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New York State *Community Seminar Series*

BOA Economic & Market Trends Analysis



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ECONOMIC AND MARKET TRENDS ANALYSIS

Purpose

This educational training module introduces the contractor, municipal staff, and other key project participants to the purpose and process of the Economic and Market Trends Analysis, which is a required task in the preparation of a BOA Step 2 Nomination, a recommended task in the preparation of urban waterfront redevelopment projects, and may be appropriate as part of a vision or LWRP planning and implementation process. The session covers the role and benefits of Economic and Market Trends Analysis, different approaches and methods for gathering and analyzing market information, and how to combine this information with inventory and analysis findings to consider and justify future land uses.

Goals:

1. Understand the purpose and process of economic and market trends analyses in their many forms and the range of purposes they can serve given a particular community, project area, or site, and their use within the BOA Step 2 Nomination, urban waterfront redevelopment project, or LWRP.
2. Understand what type of study is required to advance a project and what information needs to be collected and analyzed to assist with the preparation of an appropriate scope of work.
3. Understand how to select the right type of consultant for your project, to work effectively with them, and to assess the quality and relevance of their work.
4. Learn how to use the Economic and Market Trends Analysis in coordination with the community vision and inventory and analysis to help inform and prioritize appropriate and realistic land uses and projects, and bolster project implementation.



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PRESENTATION 1: The Essence of Market Analysis

Introduction

The purpose of this presentation is to provide an overview of the role, purpose, and benefits of market analysis in the context of the LWRP and BOA programs. It provides an overview of the different types of analyses and how each will inform a community's planning process and help move a project forward.

What is Market Analysis?

Market analysis is a term that is used generally to describe the process of collecting and analyzing data in order to assess the current state of a marketplace and make predictions about its future.

There is no single "market analysis" that will fit all projects. Rather, this term refers to a spectrum of different studies that can provide answers to questions as broad as:

- What are the major market trends affecting this community and what will they be in 10 years?

Or as narrow and site specific as:

- Is housing a suitable and viable use for this location? If so what is our target market and how do we market it to that audience?

Identifying the Market Area

The economic and market influences affecting a community's project area reach far outside the locality. Macro-economic trends on the global and national levels influence state and regional economies; state and regional economies influence micro-economic trends on the county, city and village level, which in turn have an affect on a project area or site. Understanding and analyzing the appropriate macro- and micro-economic influences on a project area is an essential component of the market analysis.

Market Analysis and the BOA and LWRP Programs

In the BOA program, an Economic and Market Trends Analysis is a required task in preparation of the Step 2 Nomination. BOA communities will use the findings of the market analysis in conjunction with the site inventory and analysis to refine the vision and goals and to develop key recommendations for a range of realistic future land uses to occupy the study area and strategic sites that are targeted for redevelopment

Market analysis is not a required task of an LWRP, however, it is recommended as an effective evaluation tool that, as in the BOA program, can be integrated into the planning process, both as a way to test and refine the vision and goals, as well as a

means of testing the feasibility of particular site specific projects.

Benefits of Market Analysis

Market analysis is an important component of any planning process. A market analysis:

- Places the project in its economic context
- Enables communities to test and refine their vision and goals
- Uncovers new opportunities and potential niche markets
- Helps to build essential new partnerships and secure financing
- Enables communities to attract investors and end users

Tailoring Market Analysis to the Project

There is no cookie-cutter approach to market analysis; each community will tailor its market analysis to fit its needs. There is a whole spectrum of analyses that can be conducted from studies that analyze broad community-wide questions to site-specific studies that look at feasibility of potential end uses.

The broader analyses such as **Economic Trends Analysis** and **Market Demand Studies** are conducted at the early planning stages when a community is looking for overall trends in the marketplace, potential areas of growth, and new opportunities. These broad studies are used to test and refine the vision and goals, build new partnerships, and help inform revitalization strategies.

Site specific studies, such as **Feasibility Studies** and **Highest Best Use Studies**, build upon the broader market studies to analyze specific land use alternatives by determining project costs, price demands, and economic return. These studies help communities market specific projects to developers and end users, develop financing strategies, and build the partnerships necessary for implementation.

Creativity of the Marketplace

The market is in constant motion, changing every day and bringing with it new ideas and new opportunities. A community may go into the market analysis with an idea about what it wants for its project area and come out of the analysis with a completely new set of ideas. It is important to be open to the creativity of the market and to be flexible to what the market will tell you about your community and project area.

PRESENTATION 2: Tailoring the Economic and Market Data

The purpose of this session is to present a brief overview of data types and sources and how they can be used to produce the most accurate, appropriate, and useful market analysis for a community redevelopment project.

