

LeadDeveloper

Real Estate Market Analysis In 13 Easy Steps



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What Is Real Estate Market Analysis?	2
What Is Included In A Real Estate Market Analysis?	3
1. Market Study	3
2. Studies Based On Individual Decision	3
Your Real Estate Market Analysis Should Answer Three Key Questions:	4
How To Do Real Estate Market Analysis Like A Pro?	5
Step 1 - Choose An Investment Property	5
Start with location	5
Determining the market value of a property	6
The following questions pose challenges for real estate investors performing market analysis -	6
Step 2 - Collect Decision Making Data	7
Consider The Demand And Supply, In That Order.	7
The Following Items Are Included In Determining The Supply Side.	7
Step 3 - Understand Local Government Requirements	8
Analysis From Private Sources	9
Analysis From Public Sources	9
Step 4 - Feasibility Analysis And Investment analysis	10
Market Analysis Includes:	12
Market Study Vs Feasibility Study	12
What is Market Study?	12
The difficulties of location and supply and demand analyses lead to a series of essential questions:	13
Market Analysis And Feasibility Study Should Include...	14
Step 5 - Study The Market Area	16
An Overview Of The Real Estate Market Area	16
Geographic Information Systems Spatial Analysis	17
Step 6 - Perform Complex Market Study	18
Here Are Some Guidelines	19
Step 7 - Site Evaluation	19
What's Includes In The Site Evaluation?	20
Step 8 - Zoning	20



Step 9 - Analyse Demand	22
Economic Demand	22
Political Demand	23
Step 10 - Analyse Supply	23
Real Estate Supply	24
Importance Of Existing Supply For Residential Development	24
Importance Of Existing Supply For Commercial Developments	25
Step 11 - Check Net Absorption	25
Step 12 - Identify Risks	26
Step 13 - Feasibility Study	26
Real Estate Market Analysis - Use Cases	29
FAQs	31
What is a market analysis of a house?	31
Why is a Real Estate Market Analysis Important?	31

What Is Real Estate Market Analysis?



A real estate market analysis is a broad overview of investment property's supply and demand attributes compared to current market values of properties similar to the one you want to buy or sell.

A real estate market analysis includes site-specific and local factors, as well as current and emerging competition.

Real estate market analysis answers the questions of value for every investor. It is the core of the decision to purchase one property or reject another. Because value is subjective and partly determined by outside forces, it can be ambiguous.



What Is Included In A Real Estate Market Analysis?

1. Market Study

1. **Local economies analysis** - Examines the fundamental factors determining the demand for real estate in a particular market.
2. **Real Estate Market analysis** - Examines the demand and supply of a specific property type in the market.
3. **Marketability analysis** - Examines a specific development or property to determine its market competitiveness.

2. Studies Based On Individual Decision

1. Feasibility Study Analysis - Assesses whether a particular project is likely to be financially viable and appropriately implemented if pursued under a proposed programme. It's related to develop-ability, **financial feasibility** and investment analysis.
2. Real Estate Investment Analysis - Also known as **real estate proforma**, which analyses a property to determine if it is a good investment. It includes modelling various timelines and or financing options to determine the best financial outcome under various assumptions. The emphasis is on



risk and returns, [sensitivity analysis](#), internal rate of returns, equity multiple and or development margin if you are developing.

[Learn More](#)

- [Property Development Feasibility Study 101](#)
- [Real Estate Development Proforma - Ultimate Guide](#)

Your Real Estate Market Analysis Should Answer Three Key Questions:

1. Is there a demand for the type of product you are developing?
In other words, will you find the buyers for your proposed project?
2. What rent/price can you charge for your project, and how quickly will the market accept the project, i.e. [absorption rate](#).
3. How can the project be planned and marketed to increase its marketability?



How To Do Real Estate Market Analysis Like A Pro?

Step 1 - Choose An Investment Property

Start With Location

The first step of your real estate market analysis should be finding a location of a particular property, whether residential, commercial or industrial, which will determine its value. Location analysis is also performed based on improvements, zoning and competition. It also considers the availability of similar properties.

Determining The Market Value Of A Property

There are many theories and methods available. Some use inaccurate statistical bases; others use local trends or regional trends. As a property developer, I advocate using scientific methods and a layer of practical considerations about local markets, risk tolerance, and cash flow.

It is impossible to determine the market value of real estate purely based on only visual inspections and other non-fundamental indicators. These selections should be made after a thorough comparative analysis and a complete comparative approach to all real estate markets.



