Market Analysis-

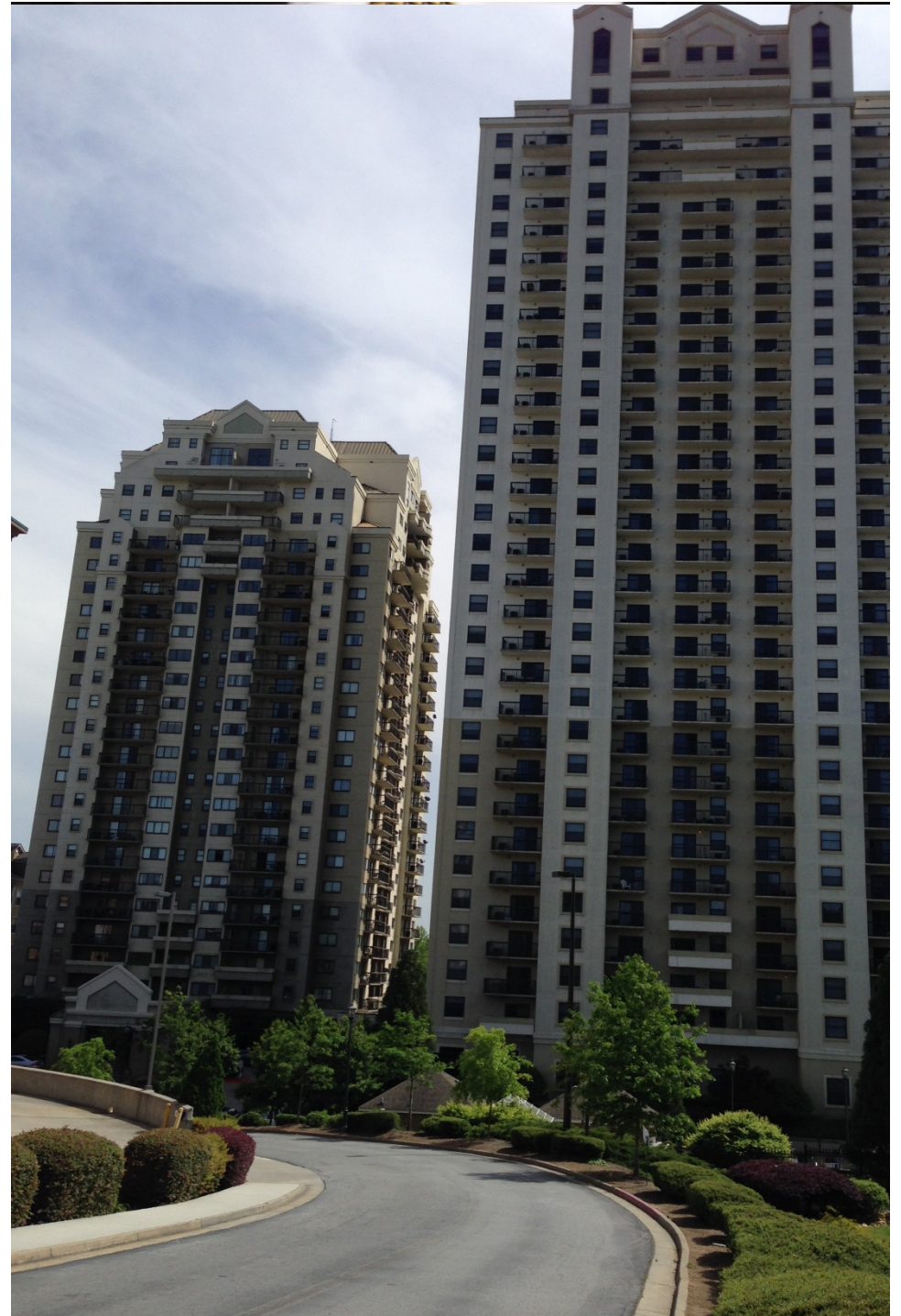# Opportunities to Diversify Your Everyday Work

