Market Analysis Best Practices:
Using Submarkets for Search & Analysis

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As builders and developers try to compete in the complex, fast paced world of real estate, they're finding that the terms and conditions for underwriting land are tightening, while competition for "A" land in "A" markets is fierce. To keep pace, firms need to have a fast and efficient due diligence process and possess superior market knowledge. The introduction of new technologies and analysis techniques is making it more feasible than ever for companies to fuel their due diligence process and gain superior knowledge. One of the best ways to stay on top of market dynamics is by using mapping tools to conduct submarket searches and analysis.

While the availability of online mapping applications has grown, few products offer the robust features found in Digital Map Products' LandVision™. LandVision™, a real estate research, analysis and collaboration tool, helps you leverage spatial technology to capitalize on development opportunities. The following best practice article will walk you through how you can take advantage of the resources and tools available in LandVision™ to map residential development submarkets and analyze sales and competitor activity to achieve actionable industry information.

Overview: Residential Suburban Developments

The examples used in this article focus on mid-market suburban residential developments in the Temecula / Murrieta area of Riverside County, California. Using LandVision™ you will learn how to map and analyze submarkets, search for targeted sales comparables and track competitor submarket activity. Submarkets will be analyzed based on their product mix, sales activity, median price, level of competition, and estimated future demand.

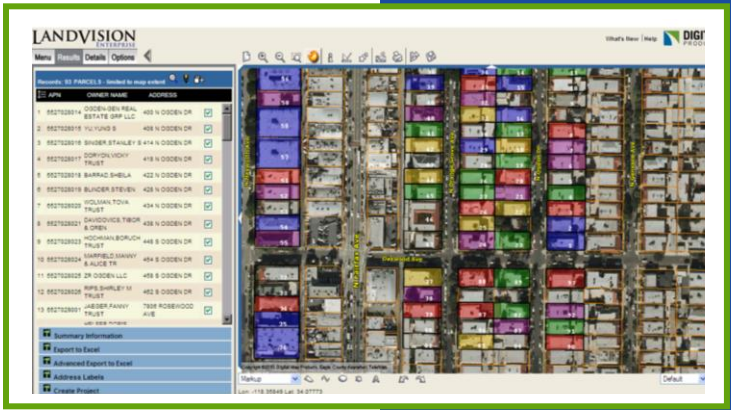
Best Practice: Submarket Definition

There are numerous ways to stay abreast of market trends and changes, from simply keeping personal notes and a contact list to investing in a database management program. However, no method is as powerful as it could be without targeted analysis facilitated by mapping and a spatial perspective.

The first step to achieve more robust market insights is to break your market into smaller, more homogeneous segments called submarkets. The goal of creating submarkets is to identify areas unique to your business, with similar traits, to perform searches, run analysis, and track trends. LandVision™ offers numerous tools to help you map your data and establish submarkets for deeper analysis.

Features of LandVision™

- ✓ Parcel Boundaries
- ✓ Street Centerlines
- ✓ City Boundaries
- ✓ Aerial Imagery
- ✓ Tax Assessor Information
  - Ownership
  - Owner Address
  - Site features
  - Tax and Value
- ✓ Markup Polygon
- ✓ Projects
- ✓ Enhanced Search
- ✓ Limit search "to Selected Graphics"
- ✓ Export to Excel
- ✓ Save Map



LandVision™ provides a complete solution to research, analyze and collaborate effectively to make better real estate decisions.

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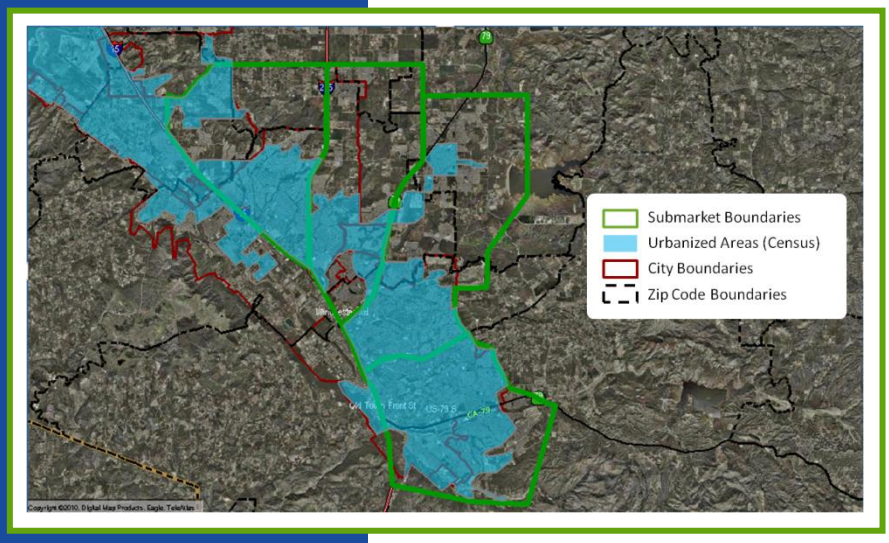
Using the markup tool available in LandVision™ you can easily establish submarkets to help you track sales activity in comparable geographies, identify major players, map communities, spot trends and even locate lots and land for acquisition. To map your submarkets using LandVision™ simply zoom to a scale where you can see the entire area of interest within your map, select the Draw Polygon tool located below the map, move your mouse into the map and draw a polygon around the perimeter of the submarket. Submarkets frequently follow manmade and natural boundaries. Some factors to consider when creating your submarkets are: socioeconomic boundaries, physical boundaries (foothills, canyons, water), jurisdictional boundaries (cities, zip codes, counties), transportation corridors, neighborhood designations and your organizations' proprietary designations.