The Following Questions Pose Challenges For Real Estate Investors Performing Market Analysis -

- What are the factors that determine a fair market value of a property?
- What is the best way to compare properties of similar types?
- How much does an investment property cost?

If you want to make informed decisions, it is necessary to analyse the collective economic, demographic, and local factors that affect real estate values.

Step 2 - Collect Decision Making Data

The data collection or market research should be viewed as competitive intelligence. **Raw data**, also known as primary, is unanalysed and collected by the analyst. This could include reading classified ads, new development announcements, legal notices and census data. Secondary data is data analysed by someone else, who then tells the analyst to conclude.

For all sorts of data, the analyst must consider bias. Even primary data, for example, may contain unintentional bias. Although secondary data assists the analyst in developing a market understanding, primary data is far more valuable and accurate.



Consider The Demand And Supply, In That Order.

The real estate market analyst should consider the following factors: Population, household size, demographic features and purchasing power on the demand side.

Along with this, income, affordability, purchasing power, employment statistics, migration, and commuting patterns are other factors to consider.

The Following Items Are Included In Determining The Supply Side.

- Available space inventories.
- Vacancy rates and the existing property inventory's character.
- Recent space absorption, including the sorts of tenants or buyers.
- Projects that are now being built or are in the pipeline.
- The differences in market rents/sale prices by location and quality.
- Existing and projected projects' features, functions, and benefits.
- Concessions and terms.

The number of information sources available is also not limited. Newspapers, census and private databases, tax rolls, advertisements, and maps—in other words, any source that discloses something of interest—may be used by analysts.



In this information-gathering procedure, direct interviews should not be overlooked. The real estate market analyst may interview brokers, owners, planners, and local officials.

Interviews guide the analysts and open their eyes. The purpose of the interview is to gather as much information as possible about the market.

Step 3 - Understand Local Government Requirements

Understanding the psychology of the various players should be a part of real estate market analysis. To determine whether a suggested project is viable, you must first comprehend the business game.

It is not enough to say what is happening; an analyst must also comprehend the players involved. Going even farther, knowing the players isn't enough. The analyst must also be familiar with the local government. The government is your largest partner in the real estate business.

If you want to conduct a project, you must first grasp how the political structure supports or inhibits your project.

Almost everyone in the real estate industry conducts market research:

Analysis From Private Sources

- Appraisers / Property Valuers
- Real Estate and Financial Brokers



- Real Estate Developers
- Real Estate Investors
- Lenders and asset managers.

Analysis From Public Sources

- Urban & town planners
- Consultants in economic development
- Governmental organisations.

It's fascinating to see if private and public assessments are compatible or even concur in their conclusions. There are some ways in which the two sides may be biased in particular ways.

Market analysis is utilised in the private sector to increase profitability (and reduce losses by reducing **market risks**). On the other hand, the public sector's goals are frequently quite different. They often include a framework of repercussions beyond economics or feasibility, such as density, traffic, or design.

While studies like these (market analysis, local economics, and marketability) are broader in scope, two other evaluations are more focused on a single project.



