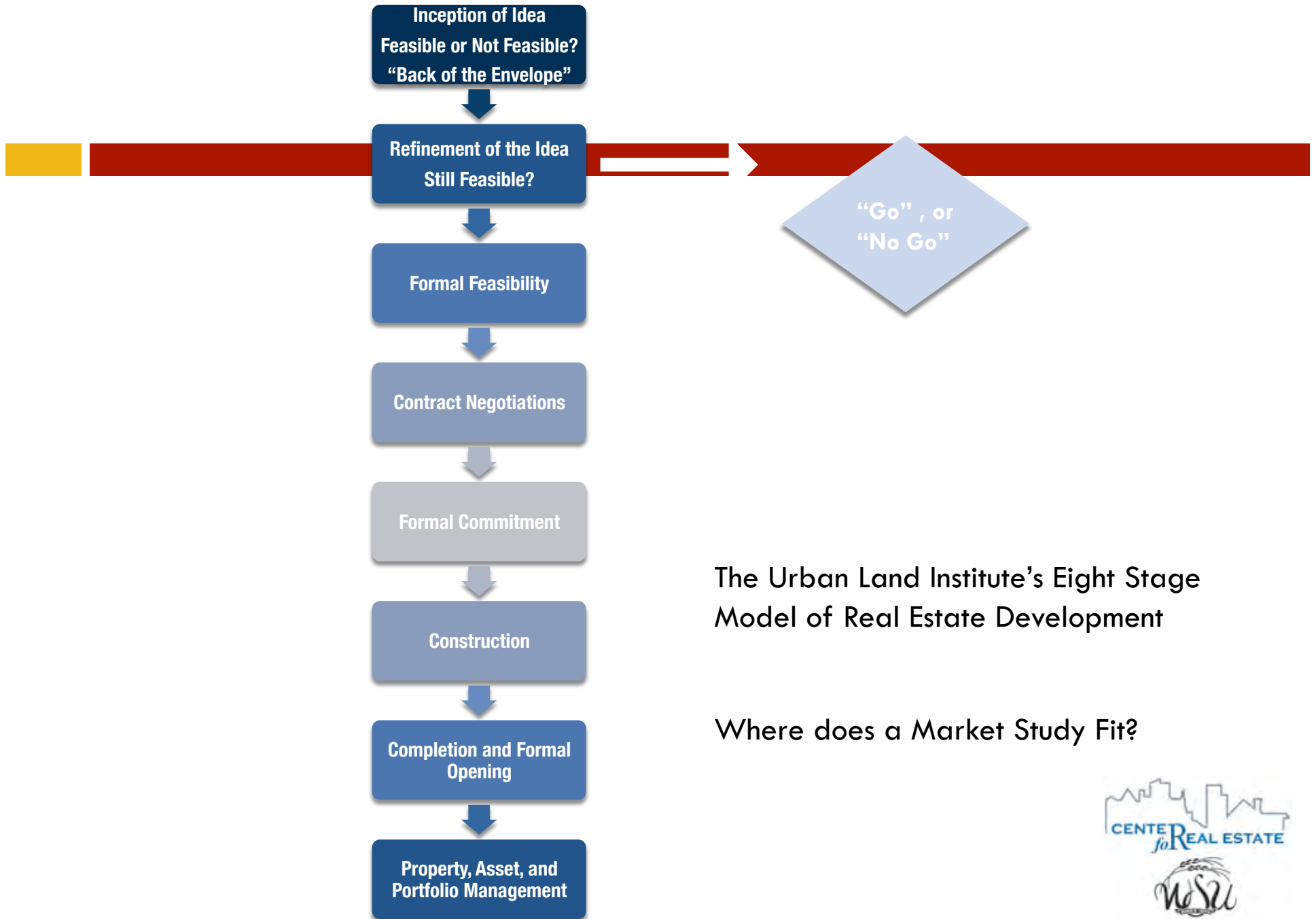


Market Study and Analysis



THE EIGHT-STAGE MODEL OF REAL ESTATE DEVELOPMENT

Wichita State University | Center for Real Estate



The Urban Land Institute's Eight Stage Model of Real Estate Development

Where does a Market Study Fit?



