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## Online Commercial Property Sales and Leasing

*ICSC examines the dozens of Internet sites that are vying to make commercial real estate transactions more efficient*

The potential impact of the Internet to reshape the real estate industry is often described in the media and in the pronouncements of Internet research firms with soaring rhetoric. The general flavor is as follows: “First, the online business-to-consumer (b2c) segment will siphon business away from stores, causing many to close and imperiling marginal shopping centers. Second, the shopping centers that remain will be heavily dependent on the Internet as a promotional tool to drive traffic. Third, Internet business-to-business (b2b) firms understand that the real estate industry is fragmented, knowledge-intensive, paper-intensive and labor-intensive. By implementing technological ‘solutions,’ many existing processes can be made more efficient and new services can be created. This will amount to nothing less than a revolution in the way real estate is developed, bought and sold, leased and managed. Fourth, any company that fails to see the light and quickly develop an Internet strategy will be driven to extinction.”

Developments on the b2c side continue to be well documented in this and other publications. However, the b2b side of the Internet-real estate nexus has frequently been neglected. That is partly because it isn’t as glamorous as b2c, partly because the impact of dot-coms has so far been small. Despite some recent well-publicized technology initiatives by large mall owners, the Internet strategy of many real estate companies has consisted chiefly of taking part-ownership stakes in b2b companies. Others—the vast majority—are still

taking a wait-and-see approach, leery of making large investments in technology that carry uncertain returns.

Nowhere is the modesty of the Internet’s impact on the real estate industry more apparent than in commercial property sales and leasing, the focus of this article. A pioneering wave of Web-based companies has struggled for several years to gain a beachhead in this arena; some have collapsed despite significant investments of venture capital, while others press on hopefully, trying to outlast their rivals and losing plenty of money in the process.

Table 1, on page 2, provides a list of 27 such companies. While most of them are pure Internet companies, some are primarily land-based companies with an Internet channel. The companies in Table 1 were chosen because they all deal with retail real estate, though not necessarily as a specialty because most sites cover all commercial property types. Many more of these kinds of sites are “under construction.”



Table 1

**INTERNET SITES OFFERING RETAIL PROPERTY LISTINGS**

SITE	PROPERTY LISTINGS FOR SALE		PROPERTY LISTING FOR LEASE		PROPERTY LISTING GEOGRAPHIC COVERAGE		AUCTIONS		FINANCE LINKS		REAL ESTATE NEWS		MARKET DATA/ANALYSIS		COMMENTS
	x	x	x	x	NATIONAL	REGIONAL	x	x	x	x	x	x	x	x	
@property.com	x	x	x	x					x	x				Portal	Specializes in IRS code 1.1031 tax-deferred properties
1031Agent.com	x		x	x											Specializes in IRS code 1.1031 tax-deferred properties
1031Properties.com	x		x	x					x						Site operated by brokerage. Regional property listing for upstate New York
Bedlow.org	x		x			x									Specializes in auctions
Bidrealestate.com								x							Property listing
Biztrader.com	x		x	x											Retail brokerage focused in Southern California
Caprate.com	x		x			x			x						Property listing service for NYC, Los Angeles, San Francisco
Cityfeet.com	x		x			x									Land-based realtor's site
Coldwellbanker.com	x		x	x				x	x						Commercial real estate portal operated by National Association of Realtors. Part of Loopnet.com
Commercialsource.com	x		x	x						x					Portal
Commrx.com	x		x	x											Property listing for leasable space
Comro.com	x		x	x											Property listing for NY/NJ/CT area—so far only office space but retail listings "coming soon" (as of June 2000)
Lookingforspace.com			x			x									Portal
Loopnet.com	x		x	x					x						Property listing service on same Web site as moving services
Moving.com	x		x	x											Portal
Naidirect.com	x		x	x						x					Portal
Newamerica.com	x		x	x					x						Portal
Pikenet.com	x		x	x						x					Portal
Propertybynet.com	x		x	x											Property listing for Southern California
Propertyfirst.com	x		x	x						x					Property listing
Propertygo.com	x		x	x											Property listing
Realestate.com	x		x	x											Portal
Realtyiq.com	x		x	x						x					Property listing
Sitesnet.com	x		x	x											No properties yet (as of June 2000). Company claims to provide a tool for sophisticated demographic analyses of properties. Demographic information provided free to user—cost is paid by listing agent
Storetrax.com			x	x											Property listing for leasable space
Theaskingprice.com	x		x	x						x					Property listing
Web-real-estate.com	x		x	x											Property listing



This article is not a Web-site review because the reader will only be able to properly evaluate these kinds of sites by trying them out personally. However, their general characteristics are as follows:

- Most include property listings supplied by property owners and brokers.
- Some sites are regionally based, some national.
- The sites are, or attempt to be, information-rich with regard to the properties listed. They sometimes provide maps, photographs, demographic data and contact information, enabling the property seeker to acquire a significant amount of information about a property before needing to initiate any human contact.
- Some are portals that provide property listings, real estate news, market data and links to sites offering financial and other services.

