

Market Studies for Municipal Owned Properties National Resource Network – 311 for Cities

In June 2016, a city submitted a request through the National Resource Network's [311 for Cities](#) feature inquiring about best practices in developing requests-for-proposals for a market study on a city-owned property as part of revitalization efforts for a commercial area outside of downtown. The following write-up was researched, developed and shared with the city by the Network to provide a summary of strategies as they address the issue.

Market Study Background

Market studies generate data about existing real-estate conditions and are essential to making informed decisions about strategies to change and improve the urban landscape. Public agencies most often use market studies to understand the market trajectory in order to inform the disposition of a real-estate asset, land use policy, or major public investments. A market study may be a stand-alone effort without additional work from the consultant in order to inform a subsequent city-led action or policy. However, many market studies are the initial component of larger interdisciplinary project such as an affordable housing strategy or a neighborhood revitalization plan.

A typical market study will collect and evaluate data on the following topics in relation to specific uses such as retail, office, residential, and/or hotel:

- Demographic data such as population growth and median income;
- Current and historic rents and sales prices;
- Current and historic vacancy rates;
- Pipeline of planned and under construction projects; and
- Estimation of absorption of space.

Real estate market studies typically cost between \$15,000 and \$25,000 per use evaluated. However, market studies that are stand-alone and review only historic and existing conditions, without forecasting future absorption, may be more economical. Generally, municipalities commission stand-alone market studies in order to collect data the city does not have access to but which is needed to inform development of a city-led plan or policy.

The primary draw-back to stand-alone market studies is that they describe historic and existing conditions but are less able to assess future changes to the market, including how potential urban design, infrastructure or policy changes may influence future market demand as part of a revitalization or transformational effort. This analysis of the potential future of the market is a necessary element for a robust revitalization strategy.

As a result, market studies to support revitalization efforts are often costlier and conducted by interdisciplinary teams as part of the development of a full revitalization strategy. These types of projects typically involve collection of a wider range of data in order to assess potential market trends in the near- and medium-term, may evaluate non-typical uses the municipality could target to activate the site, and would include case-study precedents of the market impacts of comparable revitalization efforts. Non-typical uses might include a farmers' market, art space, or education facility and are often evaluated through interviews with local stakeholders connected to these types of uses.

Developing RFPs for Market Studies

In developing an RFP for a market study, a municipality should carefully consider what they hope to accomplish, the data and scope of the resulting market study needed to accurately inform the development of the subsequent policy or plan, and the resources available for the effort. Thus the RFP should clearly specify the city's overall objectives, how the city will use the data, and the full scope of the project being solicited.

Cities interested in a broader revitalization effort but lacking sufficient funds should consider alternative approaches to conducting a stand-alone market study, as the study will likely confirm the need for revitalization without providing insight into what the city should do. The National Resource Network recommends exploring the feasibility of seeking funds from partner organizations, local stakeholder institutions, or philanthropic sources to conduct a more comprehensive revitalization strategy. If a broad revitalization strategy is not possible, cities should consider alternative approaches, to the extent they may also support the cities' goals for activating the commercial area. These might include:

- Creating marketing materials and targeted brokerage services to attract permanent or temporary uses to generate activity on the site and change the perception of the local market;
- Developing case studies to inform city leaders how peer cities leveraged real estate assets and local partnerships to activate and revitalize distressed commercial corridors; or
- Issuing a request-for-expressions-of-interest (RFEI) instead of an RFP to solicit free ideas for best uses for the site given current market conditions.

Sample RFPs

- [2014 Biddeford, Maine: Market and Feasibility Study RFP for the Municipal Owned MERC Site](#)
 - An RFP soliciting services to determine the highest and best use for an 8.5-acre former industrial parcel in a redevelopment area in order to return the area to economic prosperity. The RFP sought a market study to evaluate the market support for a broad range of uses such as commercial, industrial, residential, and tourist. This RFP also includes a fiscal impact analysis, which is additional scope to a market study.
- [2016 Farmington, Connecticut: Farmington Center Study](#)
 - An RFP soliciting services to provide a market study and subsequent design services for a 3-acre parcel the City intends to purchase from the State of Connecticut. The market study will result in recommended uses and square footage to inform the subsequent environmental assessment, site planning, and design guidelines. This project prepares the City to deliver to the private sector a development ready parcel with demonstrable market support as well as conducive regulations for development.
- [2013 Sioux Falls, Iowa: Downtown Market Study RFP](#)
 - An RFP soliciting services to evaluate the market for various uses in downtown Sioux Falls, estimate future demand, and develop market-driven recommendations regarding recruiting businesses and attracting commercial, residential, and mixed-use development.

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