Step 4 - Feasibility Analysis And Investment analysis

LeadDeveloper+ 123 Real Estate Dev., Street, State 1234														Month Start	Month End
Cost Heads	Gross Amt.	Contingency	Total	Funding	Start Date	Dur.	End Date	Forecast	Dev. Equity	TDC %	GST	GST Amt	Sub Total xGST	Dev.	S-Curve Rate
Total Development Costs xGST	\$18,261,218		\$19,042,229	\$16,881,572	1-Aug-20	25	31-Aug-22	●	\$669,636			\$1,491,021	\$17,551,208		\$17,551,208
GST Input Credits															(\$1,491,021)
Gantt Chart															
Project - Start Dur. End				Reference Table											
1-Aug-20 103 28-Feb-29				CCR-1 CCC-2 CCCR-3 CCCR-4 Total S.Code											
StartX				Land Value \$428,175 \$928,018 \$824,179 \$319,628 \$2,500,000 TLandRail											
Land Acquisition Period				Total Units 12 34 19 7 72 TUnits											
Land Acquisition Loan				GBA (Gross Built Area) 1637 3548 3151 1222 9558 TBA											
Interim Income				NRA / NSA 1247 2350 2546 1048 7191 TLA											
Development Costs				Construction Costs \$1,504,108 \$5,403,010 \$6,201,000 \$2,479,800 \$15,587,918 TCC											
Construction Period				Total Sales \$10,196,120 \$24,793,655 \$12,574,942 \$3,066,878 \$50,631,594 TSales											
Developers Equity GP				NOI \$2,965,380 \$1,282,731 \$4,248,111 TN0I											
Investors Equity LP				Returns PV NPV EM IRR											
Mezzanine Loan				Unlevered Cash Flow \$34,747,703 3.0x 80.3%											
Construction Loan				Levered Cash Flow (Proj.) \$37,732,492 2.5x 99.3%											
CCR-1 (Residential Develop & Sell)				Levered Cash Flow (Equity) \$32,623,021 8.6x 234.4%											
CCC-2 (Commercial Develop & Sell)				Dev. Returns Finance Costs Total Dev. Costs Market Cap Stabilized Dev. Margin Coc P 25.6%											
CCR-3 (Residential Develop & Hold)				Project Costs \$3,029,989 \$18,573,527 5.50% On Cost 180.9% Coc E 86.6%											
CCR-4 (Commercial Develop & Hold)				Profit \$33,603,279 \$23,027,152 -169 bps 3.8% 66.4% Dbl.Y 5.90%											
Permanent Loan															
7000 Land Acquisition Costs	\$2,662,500	0.0%	\$2,663,750	\$2,000,000	1-Dec-20	1	31-Dec-20	●	\$661,364	15%		\$2,386	\$2,661,364		\$2,661,364
7003 Land / Site Value (Deposits) - No GST	\$2,500,000		\$2,500,000	80.0%	1-Dec-20	1	31-Dec-20	Straight Line	\$500,000	14%	N		\$2,500,000	0.3	3
7006 Stamp Duty	\$137,500		\$137,500	0.0%	1-Dec-20	1	31-Dec-20	Straight Line	\$137,500	1%	N		\$137,500	0.5	2
7004 Legals - Land Acquisition														1	1
7005 Misc Settlement Costs														1	1
7009 Penalty Interest - Delayed Land Settlement	\$25,000	5.0%	\$26,250	0.0%	1-Dec-20	1	31-Dec-20	S-Curve	\$23,864	0%	Y	\$2,386	\$23,864	1.0	1
														1	1
														1	1
														1	1
														1	1
6002 GST Input Credits / Refund	\$2,662,500	\$1,250	\$2,663,750					●				\$2,386	\$2,661,364		\$2,386
7400 Construction Costs	\$15,587,918	4.8%	\$16,367,314	\$14,879,376	1-Sept-21	12	31-Aug-22	●		90%		\$1,487,938	\$14,879,376		\$14,879,376
7001 Other Land Acquisition Costs	\$10,800	3.3%	\$11,165	\$2,195	1-Aug-20	2	30-Sept-20	●	\$8,273	0%		\$697	\$10,468		\$10,468
7002 Development Entity - Setup	\$2,300	5.0%	\$2,415	100.0%	1-Aug-20	2	30-Sept-20	S-Curve	\$0	0%	Y	\$220	\$2,195	0.7	3

The first is the feasibility analysis process, designed to see if the numbers add up given current perceptions of how a project should go, how much it will cost, and who will buy or rent the property.

On the other hand, the analysis is a more effective process that focuses on financial issues but is critical. If the project's financial components are impractical, it needs to be changed to get more favourable results about financial feasibility.

Investment analysis is a related technique that looks at the same financial questions from the investor's perspective.

RECOMMENDED READING - Property Investment Strategies



Feasibility—often linked with developers and project management—is a component of market analysis for developers, whereas investment analysis explores the same concerns with a different set of options.

A developer may compare various projects, sites, and real estate markets; similarly, an investor may compare potential real estate investments against non real estate alternatives.

Funding factors will, of course, be reviewed by the investor as part of the research; nevertheless, financing is not limited to investors. Lenders and potential lenders will conduct various investment analyses to assess risk and choose the best type of **property development financing**.

- How far should the analysis be carried out?
- Is it always expensive, formal, and time-consuming, or should the project dictate the process?

For instance, an analysis may involve a quick and informal examination of a specific property for an experienced speculator familiar with local conditions and trends. For an outsider, the analysis may include a more thorough investigation. That examination may be detailed research on many levels for someone who requires local approval or numerous tensive financing.

