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The Power of Data

By Steve Lewis

The term "data mining" may not sound very sexy, but, as a growing number of SIORs are discovering, it can be a powerful strategy, and is, in fact, a growing necessity in the digital age.

"When I moved back to Philadelphia from Boise about seven years ago I faced a challenge," recalls **Kevin B. McGowan, SIOR, CCIM,** director, Newmark Knight Frank Smith Mack, in Wayne, Pennsylvania. "I went from a 300 million sq. ft. market to an 800 million sq. ft. market. I did not have enough gas and time to be able to intimately know all the properties within a two-hour radius. I knew when I saw buildings I needed a rich experience with each of them and all the data at my fingertips."

"For a small firm like mine, [data mining] gives me a pretty big view of Los Angeles County," adds **Jim Klein, SIOR,** of Klein Commercial Real Estate in Los Angeles. "We've been working on this for many years, but over the past year or two during the recession, we had more time to focus on it. In the past it's been very useful for my customers who purchase land because land is generally not listed on the open market, so we have to find property that's off-market."

"Clients lean on us heavily both here in Philadelphia and nationally for data that will assist them in making informed decisions," says **Scott Henderson, SIOR,** with Grubb & Ellis in King of Prussia, Pennsylvania. "The processing of statistics and data into trends and/or tendencies in respective markets allows us to see the future a bit more clearly, and this is especially important in a turbulent economy."

"Some guy may say, 'I'm trying to understand the demos for greater Indianapolis, because I want to do six deals,'" adds **John Barker, Jr., SIOR**, senior vice president of development for Red Rock Developments in Charlotte, North Carolina. "Fifteen years ago, you could go to Indy, land your plane, and ride around. Today, all that information is out there."

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As a developer, Barker adds, when you go into a market and have to pull data together because you want to launch an industrial park, you need to know who the utility director and city planner are. "To us, that information has not been readily available, but the internet has absolutely changed data and the availability of it," he asserts.

Building on Expertise

With a background in IT with Price Waterhouse, McGowan was ahead of the game when it came to gearing up for data mining. "I built a relational database using the backbone of SalesForce.com," he says. "Then I was able to access it via the Galaxy tablet."

His design of the database was determined by the information he needed, says McGowan. "I looked at the main objects: property, companies, contacts within companies, transactions, and how those properties would change hands," he says. "What's interesting is that for years we had lists of properties—and that had value—but this is where it becomes infinitely more valuable."

McGowan continues: "Facebook is relational, [dealing with] friends, colleges, what someone likes to eat. But when you bring data to the real estate world, you can say this property is owned by XYZ Advisors, the broker is so and so, and you can navigate between the objects and draw inferences. If I need to find somebody that has freezer space I can categorize tenants that have a need for cold storage and find buildings and map them together, whether they are on or off the market."

"Grubb & Ellis maintains a number of internal systems that our research team utilizes to assist the brokers," says Henderson. "Additionally, the firm has relationships with third-party providers that are relevant to the industry. Grubb relies heavily on our internal data because we have some of the most talented researchers in the business; it has been as accurate as—and in many cases more accurate than—third-party providers." Often, he adds, third-party information is presented in "macro" form; the research team can get very market-specific, down to the trends in pockets of sub-markets.

"Early on we used Microsoft Access, but because that just really resides on a local computer and I couldn't have people working with me on it, I had it re-written in SQL database," Klein says.

Like many small firms, Klein faced a challenge: a limited budget in a field where expert advice can be costly. How did he overcome that challenge? "We went to Craigslist for the G.I.S. (Geographical Information System) and found a programmer in New Hampshire, and as for the database part, I also went to Craigslist and found someone in Bangladesh, and they did it for me really inexpensively," he says. "I sent them my Access versions, and they converted them over."

Now, he says, everything—the buildings, the tenants, etc.—is hyperlinked. "All I do is push a button and I can go to a different screen," he notes. "I also use Webex, so I can look at other peoples' screens. That's how I integrated New Hampshire and Bangladesh," he explains. Klein says he also has a helper in his office.

Tracking a Wide Range of Data

SIORs say they keep track of a wide range of data. "I'm constantly updating the tenant side of things," says McGowan. "I'm able to sort out lease expirations, so when I meet with a landlord and he has 200,000 sq. ft. of distribution space, I can sort out the tenants in the size range above and below his availability."

This, he continues, is where data mining becomes really powerful. "I can get a tenant name, and then the sales force contextually via LinkedIn," McGowan explains. "I can look at XYZ Corporation

Contributing SIORS

John Barker Jr., SIOR

Scott Henderson, SIOR

Jim Klein, SIOR

Kevin B. McGowan, SIOR, CCIM

and it may say I know five people." He does not use LinkedIn as a "silo," he explains; rather, it's integrated within his system.

"That's the value of the cloud [storing data on the internet and linking multiple computers and servers], pulling in the relevant information," McGowan continues. "Within the Sales Force, if you put in the property you can contextually show it on Google Maps. You don't have to click out to it."

Barker also data mines using social networks. "I've had a couple of instances where I'd go to Linkedin, put in a company name, and get at least three or four people in my relationships who do business with 'ABC' company. I've asked them if they can help me get in front of them," he says. "It's been a phenomenal tool for us."

McGowan says he also tracks inbound calls. "It's amazing; I can see that I talked with a certain developer on such a date, and I can review my notes," he says. "As I set up a transaction, I also get full visibility into my pipeline—how many options I need, the client's needs, space requirements, etc.—all in one place."

"We have our data segmented by zoning," says Klein. "If it's rail-served, what city is it located in? If it's on a major boulevard, what size is it? I've attached every tenant to a building by square footage, so I can narrow the market down to that level."

This year, Klein says he has integrated his data into a GIS mapping program. With the program, "I can get all the information visually as well as in database format," he says. "Also, for the rail-served property, which I can't find elsewhere, I take the GIS information and match it to all the rail lines in LA, so I get every building that's next to a rail line."

"Tenant migration patterns have been extremely helpful in understanding where tenants are going and why," adds Henderson. "We also focus on vacancy, absorption, available direct, and available sublease.

Trial and Error

For SIORs about to become more deeply involved in data mining, McGowan has the following advice: "A lot of it is about experimentation; there's no one way to do this, no manual," he asserts. "I'm constantly reading articles about what other people are doing."

There is one area, however, where McGowan says the path is clear. "I do think you have to get onto the cloud—storing data on the internet and calling in other services and types of data," he says. "When you start to bring data together and link it on the internet it's much more powerful." Finally, he adds, "If you do not know how to do it, get someone who is willing to experiment and listen to you as you go along."

"I would lean heavily on research people whose job description fits the bill for 'data mining,'" Henderson advises. "Do what you do best, which is making deals, and leave the mining to people who make their living at it. However, always, always make sure there is quality control, because any information you send out will have your name on it!"