Primary Presenter :

Benjamin R. Sellers, MAI

Co-Presenters

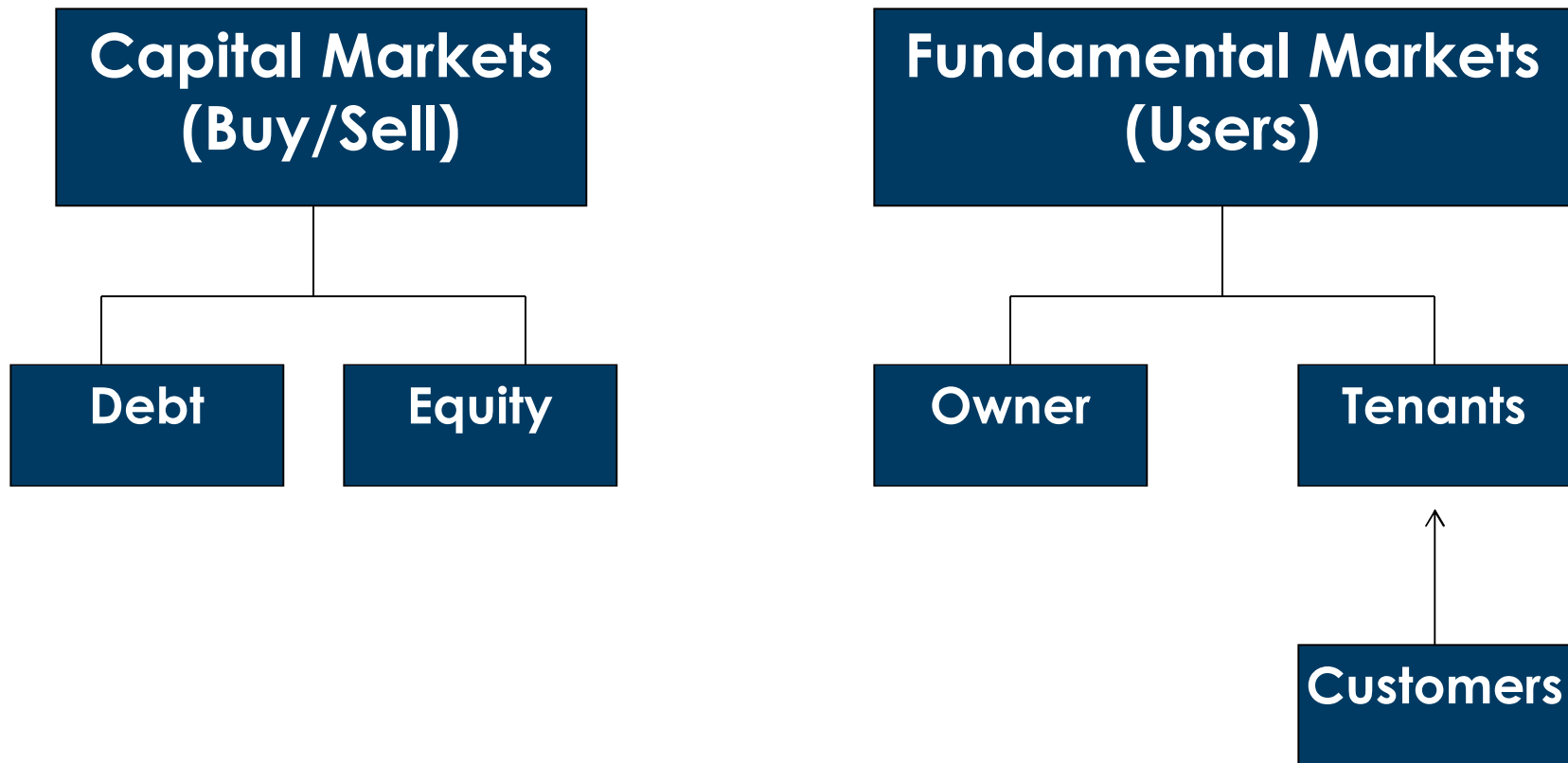**Kerry M. Jorgenson, MAI**

Stephen F. Fanning, MAI

Market –Marketability Analysis

▪ **Market analysis** **is a study of the demand for and supply of a <u>property type</u> and the specific market area for that property type.**

