

Retail and Real Estate Market Analysis

Purposes:

- Assess market feasibility for economic uses and type of development at specific sites
- Define target industries to attract to a community or development projects
- Determine market potential/recruitment targets for commercial districts
- Improve understanding of customer markets for existing businesses to inform technical assistance and promotion work
- Inform zoning and project design for land use, project and site planning
- Feasibility analysis and planning for development finance institutions

Quantitative and qualitative methods applied in four broad steps:

- Demand side analysis
- Supply side analysis
- Analysis of special conditions, opportunities and market segments
- Integrate analysis to define target markets, type of development/products/services to implement, and level of unmet demand (e.g. net warranted space for retail uses)

Critical goal is to identify underserved market demand and market gaps to fill

Demand generators (and analysis) varies by use:

- Retail demand is driven by local income and spending
- Office and industrial real estate demand is driven by business and employment growth
- Demand for financial services can be driven by demographic factors, e.g. concentrations of low-income and immigrant population, or needs among niche businesses or non-profits

Supply side analysis also varies by development type and purpose:

- Retail market analysis focuses on competition from existing and future stores
- Office and industrial analysis focuses on competition from current vacant space and future projects
- Development finance market focuses on services and competition from banks and alternative financial institutions

Retail Market Analysis for Development Sites

Demand Side Analysis

- Define market or trade area
- Determine number of households and total household income (US Census Data, BEA Population & Income Estimates)
- Estimate spending for different product and store categories (Consumer Expenditure Survey)
- Can build more complex spending model tailored to different income and demographic groups
- Adjust for likely market share/capture rate based on competitive differentials (site locations, size and quality of competing centers, and normal leakage.
- Estimate square feet of retail space supportable by resulting sales (Dollars and Cents of Shopping Centers)

Supply Side Analysis

- Identify competing stores in and near trade area
- Assess competitive differences between site and competing stores. Consider store location, access, size, and quality in defining competitiveness.
- Consider planned or potential stores that may enter the market area—national and regional retail trends are important
- Based on this data, estimate the market share of trade area sales that a planned type of store at the site could achieve
- Calculate the dollar value of this market share
- Translate this sales level into supportable square footage. Use industry data on average sales per square foot for comparable stores.

Analysis can be tailored to focus on demographic groups served by the store or site (e.g. Brockton example for minority households)

Community or district-level sales gap analysis

- Analogous method for an entire community or commercial district
- Can help identify expansion/recruitment opportunities for overall community, neighborhood or business district
- Collect total retail sales for store types for entire community (US Economic Census) or estimate from an inventory of store square footage and sales/per square foot
- Compare to spending potential to estimate sales gap
- Use sales per square foot to estimate maximum supportable square feet

What are the potential pitfalls and limitations of this method?

Market Analysis for Overall Commercial District Planning

A more complex set of factors influence market position and potential for commercial districts:

- Agglomerations and interactions among stores and uses affect who shops and how people shop
- District may focus on specific customer/demographic niches
- Consumer image/perceptions of the district affects its market
- Developed buildings affect size and type of potential tenants
- More complex competition for diverse stores, uses and roles
- Can district differentiate itself from other commercial centers and competition?

Additional Tools Deepen Analysis to Address These Issues

Supply Side

- Inventory and analysis of business mix and location to identify agglomerations, comparison shopping niche customer segments served, spatial relationships among stores and shopping patterns
- Compare business mix and concentrations to competing areas to inform strengths/weakness and market opportunities
- Analyze vacant land and building space for opportunities and constraints for different types of stores
- Business surveys to gauge business performance, customers, plans, perceptions of district and support for improvement options

Demand Side Tools: Customer Surveys

Customer surveys provide key information on several issues:

- Understand customer use of the district
- Identify important market segments served and underserved
- Customer perceptions and evaluation of the district
- Differences shopping patterns across groups
- Competing areas for different products and services
- Test customer response to various improvements
- Test customer response to different value propositions or marketing themes

Survey Types:

- Intercept
- Telephone
- Mail

Potential Insights from Surveys

- Sources of competition are often different than perceived
- Identify agglomeration opportunities from key destinations
- Potential for new stores with no dominant destination
- Opportunities to expand local patronage
- Key areas for improvement to address
- Feasible marketing and branding concept

