



*Commercial
Investment Real
Estate*

*January/February
2002*

Copyright © CIRE

[Search Articles](#)

Where the People Are

Census Data Points the Way Toward Growing Markets.

by Gretchen Barta

At the beginning of each decade, the U.S. Census Bureau makes commercial real estate professionals' lives a little bit easier by disseminating the data collected in its decennial census. Brokers and developers can use information gleaned from this comprehensive survey to help their clients discover untapped markets or pinpoint locations for new projects.

Mandated by Article 1 of the Constitution, the U.S. Census has grown from a simple headcount to an exhaustive survey of population, economy, industry, agriculture, and social issues. Since the first census in 1790, when the only statistic counted was population, the content continually has been modified to encompass the country's changing needs. Early 19th-century censuses included inquiries about manufacturing, agriculture, and commerce. In 1850, statistics on social issues such as crime, taxation, and mortality were collected for the first time. Reflecting post-Depression concerns, the 1940 census gathered data on employment, income, internal migration, and housing.

Although its primary purpose is to provide population counts used in apportioning seats in the House of Representatives, the decennial census also is used by many in the private sector to increase productivity. Commercial real estate professionals in particular can benefit from the information by analyzing it to perform site selection and create market reports, among other tasks.

"I not only use the information in brokerage but in appraising as well. Value trends are more confidently predicted by positive growth rates in census information," says Philip J. McGinnis, CCIM, GRI, GAA, president of Dover Consulting Services in Dover, Del. Census

information also can help in “determining the feasibility of development projects and highest and best-use analysis to determine what to build and how much of it,” adds Kathleen Rose, CCIM, president of Rose & Associates in Davidson, N.C.

Commercial real estate professionals who use census data to analyze various markets are in high demand, since many clients expect brokers to have this information. “Inquisitive brokers will figure this out because ... national tenants need the demographics,” McGinnis says.

Applying the Census

Brokers and developers can use census data in most aspects of site selection and development for all commercial property types. Retail users in particular benefit greatly from this information.

Skip Duemeland, CCIM, chief executive officer of Duemelands Commercial in Bismarck, N.D., started using census data 10 years ago to lease retail and restaurant properties. His company forecasts restaurant sales to determine if the sales will support the rent. “We came up with an estimated sales of \$1.6 million for a California restaurant [using census data]. Actual sales were \$1.5 million for the client,” he says.

Census data also assists in retail site selection. “U.S. census information allows us the luxury of analyzing sites throughout the United States quickly,” says David C. Mayo, CCIM, a principal at Vector Realty Advisors in Louisville, Ky. “The data, used in conjunction with certain statistical tools, allows the elimination of a certain amount of variance, thus creating greater assurance for our clients that chosen sites for their business[es] have a better-than-average chance of success.”

Analyzing census data also helps Mayo move into new markets. He worked in 23 cities last year, and the census information allowed him to dissect each market before moving in. Census data “speeds up the learning curve of particular markets,” he says.

Some commercial real estate professionals also use census data to analyze the profitability of multifamily properties. “Population growth against households and housing units will predict the number of housing starts by which type are needed in the marketplace, and income against households will predict the success of retail

prospects,” McGinnis says. “Further, positive or negative value trends — and success or failure of proposed developments — are more confidently predicted by the census information when estimating value or performing feasibility analyses.”

Marc Boorstein, CCIM, uses the census to determine the feasibility of developing and acquiring self-storage facilities. “[Census data] helps to project the need and potential viability of a new high-end self-storage facility for prospective purchasers and lenders nationwide,” says Boorstein, a principal at MJ Partners Real Estate Services in Chicago.

Raw land developers also can benefit from the census. Rose’s company manages the entire land development process, and she regularly uses census information to “determine market demand and feasibility for housing, retail, office, and industrial space,” she says.

Information at Your Fingertips

The decennial census collects a variety of information of interest to commercial real estate professionals including age, race, income, marital status, occupation, home ownership, vehicle use, and language spoken at home.