Market research and analysis are not only discrete functions that occur solely in the early stages but are best used throughout:

Market analysis is essential for a real estate project's first feasibility assessment, but it doesn't end there. Throughout the project's development and management phases, market research plays a significant role in creating the project.

Market experts are frequently contacted for repositioning measures after a project is up and going and the developer



finds that absorption does not meet predictions. There are as many different types of market analysis as there are different sorts of development initiatives, stages of development, and interests served.

The analysis may be published as a market study or a feasibility study in its final form. In some circumstances, they are interchangeable.

Market Analysis Includes:

- Determining the timing for demand.
- Analysing the direct relationship between demand and supply (which should consider the role of competition).
- Calculating investment rates of return.

Market Study Vs Feasibility Study

What is Market Study?

Answering specific issues posed by lenders, equity partners, or investors should always be the crucial step in any market study. All market studies should focus on three main areas of evaluation: the location, the demand for the product, and the supply of comparable items.

The Difficulties Of Location And Supply And Demand Analyses Lead To A Series Of Essential Questions:

1. Is there sufficient demand for the existing or projected upgrades to ensure that vacancies are kept to a minimum? This



should include demographic analysis, as well as income, employment, and growth projections.

Price segmentation and coordination with marketability may be additional market components beyond supply and demand analysis.

2. Is there a market for such advances, and if so, how easily can the development be sold? What effect would the proposed development have on present supply in the nearby area (local market) and the broader market (regional market)?

3. How will the development be funded, and where will the money come from?

Tenants, real estate acquisition/sale, and financing are three types of supply and demand that I recognise.

A real estate market analysis will also include the following questions, which are more concerned with marketability than with market conditions:

4. What are the current competitive developments, and how should this project be conceived, planned, and marketed to compete effectively? To put it another way, what is the unique development concept in terms of the site plan, architecture, design, and the target market (tenant, shopper, or user)?

5. What essential elements influence your market analysis?

The market study revolves around these five points, which include supply and demand issues. On the other hand, a feasibility study concentrates on the financial implications of a proposed development or acquisition.

While the financial components of market analysis and valuation may appear coldly factual, there are likely to be many opportunities for interpretation. The values reflect various



aspects of reality, but the issue ultimately boils down to supply and demand and the marketability of a project proposal.

Property Development Feasibility is based on three things:

- (1) A site in quest of a use
- (2) Use in search of a site
- (3) An investor seeking a means of participation.

Market Analysis And Feasibility Study Should Include...



While the study paper has no defined format, a typical real estate market analysis will include the following items:

Cover page: It includes the type of study, property address, and team members.



Letter of transmittal: Major findings and conclusions.

Table of contents: A listing of all sections.

Nature of the project: Description of the project, techniques, strategies, approaches used, and the extent of services provided.

Economic context: Defines the market framework; first examines the more significant market areas (i.e., regions or cities) before moving on to the smaller market areas (i.e. neighbourhoods). Analysts must consider all factors, including sociological, economic, governmental and political.

Description of the property and proposed development: It includes a separate description of the site and its improvements. This section outlines the proposed site's physical and economic strategy.

Competitive developments: While the economic backdrop part will give market statistics on the competitive supply, this section should include facts on the development's most significant competitors (existing, planned, and proposed). It should include rental rates and selling prices, vacancy rates, project sizes, and other data.

Market potential: In this section, the analyst determines how well the planned development will capture demand in light of the economic backdrop and comparison to competing developments. This is where you may calculate the development's demand. Where does the demand for the suggested plan come from? What makes your plan unique or similar to the competition?

The conclusion of the marketability: This report should not include any new information. This section is devoted to pure analysis. So far in the report, everything has been considered regarding how the projected development would compete.



Addendum: Any supporting papers, such as site plans, maps, and information that supports other portions of the report, are placed in this section.

Exhibits: Include valuable additional items, such as a map identifying the location of the subject, competitive developments, and the market area. It also includes photographs of the subject property, its block front, the block facing it, and competition schedules (size, rent/sale price, and vacancy) in specific sections or as an appendix.

The differences between the two types of research show a wide variety of needs for thorough real estate market analysis. A key distinction to keep in mind is that a market study may remain most relevant for a long time. In contrast, a feasibility study is more likely to adapt as financial realities change, such as employment, building and land costs, and other economic data.

Step 5 - Study The Market Area

Many real estate investors overlook the significance of market research and site evaluation. The most critical aspect of considering a **real estate investment** is to study the market area.

