

General Market Analysis and Highest & Best Use

Learning Objectives

Module & Title	At the conclusion of this module, the student will be able to:
Module 1 Real Estate Markets and Analysis	<ul style="list-style-type: none"> • Recognize the definitions of appraisal, highest and best use, and market analysis. • Identify the relationship between appraisal and highest and best use. • Recognize the four ingredients necessary for an actual market to exist. • Recognize the definition of equilibrium price. • Recognize the role that market analysis plays in all appraisals and in appraisals to develop market value opinions. • Identify the relationships between market value, highest and best use, market analysis, and supply and demand. • Identify the five primary areas into which information obtained from market analysis provides insight. • Recognize the definitions of market area and market area delineation.
Module 2 Types and Levels of Market Analysis	<ul style="list-style-type: none"> • Differentiate between a market study and a marketability study. • Differentiate between inferred demand analysis and fundamental demand analysis. • Identify the indicators of demand for real property. • Identify the three primary forces, or generators, of demand for real property. • Identify the characteristics of each level of marketability study used in appraisal. • Identify the guidelines for determining when to use each level of marketability study for an assignment.
Module 3 The Six-Step Process and Use of Market Analysis	<ul style="list-style-type: none"> • Identify the six basic steps in conducting a marketability study. • Identify the components of property productivity analysis. • Recognize the purpose of delineating the market area for a subject property. • Recognize the definition and purpose of demand analysis. • Recognize the definition and purpose of supply analysis. • Recognize the components of marginal demand analysis. • Recognize the definition and purpose of subject capture analysis. • Identify how the information gathered in the six-step process is applied in specific valuation techniques.

<p>Module 4 Basic Trend Analysis Techniques</p>	<ul style="list-style-type: none"> • Identify the purpose of using inferential statistics in market analysis and marketability studies. • Recognize the definitions of population, sample, extrapolation, mean, median, and mode. • Calculate and interpret mean, median, and mode. • Identify normal and non-normal distributions. • Identify the relationship between measures of dispersion and the reliability of a data set. • Recognize how graphs are created and why they are used in appraisal analysis. • Create and interpret graphs. • Apply linear regression analysis graphically and by calculator.
<p>Module 5 Level B Marketability Study for Suburban Residential Subdivision Property: Steps 1 and 2</p>	<ul style="list-style-type: none"> • Recognize the definitions of subdivision and finished lot. • Identify the information that must be analyzed in a complete property productivity analysis for a suburban residential subdivision property. • Determine physical characteristics that might influence the value of specific lots in a suburban residential subdivision. • Determine locational characteristics that might influence the value of specific lots in a suburban residential subdivision. • Identify the goals of market area delineation. • Recognize the definitions of delineate, boundaries, and competitive market area. • Delineate property boundaries based on physical characteristics.
<p>Module 6 Level B Marketability Study for Suburban Residential Subdivision Property: Steps 3 - 6</p>	<ul style="list-style-type: none"> • Recognize the definitions of household, marginal demand analysis, and capture analysis. • Identify the broad categories of housing units. • Project the number of households in a community in five years. • Apply and interpret graphing and linear regression analysis in projecting demand in a market area. • Analyze data to gain insight into historical trends in sale prices. • Project demand for a subject property type within its competitive market area. • Recognize the information the analyst must gather as primary data about properties that are competitive with the subject property. • Determine projects that will be most competitive with the subject project. • Calculate marginal demand for the specified lots in an existing subdivision. • Recognize the effect of the absorption period on marginal demand in market analysis of subdivisions. • Project a capture rate for a subject property.

<p>Module 7 Multifamily Property Concepts and Definition</p>	<ul style="list-style-type: none"> • Identify multifamily property types. • Identify multifamily property classes. • Identify forms of multifamily property ownership. • Identify categories of multifamily specialty occupancy. • Recognize characteristics of multifamily properties that are significant in multifamily property analysis. • Identify typical multifamily terms and measurements. • Recognize the definitions of gross building area, net rentable area, efficiency ratio, and unit mix.
<p>Module 8 Level B Marketability Study for Multifamily Property: Steps 1 - 3</p>	<ul style="list-style-type: none"> • Recognize the characteristics of multifamily properties that may affect their value. • Differentiate between macro and micro locations in multifamily property analysis. • Identify the requirements for delineating a multifamily market area and apply these in identifying the market area and the competitive market area for a subject property. • Recognize multifamily demand factors. • Identify components of and procedures used in inferred demand analysis for multifamily properties. • Make a five-year projection of demand for a specific type and class of multifamily property.
<p>Module 9 Level B Marketability Study for Multifamily Property: Steps 4 - 6</p>	<ul style="list-style-type: none"> • Recognize how to inventory and project the competitive supply of multifamily property. • Recognize how to perform a marginal demand analysis for multifamily property. • Calculate marginal demand for multifamily property. • Recognize methods used to estimate capture rates in multifamily market analysis. • Estimate the capture rate of a multifamily property.
<p>Module 10 Office Property Concepts and Definitions</p>	<ul style="list-style-type: none"> • Recognize office space classifications—e.g., Class A, Class B, Class C, etc. • Recognize the definition of market segmentation. • Recognize the ways in which office markets are segmented by demand and supply considerations. • Identify typical office space units, terms, and measurements. • Recognize the definitions of gross building area, rentable area, usable area, building common area, floor area, floor common area, efficiency ratio, and full-service rent.