Obtaining Useful Information

Most communities will work with a consultant who will be responsible for collecting data and developing the market analysis for the project area or site. It is the consultant's responsibility to ensure that the data used in the analysis is:

- current
- from reliable sources, and
- relevant to the project type and geographical location

Data Types

The consultant will use a variety of data sources and types to develop the market analysis. These will include:

- **Primary data:** Primary data comes directly from the source. For example, census data from the U.S. Census bureau, building permit data from a city permitting department, etc. This is generally raw data that has not been manipulated or analyzed.
- **Secondary data:** Secondary data has been collected by an intermediary organization or agency and has often been tabulated and manipulated to suit the purposes of that organization or agency. When assessing the usefulness of secondary data, it is important to recognize who has collected the data, how the data has been manipulated, and for what purpose.

Data collected will include quantitative data such as

- demographic data - population description, numbers of households, personal and household income, etc.
- economic data - employment rates, sales figures, wage rates, etc.
- real estate data - real estate records, vacancy/occupancy rates, home sales, etc.
- consumer data - buying patterns, disposable income, etc.

Consultants will also collect qualitative data which is gathered through focus groups, interviews, questionnaires and surveys of residents, public officials, brokers, business owners, potential developers, and potential end users.

Data Sources and Tools

Information that will be useful in the market analysis will come from a variety of sources including public sources such as governmental agencies and departments,

not-for-profit organizations and agencies, and universities and colleges.

There are also many sources of information including extensive databases that are collected and maintained by private firms and on the Internet. Much of the specific real estate and related financial data is proprietary, but it is sometimes available at large or business-oriented libraries.

There is a list of private and public data sources at the end of the notebook

Selecting and Using Data

Different data types are relevant for different types of projects (although certain key economic trend information is important across the board). For example, if a community is considering retail project, then demographic data such as household income, age, gender, lifestyle tastes, and preferences become important. In addition, data such as existing and anticipated traffic, density, and information on competitive facilities, including those proposed or under construction, are also essential to analyzing the market potential for the project. It is the consultant's responsibility to select the data types that are relevant to the community's focus and requirements.

Beyond the Numbers

Of course, the economic facts and figures of a project area or site do not alone drive a project. There are less quantifiable, but equally important elements that play a role in shaping a project. These "beyond-the-numbers" factors – such as community preferences, sensitive natural resources, and/or environmental concerns (such as contamination) – are uncovered as part of the BOA and LWRP planning processes. These factors together with the marketplace analysis shape the revitalization strategy.

Case Study 1: SMALL COASTAL TOWN REVITALIZATION

The purpose of this case study is to illustrate how one waterfront community used market analysis to inform its vision and shape effective revitalization strategies.

PRESENTATION 3: Finding the Right Expertise

Introduction

The purpose of this presentation is to provide an understanding of the variety of expertise in market analysis available to communities working on LWRP or BOA planning projects, and to help communities identify the expertise appropriate to their project.

Types of Expertise

The type of market analysis expertise a community needs will depend upon where it is in the planning process. In the early planning stages, a community may not be ready (or need) a complete market analysis. However, it may want to know certain facts about the local marketplace that may, for example, help inform the visioning process and identify preliminary goals and objectives. At this stage local economic development agencies and organizations, municipal staff and/or state agencies and programs may be able to provide sufficient market information to assist the community. College and university programs can also be helpful, as long as timing is not an issue.

As the planning process proceeds, however, the time will come when a community requires professional expertise to assist in developing a formal market analysis of the project area or specific site. Most communities will work with a consultant who is responsible for completing the tasks in the overall LWRP or BOA scope of work, including the market analysis component. The consultant will most likely either have in-house expert or will subcontract with an outside consultant to conduct the market analysis. It is important to match up the community's project with the appropriate type of market expertise.

Professional Expertise

There is a wide variety of expertise in market analysis. Each analyst will bring different strengths and focus to a project and will be able to tell a community different things about the community's project or project area. For example:

- Market analysts have technical skills to breakdown market components, analyze trends, and understand market strengths and weaknesses.
- Industry specialists are market analysts that specialize in specific market sectors, such as retail, service, housing, manufacturing, and industry.
- Feasibility analysts focus on the specific feasibility of a proposed project. They develop detailed financial forecasts that indicate the investment required and most importantly, the projected return to investors.
- Real estate brokers and real estate appraisers have specialized knowledge of current real estate participants and transactions, local demand, and feasibility.

Market Analysis Process

Market analysis follows a specific set of steps:

1. **Scope:** Identify the scope of the analysis, which includes the purpose of the analysis and how the study will support the project.
2. **Methodology:** Determine the methodology for conducting the analysis based on the type of information needed and how it will be collected.
3. **Data Collection:** Collect the data, using both primary and secondary sources with attention to reliability and comprehensive of data.
4. **Data Analysis:** Analyze the data and relate it back to the goals and objectives of the study and to the project and project alternatives
5. **Conclusions and Recommendations:** Draw conclusions and make recommendations that will help inform the vision and move the project forward.