An Overview Of The Real Estate Market Area

A thorough real estate market analysis usually leads to market research, but what format does this report take?

An organised market study prepared logically is beneficial to the reader (whether approval-granting authorities, equity partners, or lenders). This way, the information gives a clear image of the



market in all of its meanings, and one can discover meaningful information to make judgements quickly.

Your market area study report should emphasise and explain four critical areas of evaluation:

- The overall market area
- Location-specific factors
- Demand factors
- Supply of comparable properties

These four parts of the market study are intended to elicit essential inquiries. To put it another way, if you can show that the market region, location, demand, and supply factors all favour advancing, it will make sense to others. Equally essential, if you can't build a convincing argument for the idea during the market analysis, why would anyone else want to go ahead with it?

Geographic Information Systems | Spatial Analysis

Real estate market analysis aims to objectively assess the underlying questions and establish whether the market is positioned so that the project can move forward.

A study of the market area is the starting point. It is the area where supply and demand are active. Traditionally, market areas have been assessed by physically inspecting the land. New technology, on the other hand, has broadened the possibility of a market area analysis.

The emerging geographic information systems (GIS) technology, or electronic mapping, empowers real estate decision-makers from relying on arbitrary boundaries.



This new technology allows the analyst to examine geographic data from a genuinely global perspective. In many cases, artificial barriers do hide the actual market region.

A retail shopping mall, for example, would be constructed to service a specified population and geographical market region, allowing fair predictions about traffic volume and potential sales to be made.

However, a thorough examination of the market region may reveal that the outcomes are not always as evident as they appear at first glance.

Step 6 - Perform Complex Market Study

You might want to figure out the regional facts that define the potential market. Geographic Information Systems (GIS) is the latest tool that you can use for more complex market area research.

These systems can include any database that can indicate a geographic location or spatial dimension for the variables.

GIS would almost certainly discover important insights for similar project studies in any modern market area investigation. Aside from the geographic location of a perceived market, additional market assessments may be required.

Here Are Some Guidelines

- Determine the region not just in terms of geography but also in terms of where the market is located.



The market area for tenants can include both the immediate neighbourhood and adjacent areas. For example, this could be related to employment placement and access to transit lines in residential projects.

- The study of any project should take into account how the new project may affect existing projects.

Be mindful of the distinctions between artificial boundaries (county lines, state borders, etc.) and built limits (freeways, etc.) that define or restrict a market region.

Be aware of the historical patterns of development that are based on cultural or ethnic ties. While these boundaries may change over time and evolve, they remain remarkably constant.

Make cautious assumptions about the optimum scale of development or the size of an existing market region based on unverified assumptions. It is crucial to examine the initial assumptions critically and test the conclusions.

Step 7 - Site Evaluation

The characteristics of one location differ significantly from those of another, and the explanations are not always clear.

The characteristics of a region have an impact on the conclusions. An interstate highway, a major border crossing, or employment patterns in one city or region, for example, will have a substantial impact on your market analysis. This leads to the significant real estate market analysis step, which is a more detailed site assessment.

[Learn More - Site Acquisition Process.](#)



What's Includes In The Site Evaluation?

Physical variables such as terrain, land shape, adjacent usage, and proximity to essential services should all be compared from site to site in a site evaluation.

Comparative analysis allows you to evaluate a specific property or a set of potential sites while keeping certain attributes in mind. A shopping mall near a freeway exit would, of course, have more potential than one located outside of the city limits and away from the visibility of potential shoppers, the ease of access via roads and transit stations and the overall practicality of placing a shopping mall on well-travelled routes.

When comparing residential properties, local transit and proximity to amenities such as schools and retail are essential factors to consider. The analyst must walk the site, even if it may seem obvious to some. Performing a complete real estate analysis from a desk or even from the backseat of a car is impossible.

Step 8 - Zoning

The issue of zoning should not be disregarded while doing a site examination. We can't just assume that a rezone will automatically be granted because the land has been purchased for a specific purpose.

Lower-priced property may be so priced because of its current zoning, and local governments (not to mention individuals living nearby) are unlikely to support a rezone solely for the convenience of development interests (and profit).



On the other hand, if the new project will benefit the community and local government through more significant tax revenues, rezoning approval may be pretty easy to get.