▪ **Marketability analysis is a study of how a <u>specific property</u> is expected to perform as it competes for the available market demand in a specific market.**
(Market Penetration Concept)

▪ **A market analysis is a <u>prerequisite </u>to a marketability analysis**

Types of Real Estate Markets

Capital Markets (Buy/Sell)
- Debt
- Equity

Fundamental Markets (Users)
- Owner
- Tenants
  - Customers

Six-Step M/M Process Study Questions

1. **What attributes does the subject property offer the market?**

2. **Who are the most likely users of these attributes?**

3. **Is the property use needed?**

4. **What is the competition?**

5. **What is the condition of the market?**

6. **How much of the market can the subject property capture?**
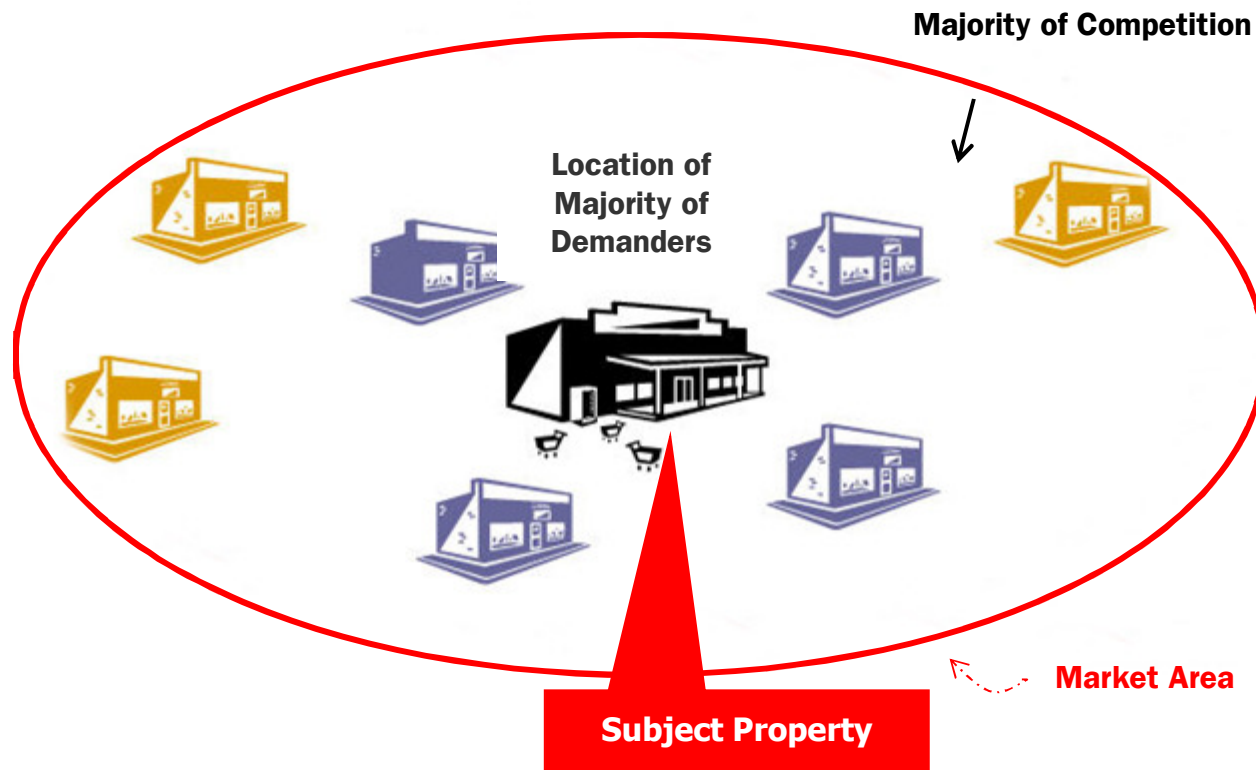
Six-Step Market/Marketability Process