The Census Bureau’s Web site offers a variety of options for viewing this data. The American Fact Finder lists most of the collected information, allowing users to browse, search, and map housing, population, geographic, and economic data. This tool provides three different tables to view information: geographic tables that allow users to compare population and housing data for individual areas; quick tables that are designed for fast access to frequently requested information; and detailed tables where users can access information from the summary files for one or more areas. The Fact Finder also contains several thematic mapping functions. After choosing a geographic area and data set to create a map, users can zoom in as close as street level.

In addition to the Census Bureau, many other companies offer software or online tools that collect, graph, and map information from the decennial censuses. Commercial real estate professionals overwhelmingly recommend the CCIM Institute’s Site to Do Business, as well as demographic companies such as Urban Decision Systems, CACI, and Experian, and other sources such as local chambers of commerce. However, “the accuracy of the data declines as you get away from the source,” Mayo

says. Rose suggests closely examining a company's methodology before buying its demographic information.

Analyzing the Information

To realize the census' full potential, simply having the raw data is not enough. It also must be analyzed according to each client's needs.

McGinnis uses the information he gathers to perform trend analysis to determine where the best growth areas are. "You take the information at point A and trend it over a period of time to reach point B," he says. To create trend analyses, McGinnis designs templates in Lotus and Microsoft Excel spreadsheets. Courses in demographic trend analysis are offered by the CCIM Institute, the Appraisal Institute, and other business organizations.

McGinnis once used this technique to help Home Depot move into a new East Coast market. The company requires specific population densities to add stores, so McGinnis took raw population statistics for several locations and projected how long it would take them to reach the desired population. Home Depot chose one potential location based on the numbers he provided.

McGinnis also uses trending to assist multifamily developers. "You can trend out average household size and housing growth and income to see when [the new development] will be absorbed," he explains.

As director of real estate for Texas Roadhouse, a casual family restaurant chain, Mayo analyzes census data on spreadsheets to locate new markets exhibiting the chain's customer profile. From the cluster of demographics, "I find the greatest percentage of particular variables I am looking for," he says. Although he uses Excel for "quick-and-dirty analyses," Mayo also uses StatSoft software to analyze the data.

To make accurate projections based on census data, commercial real estate professionals must take local and economic impacts into consideration, Rose says. These impacts will change the forecasting models used to make projections, and brokers must consider "What's the probability that the projections will really happen?" she says. Brokers with extensive knowledge of a location will be able to make the most accurate assumptions, which is why many retailers look to local brokers for assistance in moving into new markets.

Displaying the Data

As well as analyzing the information for them, many clients expect commercial real estate professionals to break down the data into easy-to-understand tables, graphs, or maps.

The tools that commercial real estate professionals use to do that range from basic software to online mapping programs. The software most frequently cited is Excel. The program's simple spreadsheets and graphing capabilities offer a quick and easy way to display data.

McGinnis also uses Lotus in addition to Excel. "I design my own templates based on the segment I am serving," he says. "Presentations for investors are somewhat different than presentations for homebuilders."

In addition to simple charts and graphs, census data can be displayed in maps to enhance marketing packages. "The biggest advantage of the past five years is visual imagery," Rose says. Mapping software recommended by commercial real estate professionals includes the Site to Do Business, SitesUSA, MapInfo, and Maptitude.

Not Just Every 10 Years

Commercial real estate professionals are not limited to the information the Census Bureau compiles in the decennial census. The bureau also administers myriad censuses and surveys every year from which to collect data. In most cases, specific reports can be downloaded in various tables free of charge from the Census Bureau's Web site or can be ordered on CD-ROM.

The American Community Survey provides yearly estimates of demographic, housing, social, and economic characteristics for all population groups of at least 65,000 people. Smaller population groups are surveyed every three to five years. The Census Bureau plans to fully implement the survey in every U.S. county by 2003 and foresees it replacing the decennial long form by 2010.

The Census Bureau also administers the American Housing Survey every year. Sponsored by the Department of Housing and Urban Development, this survey collects data on housing, household financial arrangements, and neighborhood conditions for the nation and selected metropolitan areas. The national sample covers an average of 55,000 households and returns to the same housing units each year, making it ideal for analyzing the flow of households through housing.