Market Study Outline



- Determine Project Concept and Study Objectives
- Conduct Site Analysis
- Collect and Analyze Demographic and Economic Data
- Conduct a Supply Analysis
- Conduct a Demand Analysis
- Provide Conclusions, Findings and Recommendations

Determine Project Concept and Objectives



- Start Sifting Ideas—This is the Developer’s Role
- Interview the client to clarify their goals
- “Back of the Envelope” analysis
 - ▣ Zoning issues?
 - ▣ Neighborhood sentiment (NIMBY)
- Market Forces for Old Town Partners, LLC to consider
 - ▣ Approved Sedgwick County Downtown Arena
 - ▣ Success of Urban Residential Products in and out of Primary Market Area (Wichita, KS)

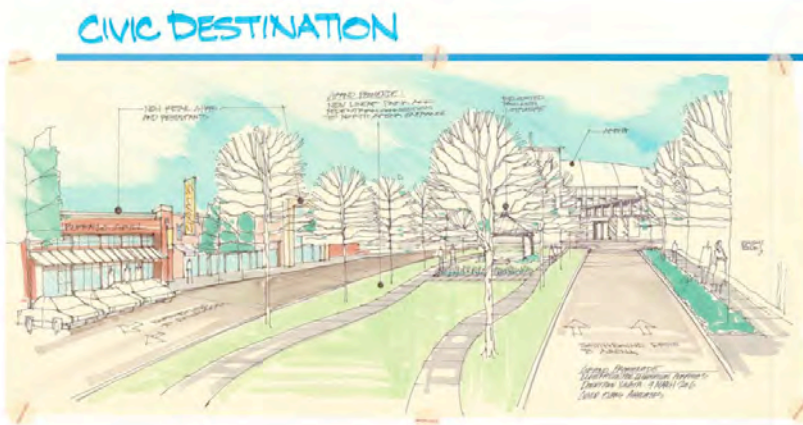
Conduct Site Analysis

Understand every aspect of the site. Know the current tenants, residents, and future plans for the area.



Project Integration to Current Vision for Area

Innovative Area "Plan" already developed and proposed to municipal players.



Arena Neighborhood Redevelopment Plan

“Location, Location, Location”

- Chose a suitable Building
- Start Working on a Design



- View from the Arena
- Current Image
- Relate all of the factors in the site analysis
- Summarize the positive and negative
- Primary Market Area (Downtown)

430 South Commerce Street



Collect Demographic and Economic Data

- Moody's Investor Services

 - www.economy.com

- Wichita Metro Chamber of Commerce

 - www.wichitakansas.org

- Sedgwick County Web site

- The City of Wichita Development Services

 - <http://www.wichita.gov/directory/realestate/>

- Local Brokers

 - www.martenscos.com



Feasibility



□ Commission Formal Market Study

- Current Projects in the area
- Past Projects
- Rental Rates
- Sales per Square Foot

□ Determine Financial Feasibility

- How much will it cost to build
- How much is it worth when it's built
- Is it the right product for the market