One risk aspect in the site appraisal is the possible complications of investing in the land when zoning issues develop. You may need to compare undervalued but possibly lucrative land to more prominent locations. Although the cost of already-zoned commercial land is likely to be higher, the likelihood of public anti-growth campaigns or refusal of rezoning applications by local governments is greatly reduced when zoning concerns are not discussed.

It's critical to review state and municipal regulations beyond zoning for site appraisal. The zoning is worthless if you won't get approval for your project due to GMA regulations because the site is outside the UGA.

As a prerequisite for approval, growth management regulations may require you to demonstrate the need for the development you propose. For instance, you may need to assess a site in the context of a county's inventory of land with similar zoning. How much of that land has been developed and is in use?

In GMA states, you may need to limit your site evaluation to available property within the existing urban perimeter or be prepared to show the need for your development outside that border.

Step 9 - Analyse Demand

Consumers need and want more of a commodity or type of outlet (shopping centres, apartments, houses, etc.) or when that demand is likely to follow if and when the development occurs. A hamlet may be 60 miles from the nearest large-scale regional



mall, for example. The lack of such a mall in town does not indicate a lack of demand. If such a facility was to be created, it is logical to assume that shoppers would arrive immediately rather than going 60 miles.

As a result, a demand analysis must contain understanding and analysis of real estate market forces and trends, but this is not always the case. You might also see a more politicised notion of demand. In some instances, the actual objective is to prevent change in any form; in that case, zoning and municipal code requirements may not be adequate to have your proposal approved.

You may need to include the local political demand for development in your demand analysis.

Economic Demand

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Political Demand

Political demand in some jurisdictions is nil. From a development standpoint, the project may not be feasible due to politics, regardless of the economic demand. This issue is widespread, but the breadth of issues linked with anti-growth sentiment in residential development (particularly against low-income housing) is severe.

Slow growth policies may ultimately demonstrate that when the government attempts to limit growth, it creates poorly planned growth and cannot prevent it.

Step 10 - Analyse Supply

The concept of supply is complicated in areas where legislation has been drafted to regulate or prevent growth.

Supply is clearly known in economic terms. It refers to the features that are available for a given purpose. Prices will soften when economic supply is high, and demand is low. When there is a shortage of supply and high demand, prices rise. This fundamental economic notion is not difficult to grasp, at least in its theoretical definition.

Real Estate Supply

Real estate supply is divided into three categories: completed, under construction, and projected. The real estate market



analyst should discount the variables because each has a distinct level of reliability.

Developers, for example, may propose a project for which they have no tenants to frighten off other developers or lure a possible tenant into driving the development. Most downtown office buildings cannot be completed or financed without a committed tenant. As a result, it's usual for developers to proclaim construction as a marketing technique rather than a statement of fact.

In a written market study, a strictly economic analysis may limit the supply and demand issues. Those economic evaluations are perfectly appropriate if one conducts the market analysis to persuade lenders of a project's profitability and cash flow strength. The same holds when a study is aimed to attract equity partners or get clearance for tax credits in low-income housing.

However, if a real estate market analysis aims to assess whether a project is economically and politically viable, you must look beyond the economic version of supply.

Importance Of Existing Supply For Residential Development

Anti-growth conflict is frequently linked to supply issues in residential developments. Anti-growth forces may claim that there is a sufficient supply of housing and that new construction is unnecessary. Even when economic demand is apparent, you may face this argument.

On the other hand, the anti-growth argument persists: more people will migrate if you build more houses. This entails increased traffic, more crime, the need for better roads, larger schools, and other growth-related disadvantages. As a result,



supply may become a necessity rather than a simple economic analysis of whether enough purchasers are available.

Importance Of Existing Supply For Commercial Developments

The issue of supply is equally complicated in commercial developments. A real estate market study would examine purchasing habits, traffic patterns, logistics, and site-specific questions to persuade the research's reader that, for example, a mall will succeed at a specific location.

This analysis would include commercial vacancies that might influence by changing traffic and shopping habits, local and regional rivalry, and average rental rates in the area.

Step 11 - Check Net Absorption

Determining the demand for residential or commercial developments requires a study of the trend in net absorption. In the case of single-family houses, there has been a need for real estate sales patterns in recent months.

Over time, the square footage/meterage of available space modified by vacancy levels is known as net **absorption**.

Net Absorption = Space Occupied - Space Evacuated + Space Demolished - New Space Construction



Step 12 - Identify Risks

Identifying risk is an element of the **feasibility study process** in real estate market analysis—and is critical for the lender or investor. This risk can manifest itself in various ways, not only in the most obvious ones like a net loss or negative cash flow.