The image below shows an example of residential development submarkets plotted using this method. The free-hand nature of the markup tool lets you make your own determination about what constitutes a submarket for your business.



The markup tools let you easily draw in submarket boundaries to track sales activity in comparable geographies, identify major players, track trends, and organize your research in a very intuitive way.

The drawn boundaries (green lines) in the image to the left represent 4 submarkets identified in the Temecula / Murrieta region of Riverside County, California. For comparison, also shown on the map are US Census 2008 Urbanized Areas (blue shading) representing population density areas, city boundaries (burgundy lines) and zip code boundaries (black dashed lines).

Once you have established your submarket boundaries, you should save them for future use. Do this by using the Save Drawing feature located on the main toolbar. You can even share your work with colleagues for quick and easy collaboration by saving your map to either the group folder or account folder.

Another way to map your submarkets is by using the Projects feature. The advantage of the Projects feature is that you can append key information directly to each submarket drawing by inputting this information into the custom fields on the Projects form. The ability to record attribute information lets you create your own proprietary spatial database which is searchable. To create a submarket using the Projects layer, change the dropdown menu below the map next to the Draw Polygon tool from the default value "Markup" to "Projects", then follow the same steps outlined above to create a polygon except this time also input text into the form located to the left of the map. Once you have completed the form, click the Save button located below the form.

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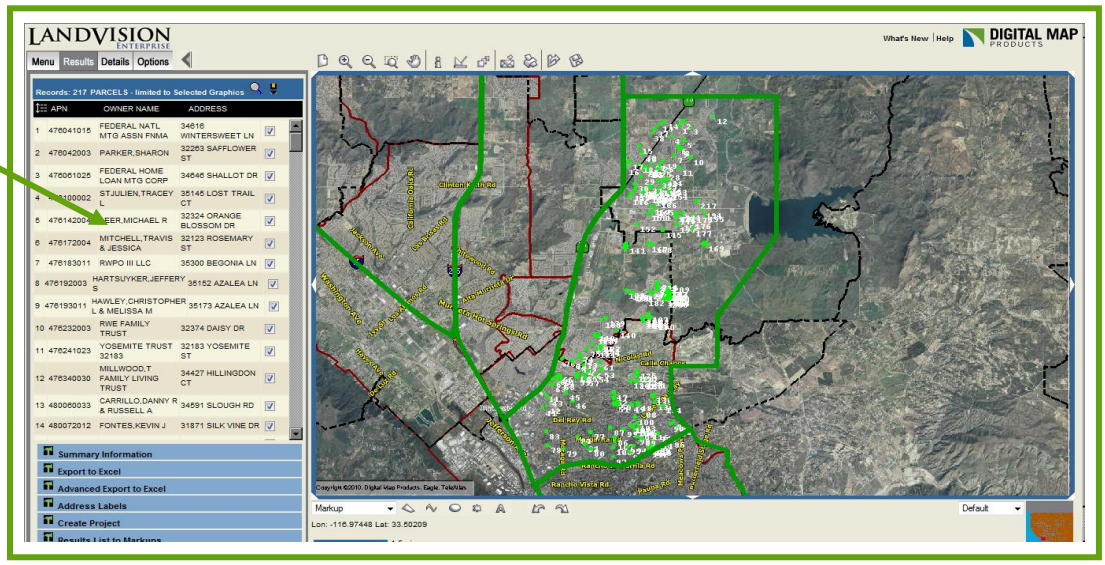
Did You Know?

Using LandVision™ you can input specific search parameters such as sale date, land use, market value and more.