It is the third point that distinguishes real estate sites from those of companies selling merchandise or financial assets. Buying and leasing property are still heavily dependent on establishing relationships and inspecting the product, while buying computer hardware or financial assets is not. Thus, while the latter kinds of sites can eliminate the human touch altogether, real estate sites—with some exceptions—merely delay it.

As the list in Table 1 includes only companies that focus on one particular group of real estate transactions—the buying, selling and leasing of retail property—it excludes other areas of opportunity for Internet companies such as:

- Construction, where Internet companies are offering project management, bidding, procurement and a number of other services. Since construction of a large project is the most fragmented, complex, multi-disciplinary and time-consuming process in the real estate development cycle, it is a logical target for rationalization by Internet technology.
- Property services, including the installation of broadband services that place shopping center owners at the center of

property-wide intranets. Center owners hope this will make them their tenants' access point for customers, suppliers and credit card companies, thus enabling them to provide upgraded services and tap revenues and cost savings not previously achievable. One initiative already afoot extends the broadband services concept to multi-property networking involving high-speed connections among stores at different shopping centers, even when those shopping centers are owned by different companies.

- Financial services—both debt and equity, for project development (although much of the finance-related action is in the home mortgage segment).

Each of these areas is interesting in its own right (although each is in its infancy)—this article looks at property leasing and sales because it was here that various Internet companies made the initial foray into the real estate industry several years ago. The results then were not encouraging. ICSC wanted to find out if things had changed.

## SOME GENERAL OBSERVATIONS

Some general observations about these sites are in order:

1. Few of the sites listed in Table 1 actually specialize in retail. ICSC was able to identify a couple—e.g., Storetrax.com and Caprate.com—that offered retail space exclusively. Most of them offer “commercial” property listings that include retail, office and other commercial space. Many investors or retailers seeking space to lease would be more comfortable using Web sites that specialize in retail space, rather than a one-size-fits-all approach.
2. Some of the sites have very few retail properties for sale or retail space for lease. “Coming soon” or “no properties matched your query” are common responses to even the most generic searches for retail property on many sites.
3. In other cases, the property listings are relatively old and some of the properties are undoubtedly off the market even though they are still listed.
4. Supporting information about properties—demographics, maps, etc.—are frequently incomplete.



5. Many sites are not particularly well differentiated and it is difficult to see what niche, if any, they are trying to occupy. While some sites aim for depth in a particular property type (e.g., Storetrax) or in particular geographic markets (e.g., Cityfeet), others are trying to become all-things-to-all-people industry portals, with links to sites that cover the whole range of real estate services, including brokerage, auctions, finance, market data and news (e.g., Loopnet, NAIDirect). Somewhere between these two groups is an amorphous group of sites that don't appear to have either discernible focus or significant breadth.
6. The sites leverage a key advantage of the Internet—breaking down geographic barriers and bringing buyers and sellers into markets and property types that they previously would not have accessed.
7. The sites—both those in Table 1 and others that specialize in providing data—give prospective property buyers and retail tenants easy and direct access to large amounts of information about properties and market areas that were previously the sole preserve of brokers. The information is often free, and some site operators claim that professionals who make a living from selling real estate information will become redundant. This claim seems overblown. To the extent that brokers—the traditional gatekeepers of real estate information—may have a reduced role to play in some less complicated transactions (e.g., leasing a small amount of generic office space somewhere), they are likely to refocus their services on higher value transactions requiring more nuanced and up-to-date information about their markets (e.g., the prices, terms and conditions of recent deals in that market, the negotiating stance of

specific property owners, and which properties are likely to come onto that market in the near future).

8. The sites theoretically provide a platform for transactions to be initiated and completed online (with or without intermediation by a broker). Again, small transactions involving generic kinds of space may lend themselves to this. However, as noted above, the buying and leasing of retail real estate is not the same as buying cosmetics or, for that matter, stocks and bonds, where the buyer doesn't need to see the goods or develop a relationship with the current owner. Therefore, it seems likely that some level of intermediation will continue to be required in retail real estate deals. In fact, many of the sites listed in Table 1 either actively encourage broker participation or are outright owned by brokerages. (A number of traditional brokerages have invested in online companies as a part or the whole of their Internet strategies.)

#### SUMMARY

In conclusion, some of the Web sites in Table 1 have made interesting attempts to exploit the Internet's information and process efficiencies. The reader is encouraged to explore these sites. However, retail property listings on many of the sites are scant (in some instances nonexistent) and are unlikely to give the prospective buyer or tenant a good sense of the market in any location. Despite substantial hype, this segment has a long way to go before it becomes truly effective.

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