

## **Counseling clients in today's market requires analyzing market data and recent trends carefully**

May 27, 2008 - Spotlights

The market pause during this growth recession has created opportunities in real property markets. Opportunities of greater risk-adjusted reward are prevalent and often apparent to careful and well informed investors at points or periods of inflection. The credit crunch, revisions in the real estate capital market and economic uncertainty have restricted liquidity and competition in the property markets.

The well informed investor often needs the counseling of an unbiased real estate professional to collect and analyze the market data on a timely and cost-effective basis. Let us assume we have a responsible client - knowledgeable about its objective and needs and capable of paying for its contracted services. There is always a margin of uncertainty relating to future events. However, current market information and related recent trends can substantially reduce that margin for risk and inform the decision-making investor. Let us start by remembering the basic three approaches to value and recognizing market data informs those methodologies and results.

The sales comparison approach indicates a value based comparative analysis of properties in current transactions. Certain property submarkets suggest the most likely or precedent area to look for opportunities. For a simplistic example, small, aged and remote properties tend to trade and/or rent at a discount below large, newly constructed and well located properties. The pausing market will often impact that discount and create an opportunity.

Jumping ahead to the income approach to value, the pausing market can impact rental and income expectations for a property and its submarket. Analysis of rental trends, current competitive supply and pipeline, and recent absorption and forecasts of likely demand provide measures for isolating the opportunity in a property submarket. Drilling down into the data and exploring a range of outcomes using recent data can reduce the margins for uncertainty and better quantify the reward and its risk.

The third approach involves analysis of the cost of replacement of the property, presumably by acquiring a vacant site and constructing a new improvement. Analyzing recent additions to inventory and pipeline informs this approach and determines its relevance. This approach is often only a collateral indicator of the appropriate opportunities or submarkets for investment.

"Information has value, sometimes great value, but information, let us be clear, isn't learning," said two-time Pulitzer-winning author David McCullough at Boston College's 132nd commencement. The acclaimed historian added in jest that, "you could read the almanac if it were so, but you would be weird not learned if you did." Wisdom resulting from experience and expertise are essential to effective decision making. Collateral data and judgments can improve and refine the investment process. Knowing the market clarifies opportunities - the target and its alternatives. Credibility for negotiation for acquisition and financing is an immediate application. Dates and data do not make a

deal. But they are essential collateral to smart and successful investing.

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