



nerej

Marketability studies can reveal demand for apartments

October 17, 2013 - Connecticut

Marketability studies by real estate appraisers can provide essential insight into demand trends and factors impacting the success or failure of future apartment developments, according to an article published last week in *The Appraisal Journal*.

The Appraisal Journal is the quarterly technical and academic publication of the Appraisal Institute, the nation's largest professional association of real estate appraisers. The materials presented in the publication represent the opinions and views of the authors and not necessarily those of the Appraisal Institute.

Analyzing case studies in Arkansas and Mississippi market areas, "The Art of Marketability Studies: Analysis of Demand Components in Multifamily Markets" by Jeff Siebold, MAI, examines factors that impact local demand for apartments. Each market study was undertaken to help a developer decide whether there was demand for new apartments and what kind of factors influenced the demand.

While existing housing supply has typically been the easiest market factor to measure, it is not always the prime indicator of success of future developments. Siebold writes that demand drivers - such as rent levels, floor plans and job growth - are equally important and should be analyzed in explaining the performance of current and future multifamily properties.

The article presents a case study that analyzes the Gulfport-Biloxi market in 2008, when it was still heavily impacted by Hurricane Katrina. Homes and apartments were destroyed, reducing the available rental housing stock, but many families had moved from the area in the aftermath of the devastation. The study revealed the monthly rent for new rental housing was inelastic and affordability of apartment units was the key demand driver in this market.

Another case study looks at how the construction of a Toyota assembly plant was likely to increase demand for multifamily development in the Tupelo market in 2007. The author states that although this area of the country had a flat household-demand pattern for many years, historical data from other markets that experienced similar, sudden employment growth helped predict the most likely trends of future demand patterns.

The article concludes that although the existing supply has typically been the easiest to measure - and is often interpreted as a prime indicator of the future performance of a proposed real estate development - the demand drivers in a market are equally important and should be used to explain the performance of the existing supply of real estate properties.

Siebold is a commercial appraiser based in southeast North Carolina specializing in complex multifamily properties. He holds an MBA degree with a concentration in business and computer systems management. He also holds both the MAI and CCIM designations.

Read "The Art of Marketability Studies: Analysis of Demand Components in Multifamily Markets" in the Summer 2013 issue of *The Appraisal Journal*.

Also in *The Appraisal Journal's* Summer 2013 issue:

"One Step Further - Implementing the Recommendations of Guide Note 12," by Kerry Jorgensen, MAI, and Stephen Fanning, MAI, introduces practical ways the recommendations in Appraisal Institute Guide Note 12 can be implemented into everyday appraisal assignments.

"Options in Real Estate Valuation," by Mark Pomykacz, MAI, and Chris Olmsted examines how finance options models can apply to real estate and decision making related to real estate development.

"Self Storage Economics," by Christian Sonne, MAI, analyzes recent self storage trends and examines why self storage has evolved from an interim property use to a core investment asset class.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540