Developing the Scope of the Analysis

Typically, the community will have worked with its Department of State (DOS) project manager to develop the scope of the market analysis before consultant selection. To develop a relevant scope, a community will need to determine the answers to the two questions that were posed in the first presentation: “What do you want to know about your community or project?” and, “How do you intend to use this information to forward your project?” Once the consultant has been selected, the community will work with the consultant to refine the scope of the market analysis in order to maximize its potential.

Part of the development of the scope and its refinement is the identification of the parameters of the study – the important non-economic elements identified by the community visioning process and site inventory, such as community preferences or environmentally sensitive features of the project area or site. Confirming these parameters with the consultant will help eliminate unrealistic or non-relevant data searches and focus the analysis on the key questions.

Managing the Market Analysis

Like the site inventory and analysis, the market analysis is an iterative process that requires review, revision, and readjustment as the community learns more about the marketplace trends, opportunities, and challenges. It is important to recognize that as preliminary findings come in, a community may realize that its original assumptions were unrealistic, and, rather than spending time (and money) unproductively, will need to work with the consultant to refine or re-adjust the focus of the market analysis.

Case Study 2: INDUSTRIAL REUSE PROJECT

The purpose of this case study is to illustrate how market analysis was used as a tool to shape the strategy for the rehabilitation and reuse of a former industrial site. Consider the following questions and prepare answers for discussion:

1. What additional market information would you want your consultant to provide before moving ahead and planning this project?

2. Is this project:
 - a) A market-driven real estate project with an environmental personality?
 - b) A community development project with significant market aspects?
 - c) An environmental restoration project with limited market input?
 - d) None of the above?

3. Are there other market options you would put on the table?

4. What is the key area of concern?
 - a) Real estate feasibility vs. environmental remediation
 - b) Will the market response justify the use of limited government resources
 - c) Short term political goals vs. long term sustainability
 - d) Community planning goals vs. market investment perspective

5. What will ultimately determine the success or failure of this project?

PRESENTATION 4: Advancing Your Project

Introduction

The purpose of this presentation is to discuss how market analysis can help communities advance their LWRP or BOA projects.

Strategic Planning and Project Development

Market analysis is one part of the comprehensive and intensive investigation that goes into an LWRP or BOA planning process. Combined with the community vision and goals, and the physical site inventory and analysis, market analysis enables a community to make informed decisions about the future of a project area or site.

Building a stronger vision: All the findings of the market analysis must be assessed in light of the community's vision and goals. New opportunities may have been identified by the market analysis, but are they appropriate to the community vision? The market analysis may also uncover that certain aspects of a community's vision or specific goals are unrealistic and may need to be revised. Either way, the community will come out of the process with a stronger vision that is based on data and facts, not just on wishful thinking.

Identifying future uses: With a clearly articulated vision, site analysis, and market analysis, a community can justify a range of future land uses that are economically viable, compatible, and appropriate for the LWRP or BOA targeted area and key strategic sites.

Developing an action plan: The market analysis will help to identify steps necessary to implement a redevelopment project. The market analysis will answer key questions, such as:

- Can the project attract private development, and if so, what kind and when?
- What decisions and improvements have to be made before development can occur?

The answers to these questions will allow the community to develop a realistic and logical strategic action plan to move projects forward from planning to implementation.

Partnership building: The market analysis will identify specific program needs, both financial and technical. This knowledge helps communities seek out and build the private and public partnerships with organizations, agencies, private investors, and developers that form the foundation of the LWRP and BOA planning programs and that are essential for implementation.

Changing image and perception: Another important function of the market analysis is that it enables communities to articulate in concrete terms a new vision for and potential of a project area or site. This is especially important in instances

where a site's long history of vacancy and/or inaction, or the stigma attached to potential contamination, may have been major roadblocks to redevelopment and reuse.

Project feasibility: Market analysis also informs specific project development questions, indicating specifics about the type and variety of end users appropriate to a project, whether or not a project can be supported by the market and what type of investment will be needed to make it happen, gaps between what can be supported privately and where government assistance is needed, and other important information such as the types of public improvements necessary to support a proposed project. All of these factors are essential in building an effective project implementation plan.

Project design: The market analysis also informs and refines design. For example, residential development for young singles is much different than what would be needed for seniors or families. When designers and planners know what the market is, their designs can respond. In addition, market analysis may suggest how different features such as historic structures, a marina, or open space, might be incorporated into design strategies and tap into a specific market interest.

Marketing the project: The market analysis provides a community with objective information, facts, and figures about the community's marketplace that can play a key role in marketing a proposed project. Developers, investors, and potential end users will be attracted to projects that are supported by the community and have the facts and figures to prove their potential.