Steps

1. **Property productivity Analysis** **(Determine the Product)**

2. **Delineate the market** **(Determine the market)**

3. **Forecast Demand** **(Measure Demand)**

4. **Supply Analysis** **(Measure current and forecast future competition)**

5. **Market Condition Analysis** **(Determine Market Environment)**

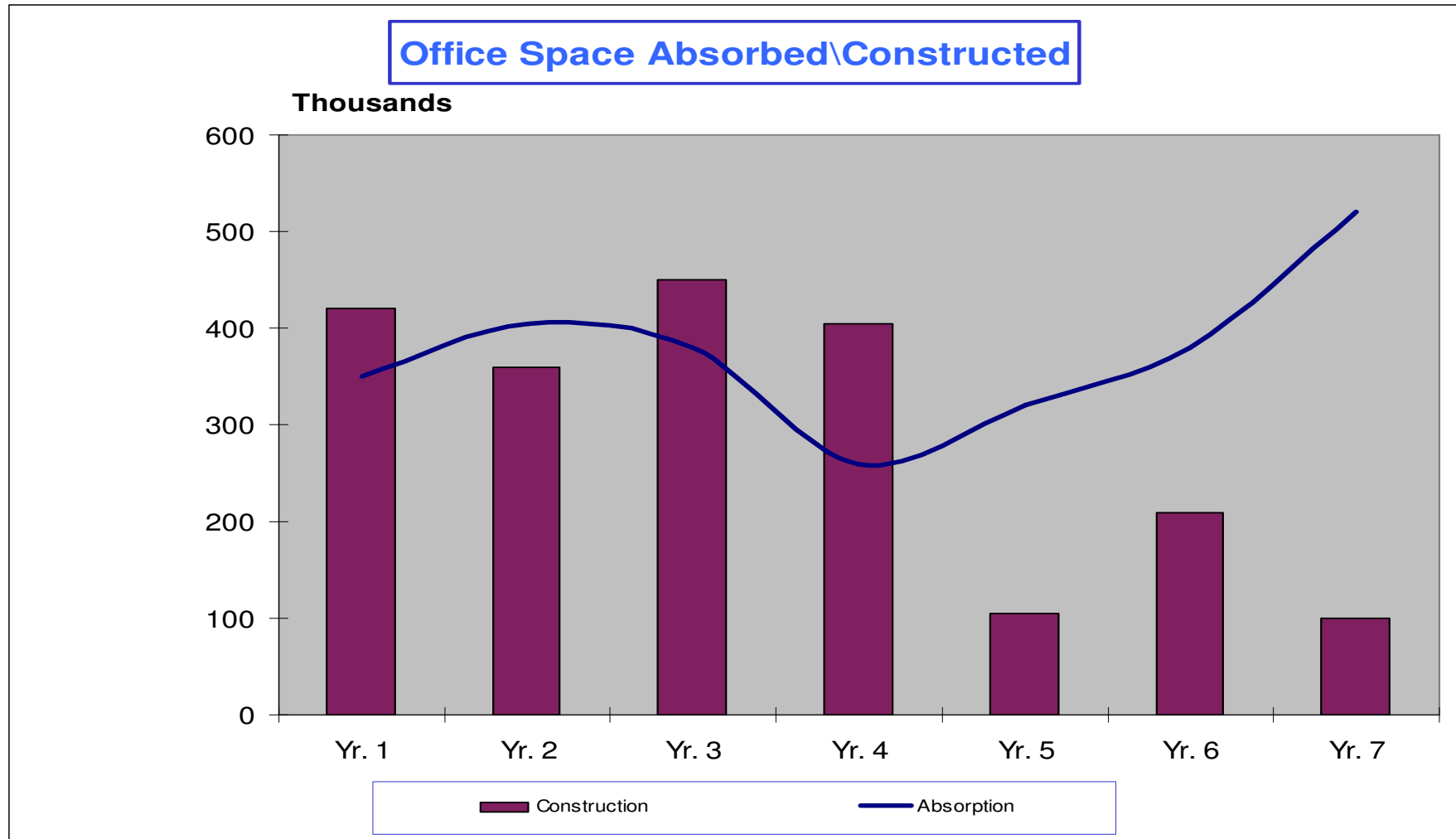6. **Subject Marketability Analysis** **(Determine Market Capture)**

