overlooked feature of markets.

Vacancy Rate. Although the vacancy rate is one of the most important data elements for property and market analysis, variations in how it is calculated are common. The vacancy rate may or may not include sublet space, space leased but not yet occupied, and owner-occupied space. As a result, vacancy is one of the least accurate market statistics.

Net Absorption. Most data providers agree that net absorption is the net change in the total occupied space during a particular period of time. There are, however, differences in the types of space included in the calculations.

Lease Rates. Data vendors generally define lease rates as the quoted/asking rents presented in the market. There are a number of factors that affect the reporting of this statistic such as whether sublease space is included.

Sale Price. Sale price is commonly defined as the actual price paid by the buyer and accepted by the seller for a particular property. In most, but not all, areas sale price information is available from county records. Data collection methods vary and may not include allowances for all characteristics of the transaction such as the inclusion of extra land or instances when a property is part of a portfolio sale.

IMPORTANCE FOR REALTORS®

Accurate data are necessary to evaluate market conditions for commercial real estate. Although there has been progress in standardization of data to aid in the due diligence necessary to analyze markets and the properties within those markets, REALTORS®, investors, and analysts will need to be cognizant of the underlying assumptions in the collection of, and limitations on, available data.

* The complete report is available at www.realtor.org/research.nsf/pages/NatlcenterforRE