Best Practice: Submarket Searches

Once you've created and saved your submarkets, it is time to put them to use by conducting comparable searches to track and analyze sales activity of new and existing homes by site characteristics such as land use and property size. To do this, use the Enhanced Search form and input your search parameters such as last sale date, land use type, estimated market value, building size and/or lot size. To spatially constrain your search to only your submarket boundary, check the 'To Selected Graphics' check box at the bottom of the search form. The image below shows one of our submarket boundaries, with a multi-criteria comparables search applied to it. From the results list, found to the left of the image, you can easily identify owners to see who the active players are and you can also click on each result individually to get a more comprehensive view of comparable properties that have transacted in the submarket.



With the Enhanced Search form, you can run detailed comparable searches by a variety of property and location criteria. Shown above is an individual submarket search with the criteria of: sale date of Q3 2010, land use equals SFR, and home size 1800 to 2800 sq ft.

Generating a new results list based on different search criteria is simple and can be done at any time. Having already saved your submarkets you can easily run additional searches employing new criteria based on your needs. For example, you can run quarterly submarket sales searches by setting a date range to the most recent quarter. You can also use your submarkets to search for distressed and bank-owned properties, locate vacant lots and land, or even identify competing communities.

Detailed searches such as these will arm you with key information on the dynamics of a particular area of interest. By applying submarket analysis to your search results you can determine market health, whether the market can support additional development, the optimal product mix, and even pricing.

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Best Practice: Submarket Analysis

Generating property lists using the above methods is just the start of the submarket analysis techniques available in LandVision™. With your search results displayed on the map, perform a high level visual analysis and observe where recent sales are clustering, particularly with respect to known actively selling communities. Then, to deepen your analysis use the Export to Excel feature located at the bottom of the results list to work with your sales data in a spreadsheet. The export file will contain over 50 attributes based on Tax Assessor data that can be analyzed to determine summary metrics such as median and average sale price, house size, price/sqft, and more. You can also identify trends on number of homes selling per month and even distinguish between new and existing home sales by sorting on seller name.

	A	C	D	E	F	G
1	ADDRESS	SELLER_NAME	SALE DATE	SALE PRICE	LIVING SQFT	PRICE per SQFT
2	40645 CALLE MADERO	JLDA LLC	7/2/2010	$503,000	2318	$217.00
3	35658 DENVER CIR	RYLAND HMS OF CA INC	7/2/2010	$306,500	2589	$118.39
4	39610 RIDGECREST ST	MIMMS,ROBERT E & STELLA	7/2/2010	$255,000	2160	$118.06
5	31556 STOCKTON ST	ESPINOSA,ERNESTO P & FRANCES	7/2/2010	$226,000	2122	$106.50
6	38924 AUTUMN WOODS RD	NATIONSTAR MTG LLC	7/2/2010	$225,000	1956	$115.03
7	31601 WHITEDOVE LN	CARPENA,NESTOR D	7/2/2010	$220,000	2204	$99.82
8	40430 CHAUNCEY WAY	DILORENZO,JOSEPH	7/2/2010	$205,000	2447	$83.78
9	36130 JOLTAIRE WAY	STERBAKKEN,SHEILA J M	7/6/2010	$265,000	2593	$102.20
10	31949 HONEYSUCKLE CIR	HUPPI,BRIAN & BERNADETTE	7/6/2010	$224,000	2290	$97.82
11	38894 HICKORY HILL CT	TRUSTEE CORPS	7/6/2010	$180,500	2188	$82.50
12	30881 WHITE ROCKS CIR	FEDERAL NATL MTG ASSN FNMA	7/7/2010	$260,000	2272	$114.44
13	40847 CALLE MEDUSA	QUALITY LOAN SERVICE CORP	7/7/2010	$255,400	2293	$111.38
14	35881 ARRAS DR	SPENCER,MICHAEL	7/7/2010	$210,000	1951	$107.64
15	31158 FIRESTONE ST	RECONTRUST CO NA	7/9/2010	$452,619	1802	$251.18
16	31088 WELLINGTON CIR	SAFAI CORPS	7/9/2010	$309,000	2291	$134.88
17	36255 JOLTAIRE WAY	SULTAN,FARAH	7/9/2010	$260,000	2708	$96.01
18	32123 ROSEMARY ST	ING BK FSB	7/9/2010	$229,000	2500	$91.60
19	36167 TAHOE ST	QUALITY LOAN SERVICE CORP	7/9/2010	$212,000	2593	$81.76
20	27579 SIERRA MADRE DR	NATIONAL DEFAULT SERVICING	7/12/2010	$418,296	2015	$207.59
21	36519 SAUTERNE ST	CANTER INTL RIVERSIDE II LLC	7/12/2010	$225,000	1951	$115.33
22	32324 ORANGE BLOSSOM DR	LEAL,WILLIAM J	7/13/2010	$273,000	2334	$116.97
23	38457 CORALINO DR	CHAVEZ,OMAR & CLAUDIA	7/13/2010	$225,000	2579	$87.24
24	40847 CEBU DR	COUSINEAU R LIVING TRUST	7/14/2010	$276,000	2004	$137.72
25	38188 TRANQUILA AVE	RECONTRUST CO NA	7/15/2010	$347,122	2180	$159.23
26	30910 BRANFORD DR	PREEMINENT INVESTMENT CORP	7/15/2010	$250,000	2141	$116.77
27	35638 FRANCIS CIR	KHALKHALI,ALEX	7/15/2010	$249,000	1856	$134.16