The Current Population Survey, conducted monthly, tallies approximately 50,000 households to estimate employment statistics for people over 15 years old. The Census Bureau calls this survey "the primary source on the labor force characteristics of the U.S. population."

Other demographic surveys conducted between the decennial censuses are the Housing Vacancy Survey, the Residential Finance Survey, and the Survey of Market Absorption.

The Census Bureau also collects additional economic data. Every five years, the Economic Census publishes information on establishments that produce goods or perform services at national, state, county, and metropolitan levels. Manufacturing and mining industries also are classified.

Other economic surveys include the Annual Retail Trade Survey, the Motor Freight Transportation and Warehousing Survey, and the Women- and Minority-Owned Business Survey, among others.

Census Pros and Cons

Although the U.S. Census is considered the most reliable source of demographic information by many commercial real estate professionals, it is hindered by several drawbacks, one of which is its infrequency.

Using census data is "more art than science," Rose says. "The further out you get in time the more questionable the data becomes."

Since the main chunk of data only is collected once every 10 years and areas can change so rapidly, "you are always working on suppositions, probabilities, and expectations," McGinnis says. "You still have to roll up your sleeves and take a look at the community to see if the data is still accurate," Mayo adds.

Another drawback is the wide-spread use of census data. "Ultimately, all pre-packaged information comes from the census," Mayo says. However, the U.S. Census is the most cost-effective source of information, and using its data rather than canned market analyses usually will yield more-accurate reports.

Despite the drawbacks, most commercial real estate professionals still view the census as one of their most valuable tools. "Without the U.S. Census, we would be

dead in the water," Mayo says.

Rose agrees. "I couldn't survive without it!"

Gretchen Barta is associate editor of Commercial Investment Real Estate.

Sidebar

Accessing Census Data

The Census Bureau provides a number of tools for accessing and analyzing census information. Most documents containing data for census block groups is available for a fee in print or on CD-ROM, or for free online. Ordering information can be found on the Census Bureau's Web site, <http://www.census.gov/>.

Sidebar

2000 Census Breakdown

Population

In 2000, the U.S. population was 281.4 million people, a 13.2 percent increase from 1990. The population growth reflects the largest census-to-census increase in U.S. history.

The West experienced the highest population increase, 19.7 percent, followed by the South at 17.3 percent. The Northeast experienced the lowest increase, 5.5 percent, and its share of the total population fell from 26 percent in 1990 to 19 percent in 2000.

The year 2000 marked the end of the only decade in the 20th century in which every state gained population. Nevada led the pack with a 66 percent increase in population since 1990, and North Dakota experienced the lowest rate, at 0.5 percent.

In 2000, 80.3 percent of Americans lived in metropolitan areas, with almost 30 percent of them living in areas of at least 5 million people.

The median age of the U.S. population in 2000 was 35.3 years, the highest ever, up from 32.9 years in 1990. The 45-to-54-year-old age group jumped the highest, with a 49 percent increase.

The country's male population grew 13.9 percent, compared to the female population growth rate of 12.5

percent. Alaska led all states with the highest male-female ratio.

Households and Housing

The 50 states and District of Columbia contained more than 115.9 million housing units in 2000.

In 2000, 51.7 percent of households were maintained by married families, down from 55.2 percent in 1990, and 25.8 percent of households were people living alone, up from 24.6 percent in 1990.

Average household size decreased in 2000, from 2.63 persons in 1990 to 2.59 persons, and average family size decreased from 3.16 persons to 3.14 persons.

Female-only households with children increased from 6.6 percent in 1990 to 7.2 percent in 2000.

Of the 105.5 million occupied housing units, 69.8 million were owned and 35.7 million were rented. Homeownership increased from 64 percent in 1990 to 66 percent in 2000.

Source: U.S. Census Bureau

[| CIRE Home](#) | [Subscriptions](#) | [Back Issue/Article Orders](#) |
[| Editorial](#) | [Advertising](#) | [Copyright](#) |



CCIM Commercial Real Estate Network

[Copyright](#) © 2002 CCIM Institute. All rights reserved.
For more information, call 312-321-4460 or [e-mail us](#).