

AS-H01

HOW TO UNDERTAKE REAL ESTATE MARKET ANALYSIS



This tool aids in establishing the real estate knowledge required to carry out a successful TOD development. Through the use of the tool, the market area with the appropriate demand can be determined. It can also be better understood what development is most in demand, based on demographic, geographic and economic trends.

Type: Step-by-Step Guide



Disclaimer: The Transit-Orientated Development Implementation Resources & Tools knowledge product is designed to provide a high-level framework for the implementation of TOD and offer direction to cities in addressing barriers at all stages. As the context in low and middle-income cities varies, the application of the knowledge product must be adapted to local needs and priorities, and customized on a case-by-case basis.

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01 UNDERSTAND THE REGIONAL OR CITY-WIDE SETTING

To understand and compare the regional or city-wide economic trends with conditions along the TOD corridor or station area where the project is proposed.

DEMOGRAPHIC TRENDS: POPULATION | DENSITY | HOUSEHOLDS



EMPLOYMENT TRENDS: TOTAL NUMBER OF JOBS | UNEMPLOYMENT RATE | TOTAL NUMBER OF ESTABLISHMENTS



LARGEST AREA EMPLOYERS



CONSTRUCTION ACTIVITY: RESIDENTIAL AND NON-RESIDENTIAL



DATA SOURCES

- City-level Census Information
- World Bank Open Data (<https://datacatalog.worldbank.org/>)
- Municipalities (Building Permit/ Plan Approval Departments)
- Local Real Estate Industry Associations
- Interviews with local property brokers

02 DELINEATE THE TOD MARKET AREA BOUNDARY

To define the two boundaries of the TOD Market Area: Primary (3 mile/5 km) and Secondary Trade Area (5 mile/8 km) to understand the market's potential size, catchment and expenditure potential. Factors that affect the size and shape include:

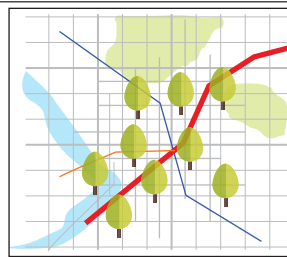
NATURAL FEATURES

Lakes/ Rivers/ Mountains



DATA SOURCES

- Satellite Imagery | Google Earth
- GIS data



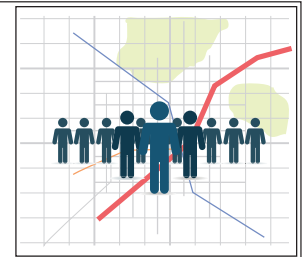
JURISDICTIONS

Political boundaries | Neighborhood boundaries



DATA SOURCES

- GIS data
- Community Mapping



BUILT INFRASTRUCTURE

Railroad tracks | Highways | Airports | Large-scale Industrial



DATA SOURCES

- Satellite Imagery
- GIS data



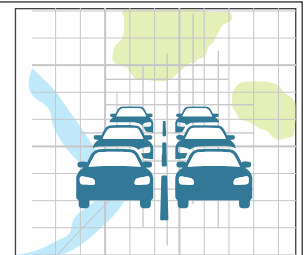
TRAFFIC

Traffic Volume | Congestion Data



DATA SOURCES

- Google Real-Time Traffic Data | General Transit Feed Specification | Commercial Ride sharing Application
- Mobility/ Transport Studies
- As per approved Master Plan/ Development Plan



03 CONDUCT A DEMAND & SUPPLY ANALYSIS

To understand the demand and supply within the TOD Market Area with respect to different development components. Create an economic profile to understand the purchasing power and prepare a competition analysis to understand the risk and revenue potential for different types of development components.

ECONOMIC INDICATORS/ SOCIOECONOMIC PROFILE

- Demographic trends: Age | Household Composition | Migration
- Economic trends: Household Income | Disposable Income (Retail)
- Tourism Data (Hospitality)
- Employment Trends: Job Growth (Office)

COMPETITION ANALYSIS

- Number of residential units and square feet of housing types
- Commercial built space supply
- Number of hotel rooms
- Land Values (Market & Assessed)
- Rental Yield Rates
- Approved & Planned Projects
- Absorption Rates / Occupancy Rates



DATA SOURCES

- Interviews with local city staff
- Building permit data
- Meetings with local real estate brokers
- City tourist traffic data
- Online property websites
- Crowdsourcing Apps
- Mail/Internet Surveys

04 DEFINE POTENTIAL AND DESIRED DEVELOPMENT MIX

Define the most appropriate development mix based on location, investment risk and revenue potential. Some other criteria to be considered in defining the development mix include:

- Zoning and Planning Regulations
- Local Political Willingness
- Land Ownership and Land Control Options
- Environmental & Infrastructure Conditions
- Size/Program Area
- Potential Synergies with surrounding land uses

Refer to AS-A03



DATA SOURCES

- Stakeholder meetings
- Community Workshops
- Collaboration with planning & design team

05 PREPARE A DEVELOPMENT PROFORMA

Prepare a Development Proforma that includes Development Costs, Potential Income and Cash Flow over the project timeline, presenting finally the Net Present Value (NPV) and Internal Rate of Return (IRR):

COSTS

- Land Acquisition | Site Improvements | Planning, Engineering & Design | Marketing | Property Taxes | General Overhead | Financing Costs

REVENUES

- Sales Revenue | Sales Percentage | Lease Revenue | Lease Percentage | User Fees | Grants & Loans

PROJECT TIMELINE

- Pre-Development | Construction Phase | Stabilization | Asset Management/Sale | Operations

Refer to FI-A02

Also Refer to [SAMPLE MIXED-USE DEVELOPMENT PROFORMA](#)

Source: Economic Research Associates, Washington DC shared via ULI Resources.

Also Refer to [COMMERCIAL MIXED USE PROFORMA](#)

Source: HUD Exchange Resources, US Department of Housing and Urban Development, Washington DC.

06 PREPARE A REAL ESTATE MARKET ANALYSIS REPORT

Prepare a Real Estate Market Analysis Report summarizing the key findings through the process. The proposed report structure is shown.

1. Real Estate Market Performance Trends.
2. Worker Travel Characteristics.
3. Competitive Advantage and Industry Cluster Analysis.
4. Long-term Residential and Employment Demand Analysis.
5. Recommended Development and Redevelopment Opportunities.
6. Profitability & Revenue Potential in NPV and IRR.
7. Recommended set of Incentives and Possible Finance Structures.