PROPERTY_DETAIL1033728858250528

MARKET SUMMARY STATISTICS	
Median Sale Price	$249,500
Average Sale Price	$264,039
Median Living SqFt	2267
Average Living SqFt	2276
Median Price Per SqFt	$109.95
Average Price Per SqFt	$117.23

Month	No. of Sales	Median Price
July	66	$250,000
August	70	$248,000
September	76	$245,000

Exploring seller name, you can gain a big picture view of market activity and tell what's selling and by whom: builders, private sellers, banks, etc. You can calculate additional fields such as sale price/sqft, and sort and filter your data to highlight trends.

With the Export to Excel feature you can quickly extract your results to a spreadsheet for formatting and analysis.

The image above shows a simple spreadsheet containing all market transactions from Q3 2010 within the submarket boundaries we outlined earlier. Additional metrics showing average and median sale price, house size, and price per square foot shed light on market statistics and trends. Sales volume per month can be an indicator of market health and local demand.

Once you've determined which attributes you use most frequently, you can use the Advanced Export to Excel feature to extract data utilizing just those attributes. This will allow you to zero in on only the necessary information for each situation. The knowledge gained from conducting this analysis can ultimately be reapplied to new searches with the promise of better results due to a deeper understanding of the data.

Exporting search results lists from LandVision™ provides a wealth of information that can easily serve as a starting point for in-depth analysis. Additional analysis possible with submarkets identified and mapped is analyzing residential land use patterns and mapping existing and proposed communities.

Did You Know?

Supplementing search results with additional attributes allows for greater analysis.

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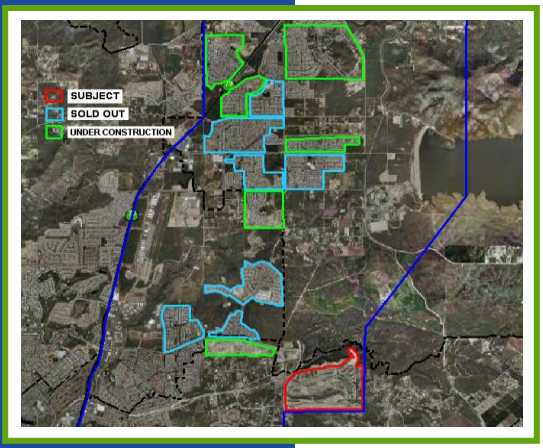

Track nearby communities, including their stage of development, price point, sales pace, and remaining inventory.

The map to the left shows several competing communities in a given submarket, with a possible development in red in the lower right corner, sold out developments in blue, and developments currently under construction and selling in green. With this exceptionally detailed submarket view, you can perform advanced sales analysis and even conduct lot inventory analysis by community. Data such as population projections, proposed retail developments, or transportation corridor expansions can help you project future demand and act early on opportunities to get the best land at the best prices.

Best of all, with LandVision™ your custom submarkets and communities are easily saved for subsequent use by yourself and colleagues, allowing you to build a proprietary database of market knowledge and giving you a competitive advantage.

Summary

One of the best ways for builders and developers to stay current on market dynamics is by creating submarkets unique to their area of focus and to use those submarkets for targeted search and analysis efforts. Submarket specificity, coupled with the latest innovations in mapping tools, enable you to better understand your market and its various drivers of change, giving you a competitive edge. The many features available in LandVision™ help you track activity, analyze your territory at a submarket level and drill down for a more strategic approach. Confidently manage your real estate research and analysis for improved decision making with LandVision™.

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Digital Map Products' Best Practice Series

"LandVision™ Best Practice Article: Market Analysis Best Practice: Using Submarkets for Search & Analysis" is part of Digital Map Products' Best Practices Series, a collection of articles intended to share industry insight, increase product knowledge and help readers benefit from advances in mapping technology.

About LandVision™ and Digital Map Products

LandVision™ is a real estate research, analysis and collaboration tool that embeds powerful mapping technology so builders, developers, and commercial brokers can make location-aware decisions. It facilitates the identification, qualification, acquisition and ongoing management of land and commercial real estate opportunities. With LandVision™, companies of all sizes can take advantage of spatial technology to make more informed decisions and gain competitive advantage. Digital Map Products is a leading innovator of cloud-based spatial solutions that bring the power of mapping technology to business, government, and consumers. The company's mission is Spatial Technology Made Easy.

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