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Finding market patterns that are emerging

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The market has lots of information. Beyond the forensic lab work and microbe traces familiar to the real estate community in name only, properties and the related markets generate data clusters that challenge the most experienced and competent market analysts. Finding patterns that are emerging and others that are establishing trends rewards the careful professional. The serious real estate professional watches economic trends closely, collecting every turn in an index and employment series. Checking rents, traffic, pipeline and local demographics are property specifics that are omitted in the data dumps on the Bloomberg, WSJ and iPhone aps and this information can be enriched by the diligent, experienced and competent real estate counselor.

Market studies consist of a gathering of data and looking for patterns. For commercial property, tenant activity provides the essential cluster. Hotel guests with the shortest occupancy cycle provide the first pattern of up ticks, apartment residents the second with monthly to yearly leases, and commercial tenants with short to long term leases the third. Rental patterns are the first and for many the only ingredient in the so-called market study. However, understanding the context of the current rental data points and activity is almost as important as the snapshot. Patterns of change over time in rents and occupancy are critical to a forecast of any duration. Defining the geographic context of the market being analyzed is important if the historic balance patterns of supply and demand are to be understood. Soon a simple market study has empowered the analyst to conclude with confidence about range of property and market characteristics that will enhance underwriting, investment, and development decisions.

The comprehensive rental survey is essential and a market study without one is not complete. However, anecdotal evidence of activity such as details on quantity and quality of traffic, competitive market assessments, occupancy and collection trends, demand sources and other related market commentary can be particularly helpful in pattern discovery. Combining this small talk with the big picture should be an iterative process. The big picture is the cluster of economic and demographic data, historical, current and prospective, that determine current and prospective demand in the marketplace. Because the big picture data series often relates to a larger geography than the market under study, some interpolative reasoning must be applied to any pattern observations of the big picture data.

The first day of spring was March 21st and daylight saving started March 14th. March 31st finished the first quarter of 2010 which has provided a convincing pattern of national and regional economic recovery. For further patterns unfolding, it will be important to plan to join The counselors at the Midyear Meetings in Seattle May 25th-28th where something more than coffee is brewing!

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