Step 1- Property Productivity Analysis

Subject Apartment Rating Grid							
		Inferior		Typical	Superior		
Impact on Productivity	**High**	**Moderate**	**Slight**	**Mkt Std**	**Slight**	**Moderate**	**High**
Design & appearance of property					X		
Quality of construction (materials & finish)						X	
Condition of improvements						X	
Room size & layout						X	
Closets & storage				X			
Plumbing (adequacy & condition)						X	
Electrical, tech., appliances						X	
Unit amenities					X		
Recreational amenities					X		
Parking				X			
Legal factors				X			
Rating Conclusions							
Number of items	**0**	**0**	**0**	**3**	**3**	**5**	**0**
Times category score	0	2	4	5	6	8	10
Subtotal score	**0**	**0**	**0**	**15**	**18**	**40**	**0**
Total subject score	**73**						
Average score	**55**						
Percentage above (below) average	**33%**						

Step -2 Delineate the Market

Majority of Competition

Location of Majority of Demanders

Market Area

Subject Property

Step 3-Inferred Demand by Historical Absorption

Office Space Absorbed\Constructed

Chart legend: Construction, Absorption

Step 3 Fundamental Demand Forecast

A Change in	Leads to	A Change in	Which Leads to	A Change in Demand for
Employment	⇨	Office jobs	⇨	Office space
Employment	⇨	Industrial jobs	⇨	Industrial space
Population	⇨	Households	⇨	Housing units
Income	⇨	Effective buying power	⇨	Retail space

Steps 3,4 & 5- Market Condition Analysis

Market Analysis Steps	Current	Forecast +5 Years	Forecast +10 Years
Step 3-Forecast of Supportable Space (Sq. Ft.)	1,800,000	1,900,000	2,100,000
Step 4-Less Current Competitive Supply	1,800,000	1,800,000	2,200,000
Step 4-Less Forecasted New Competition	0	400,000	0
Step 5- Market Residual Demand - Comparing Supply with Demand (Excess) Shortage	0	(300,000)	(100,000)

Step 6- Subject Capture Analysis

EXAMPLE - COMPETITIVE VACANT RETAIL TRACTS RATING						
	Tract ID #					Factor Importance Rank
Rating Factors	1-Subject	2	3	4	5	
Major Street Frontage	1	1	1	1	2	1
Proximity/Orientation to Retail Mass	1	2	3	3	4	2
Access To and From the 4-Market Area Quadrants	1	2	3	4	5	3
Total Score	6	11	16	19	25	77
Pecentage of Total Scores	8%	14%	21%	25%	32%	100%

Higher Number equal better

Levels of Market/Marketability Analysis

Level A: *General and Descriptive*

Level B: *Inferred demand by historical sales, rent and market trend analysis*

Level C: *Level C – Fundamental demand forecast- subject specific market and competition*

Level D: *Original Data such as Consumer Surveys and highly segmented marketability studies*