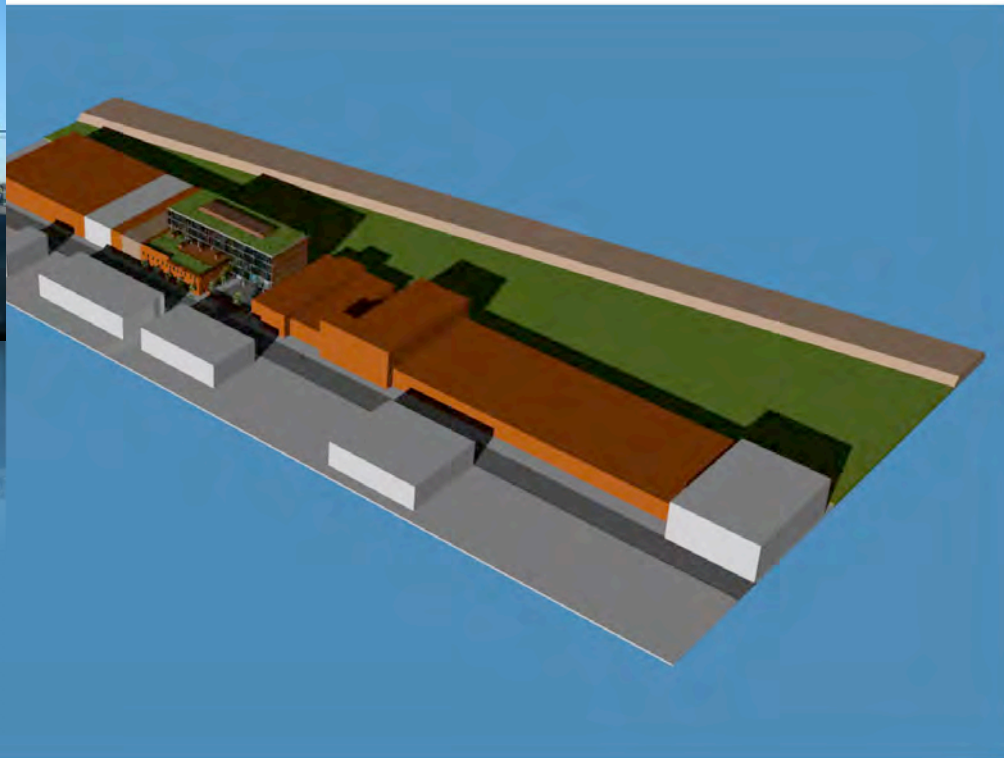
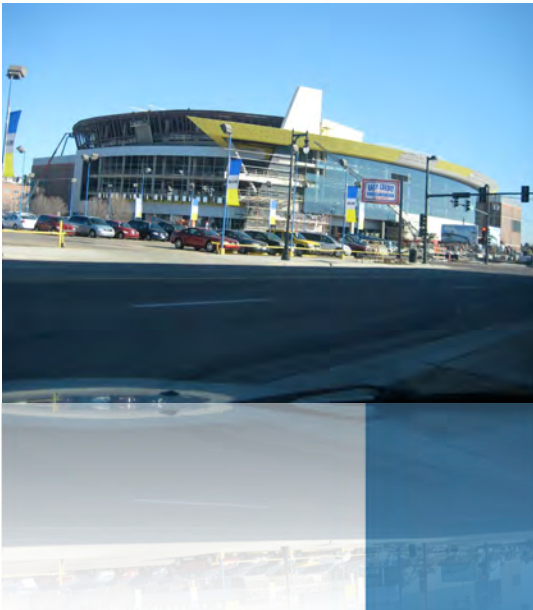
Initiation of a Design (retail)



Conduct a Demand Analysis



The New Neighborhood



“Go”, or “No, GO”

Initial Conclusions

Proceed—

With new
design
concept

- Supply—pretty high
- Demand—moderate, unchecked
- Cost to Build—High
- Value—Strong, but risky

- Conclusion
- Reconsider design and product type

Highest and Best Use of Land

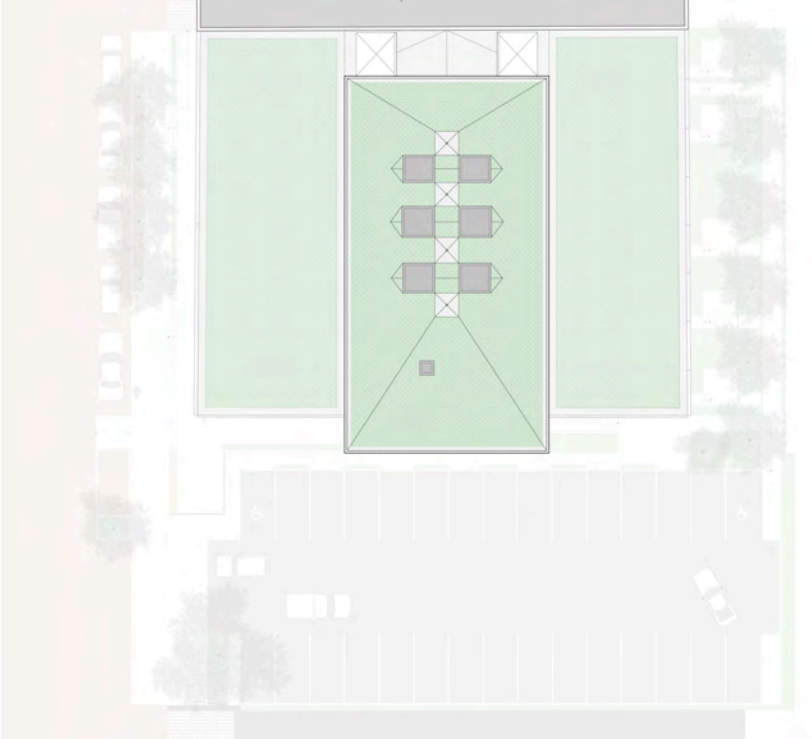
If possible, provide recommendation based on the available use of the land with respect to zoning, market forces, etc..