Conclusion: Using the Market Analysis Effectively

The LWRP and BOA programs are comprehensive planning programs that look at community revitalization from multiple angles. The market analysis provides an essential economic orientation to a program or project that along with community preferences and values (as articulated in the vision and goals) and physical constraints and opportunities (as identified in the site inventory) help to build a strong foundation for a revitalization effort. However, it is important to keep in mind that, unlike other factors affecting a project area or site, market influences are dynamic. No single study can identify all the possible opportunities that a community might take advantage of. Keeping the vision as the basis for redevelopment, communities should be open and flexible to this dynamism and allow for the creativity of the changing marketplace.

Supplemental Material

Data Sources for Market Analysis

The following is a listing of organizations that are good sources for data and services and that have a strong presence in New York State. It is not meant to be comprehensive, but it does represent a good starting point.

A. Data Sources: Direct from Public Agencies

- U. S. Census, www.census.gov, the primary source for data from the federal government. Extensive demographic, income, housing, and job information linked to census tract mapping; involves dealing with large size, complex files. Other federal agencies have extensive information, including the Bureau of Labor Statistics, www.labor.state.ny.us/workforceindustrydata/index.asp; and the New York Federal Reserve Bank, www.newyorkfed.org/research/index.html.
- The New York State Data Center, www.empire.state.ny.us/nysdc, is part of the Empire State Development Corporation and has extensive information related to economic development and markets. State agencies also have specific information, such as DHCR on housing, www.dhcr.state.ny.us; and DOS which maintains a list of all licensed real estate brokers, salespersons and appraisers, www.dos.state.ny.us/lcns/realest.html. The New York State GIS Clearinghouse's site for its geographic information exchange program is www.nysgis.state.ny.us.
- Municipalities have extensive information relevant to market analysis. These include real estate parcel, tax, sale and mortgage information, usually kept on a county basis. City and county planning departments have detailed demographic and economic data and mapping information, for example, the New York City Planning Department, www.nyc.gov/html/dcp/html/neighbor/neighbor.shtml. Municipal tax assessors, building inspectors, planners and economic developers are often very knowledgeable and have access to extensive databases.
- Non-profit data and map providers, mostly downstate oriented, include Oasis, www.oasisnyc.net/oasismap.htm, and Infoshare, www.infoshare.org, and Greenmaps, www.greenmap.com. Local Chambers of Commerce also have market information.

B. Professional Associations

Organization of professionals who conduct different types of market analyses. Many provide membership lists, research reports, market information, and publications.

- American Rivers: www.americanrivers.org. Advocacy organization that has case studies and data that may be relevant to LWRP projects
- Appraisal Institute: www.appraisalinstitute.org. Real estate appraisers organization with NY Metro and Upstate New York chapters
- Counselors of Real Estate: www.cre.org. Market and feasibility advisors
- Corenet: www.corenetglobal.org. Corporate real estate executives and service providers, with New York Chapter
- GISMO: www.geo.hunter.cuny.edu/gismo/. NYC-based GIS users group
- International Council of Shopping Centers: www.icsc.org. Retail developers and operators organization with extensive information on retail markets, NYC based.

- International Economic Development Council: www.iedconline.org. Economic Developers professional association
- National Association of Industrial and Office Properties: www.naiop.org. Developers (mostly suburban) organization with research program and New York area chapters
- National Association of Realtors: www.ccim.com. Real estate brokers organization with a number of New York Chapters
- National Brownfields Association: www.brownfieldassociation.org. National brownfield group with active New York State chapter, relevant to BOAs
- Planitzen: www.planitzen.com/consultants/. Community-oriented planning network and provides a list of consultants
- Urban Land Institute: www.uli.org. High-powered real estate think tank, publisher with an extensive member list of developers, financiers and consultants; New York City, Westchester/Fairfield, and Upstate chapters

C. Data from Private Sources

Data firms that provide, real estate and market data, publications, and services

- Buxton: www.buxtonco.com. Market segmentation and analysis
- Claritas: www.claritas.com. Market segmentation and data
- Costar: www.costar.com. Office market information in major markets
- Loopnet: www.loopnet.com. Commercial properties for sale or lease
- Multiple Listing Service: usually affiliated with local real estate board.
- Local Properties: usually residential for sale or lease
- Mighty Map: www.mightymap.com. Parcel level real estate data for NYC and nearby
- A.C. Neilson: www.acnielsen.com/site/index.shtml. Widely recognized market and survey information
- Real Capital Analytics: www.rcanalytics.com. National real estate finance trends
- REIS: www.reis.com. Real estate, demographic and market information
- Spectra Marketing: www.spectramarketing.com. Market segmentation data
- Woods and Poole: www.woodsandpoole.com. County market and employment data
- Zillow: www.zillow.com. On-line real estate valuations