Additional Tools

Key Informant Interviews

- Gain knowledge of market conditions and trends from “subject matter experts”
- Gain information on informal activity and niche markets for which little or no secondary data exists
- Test understanding gained from quantitative and survey analysis
- Build support and buy-in from key stakeholders
- Generate ideas and gauge support for future plans

Key Informant Methods

- Develop standard interview protocol; may vary by type of informant
- Create list of knowledgeable informants; make sure list is representative of community and markets you are studying
- Conduct and document interviews
- Summarize and analyze interview results

Focus Groups

- Same purposes are key informant interview
- Particularly helpful in developing and testing ideas or new products/services
- Helps gauge issues, priorities, biases among specific groups

Focus Group Methods

- Define type of focus groups to conduct (audiences)
- Recruit participants (6 to 10 is goal; need to invite 2x)
- Discussion questions/guide
- Separate moderator and recorder
- Summarize and analyze discussion results

Tailoring Market Analysis to Urban Neighborhoods

- Need to adjust for census undercounting of households or recent population changes
- Informal economic activity may alter area income and achievable market share for some store types
- Remittances and spending preferences among immigrants, ethnic or racial groups affects demand for products and stores
- Informal activity and ethnic niches provide a market foundation for business and commercial district development
- Identify economic generators beyond local residents to revitalize disinvested commercial areas:
 - Visitor markets
 - Serve citywide or regional market segment (e.g. specific ethnic group, students).
 - “Export” businesses

One approach is extensive primary data collection to provide alternative populations counts and detailed understanding of neighborhood economic activity and demand.

Example: Social Compact Drill Down Analysis

Very costly and sometimes difficult to get alternative primary data

Second approach integrates several secondary data sources and targeted primary research to make informed adjustments to the standard analysis.

Potential secondary data sources

- IRS tax return data when zip code match trade area
- Survey of business owners for self-employment income by business type, race & ethnicity
- Data on average remittances by county of origin
- More extensive citywide or regional analysis of key segments

Primary data collection

- Key informant interviews on population changes, informal economy, visitors, unique customer preferences, growth-oriented entrepreneurs
- Focus groups with informal businesses and customer groups
- Interview nearby institutions: source of demand/resources

Incorporate New Information in Several Ways

- Adjust estimates of total households, income and spending
- Adjust estimates of local capture rates and sales
- Assessment of market expansion opportunities
- Expanded view of districts competitive position and image
 - How competition varies by demographic group
- Identify key entrepreneurs and businesses that can help drive revitalization and market expansion
- Identify additional partners

Analysis Results

- Expanded and more realistic understanding of market opportunities and the district's assets and liabilities
- Options for promising customer segments to focus on
- Options for feasible stores & retail clusters to develop
- Market expansion opportunities beyond local residents
- Potential branding and marketing themes
- Key revitalization and development obstacles to address

Four Corners Status

- Accepted idea to focus on West Indian niche will conduct focus groups to better understand this market
- Did not want to target food related businesses
- May pursue partnership with Codman Square Caribbean
- Will continue work on infill development and Mercado

Office and Industrial Market Analysis

Demand Analysis

- Profile economy to identify major sectors and industries in market area (Establishment-based data)
- Analyze job growth by major sectors and industries to identify where strongest growth and real estate demand exists
- Review data on absorption of space by type of use (Private real estate industry reports, e.g. Spaulding & Syle Report)
- Interview real estate brokers and firms in key industries to identify unique local conditions and location factors
- Analysis at both site/local and regional level
- Interview non-traditional or specialized users that are not covered by conventional secondary data sources and brokers
- Local goals and concerns, site issues and surrounding use are factors in deciding on potential uses and industries to target
- Generate findings on feasible types of space, target industries, and property types/characteristic
- Expected absorption of new space based on historic demand, economic trends, site and community location advantages
- Specialized needs or non-traditional users that can be served

Supply Analysis

- Inventory total space, occupied space, and vacant space by type of use (office, industrial, R&D) private real estate industry report, directories, key property owners/brokers
- Collect data from planning officials on projects under construction and proposed projects that will expand supply
- Interview brokers, developers and economic developers to identify recent trends, large blocks of sub-lease space, market supply gaps, and perceived local strengths and weaknesses.
- Compare existing and planned supply to expected demand for each use
- Identify under-served markets and supply gaps that market is not serving
- Integrate supply and demand analysis to assess overall market potential for different uses, target industries or users, property/project characteristics

Marlborough Central Fire Station Analysis