VACANT LAND VALUE BASED ON THE CONCEPT OF HIGHEST AND BEST USE

	OFFICE BUILDING	RETAIL CENTER	APARTMENT BUILDING
LEASABLE SQFT	60,000	60,000	60,000
LAND SQFT	200,000	200,000	200,000
LAND ACRES	4.6	4.6	4.6
NNN Rent/SQFT	16.00	18.00	
No. of Units			60
Average Monthly Rent/Unit			1,200
GROSS EFFECTIVE INCOME	960,000	1,080,000	864,000
Minus Vacancy & Collection losses	10.00%	10.00%	10.00%
EFFECTIVE GROSS INCOME	864,000	972,000	777,600
Minus Operating Expenses	48,000	54,000	259,200
Net Operating Income	816,000	918,000	518,400
Capitalization Rate	9.50%	9.50%	9.50%
ESTIMATED VALUE	8,589,474	9,663,158	5,456,842
Development Costs	6,000,000	6,000,000	6,000,000
LAND COST	2,589,474	3,663,158	-543,158

Applying the principle of Residual Land Value, the Highest and Best Use would be for the option of the Retail Center

Note:
This is a sample for didactic purposes only.



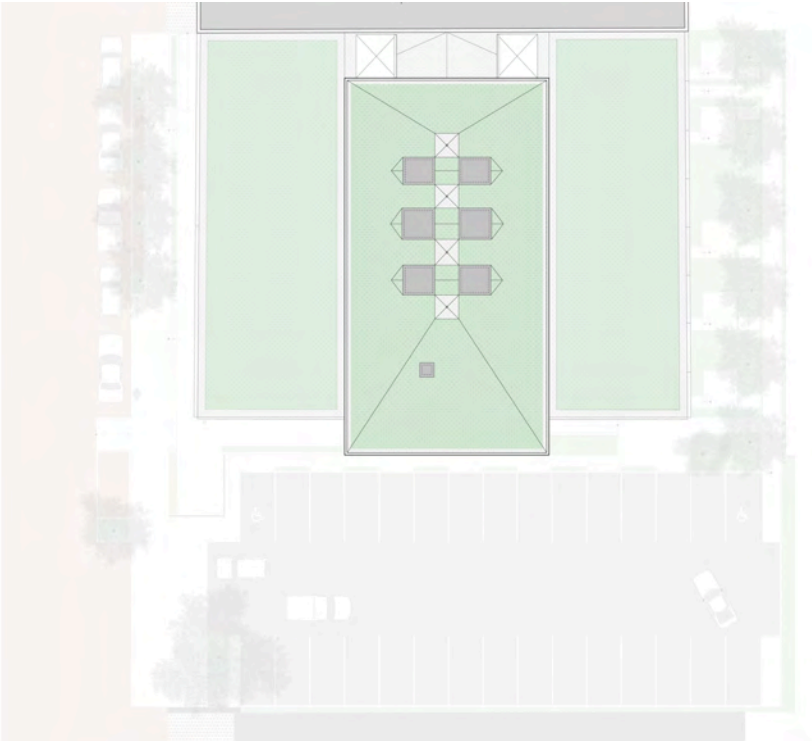
Refining the Project



VIEW FROM SOUTHWEST



FLOOR PLAN FIRST LEVEL





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Provide Conclusions, Findings, and Recommendations



- Good report will offer simple conclusion, or findings
 - ▣ Backed up by figures and charts
 - ▣ “Is there, or is there not supportable market support for the project?”
 - ▣ Recommendations
 - For reaching targeted market
 - For mitigating indentified problems and issues
 - For marketing strategies
 - For achieving project objectives
 - ▣ Determine, as requested, the next steps to meet clients needs



Questions, or Suggestions



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