<p>Module 11 Level B Marketability Study for Office Property: Steps 1 - 3</p>	<ul style="list-style-type: none"> • Recognize the physical, legal and location characteristics of office buildings that may affect their value. • Differentiate between macro and micro locations in office building analysis. • Recognize the definition of node. • Interpret data on competitive properties in a macro location. • Identify the purpose of defining an office property's market area. • Recognize the steps used to measure demand for an office property with inferred demand analysis techniques. • Delineate the specific market area and competitive market area to be considered in a Level B marketability study for an office property. • Project marginal demand for a specific class of office space in a node.
<p>Module 12 Level B Marketability Study for Office Property: Steps 4 - 6</p>	<ul style="list-style-type: none"> • Identify the supply of a specific class of office space in a market area and in a subject property's node. • Project future competitive office space in a market area and in a subject property's node. • Calculate marginal demand for a specific class of office space in a community and in a subject property's node. • Project a subject property's capture of office space demand by the pro rata share method.
<p>Module 13 Fundamental Concepts and Four Tests of Highest and Best Use</p>	<ul style="list-style-type: none"> • Recognize the definitions of highest and best use, highest and best use of land or a site as though vacant, and highest and best use of property as improved. • Identify the three items that should be specified in a highest and best use conclusion. • Identify the four tests to determine the highest and best use of an improved site. • Recognize the significance of reasonable probability and adequate support in the analysis of highest and best use. • Recognize the sequence in which the highest and best use tests are normally applied. • Apply the land residual technique and feasibility rent analysis to determine financial feasibility. • Recognize how the profitability index is used to determine financial feasibility.

<p>Module 14 Considerations in Highest and Best Use Analysis</p>	<ul style="list-style-type: none"> • Recognize that if a property is improved there are two considerations in the highest and best use analysis—the land or site as though vacant and the property as improved. • Identify the importance of determining the highest and best use of the site without regard to any existing improvements. • Identify the importance of the ideal improvement to a highest and best use analysis. • Recognize the importance of adhering to the principle of consistency in highest and best use analysis. • Recognize what is required to conclude demolition as an improved property’s highest and best use decision. • Recognize what is required to conclude conversion, renovation, or alteration as an improved property’s highest and best use. • Identify the differences between excess and surplus land.
<p>Module 15 The Three Conclusions of Highest and Best Use Analysis</p>	<ul style="list-style-type: none"> • Recognize that the three conclusions of a highest and best use analysis are the physical use, the timing of the use, and the market participants associated with the use. • Recognize that the maximally productive use may be delayed for legal, physical, or financial reasons. • Identify what is required to conclude a future use as the highest and best use. • Recognize the relationship of an interim use to the highest and best use. • Identify the importance and application of the conclusion regarding market participants.
<p>Module 16 Highest and Best Use Applications</p>	<ul style="list-style-type: none"> • Recognize basic cash flow concepts. • Apply cash flow concepts to the land residual technique. • Recognize interim use and the multiperiod highest and best use model. • Recognize implications of legally nonconforming uses. • Identify the implications of assemblage potential in a highest and best use analysis. • Recognize that a use does not have to produce rental income to be the highest and best use.
<p>Module 17 Applications of Market Analysis to the Three Approaches</p>	<ul style="list-style-type: none"> • Recognize the direct applications of market analysis to the sales comparison approach. • Recognize the direct applications of market analysis to the income capitalization approach. • Recognize the direct applications of market analysis to the cost approach.

<p>Module 18 Introduction to Level C Marketability Studies</p>	<ul style="list-style-type: none"> • Recognize when and why Level C marketability studies are needed. • Recognize reasons why the results of a Level C study may differ from those of a Level B study conducted for the same property. • Identify ways in which Level C marketability studies differ from Level B marketability studies. • Recognize additional analysis required for a Level C marketability study of a multifamily property.
<p>Module 19 Introduction to Marketability Study for Office Property and Data Sources</p>	<ul style="list-style-type: none"> • Recognize additional analysis required for a Level C marketability study of an office property. • Identify national and local sources of data for use in market/marketability analyses.