In some instances, a considerably more concerning risk is that the initial funding will not be sufficient to complete the project. The feasibility study shows a hypothetical depiction of what will happen during the project's acquisition, development, completion, tenancy, and eventual sale.

What if the initial funding or equity investment isn't sufficient to accomplish these steps? Where will the extra funds come from? Of course, the study's attempt to depict how existing facts might appear in the future—in other words, a forecast—should be considered one of many possible results.

[Learn More: **Property Development Risks - Insiders Guide**](#)

Step 13 - Feasibility Study

While the subject of feasibility is primarily a financial one, it is much more than that. The usual accounting revenue estimate, cost and spending plan, and cash flow projection are confined to documenting potential outcomes.

The feasibility study, on the other hand, is significantly more. Although it is mainly financial, it should be fascinating in ways that go beyond the numbers.

A lender examining a feasibility study should determine whether or not the risk of financing the project is acceptable. Feasibility does not show an attempt of no risk; a potential



lender or equity partner would not accept this premise, and such a claim would be unsupported by any standards.

On the other hand, the risk issue will be on the minds of everybody approached by developers for funding or investment.

In its most basic form, feasibility is a combination of a budget and a disclosure statement. It should be viewed as part of a test of financial potential, risk, and required finance. A part of **due diligence**, all of this is used to examine the project's fundamental assumptions.

In light of this risk, the feasibility study must cover the financial risk in great detail. The feasibility study serves as a risk disclosure summary during the due diligence process as a planning document.

It should be based on market research. The disclosure must be based on market assumptions; thus, a feasibility study cannot begin before a market test.

In broad strokes, real estate market analysis answers this one question:

Does it make sense to play in this market, given the site issues, supply and demand, and competition?

In comparison, the feasibility study should address the following question:

Can you afford to build the project as initially planned, or do you need to assess expenses in light of market and financial factors?



Market research indicates the best way to complete the project in scope and size (and thus, cost). As a result, the market analysis informs the feasibility study's assumptions. That is the entire assumption base for analysing risks and assessing whether a lender can reasonably expect regular payments or an investor can reasonably expect a return and, eventually, a profit.



Real Estate Market Analysis - Use Cases

Should market research be conducted to secure financing only? The market and feasibility studies are necessary for acquiring funds for a project, but is that the end of the procedure?

In truth, real estate market analysis and the information gleaned from it are helpful planning tools. The architect, engineer, and project planning team can and should use these throughout the project.

The individual or firm preparing research examines population, income, employment trends, commute and traffic patterns, and other factors when generating the raw material.

You can use this document to give vision and direction to all those involved in making the project a reality.

Much focus is placed on a project's marketability, either in terms of rental cash flow or how to optimise market value if the developed property is to be sold. However, a marketability study is only a tiny element of real estate market analysis as a whole.

The latter is beneficial when it incorporates components of the market study and feasibility study. However, it is even more powerful when the material and conclusions are presented to convey the crucial project vision.

Community involvement, municipal planning, innovative design, sensitivity to local issues, and the project's practicality in every aspect, not only in terms of financial success, are all part of that vision. Because no two projects are alike, market analysis is crucial to a project's local acceptance.

Any attempt to construct initiatives using a cookie-cutter approach would almost certainly be met with resistance. Style,



site layout, and price range should all be determined by a list of local characteristics.

Citizen participation and opposition to the development, local political atmosphere, and the far more concrete site-specific qualities, such as topography, closeness to traffic patterns, and adjacent zoning, are just a few examples.

The most influential real estate market analyses meet the needs and answer the questions of each of the interested parties. This includes lenders or equity partners (capital formation), developers or contractors (project generation), architects and designers (those responsible for creating aesthetic qualities as well as meeting local code requirements within site), marketing interests or users (buyers or sellers, landowners and speculators), and marketing interests or users (buyers or sellers, landowners and speculators) (property managers).



FAQs

What is a market analysis of a house?

A home market study assesses similar properties that have previously sold in the neighbourhood, known as comparables or comps, to provide an estimate for a list price for a seller or the validity of a bidding price for a purchaser.

Why is a Real Estate Market Analysis Important?

Any investment should include a real estate market study. It helps investors identify the correct residential properties by determining the estimated worth of the property in issue. In general, it benefits property investors in avoiding unwise decisions.