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Research Paper

17 February 2017

### How to Write a Basic Market Feasibility Study

A contractor often requests that a market research team complete a Market Feasibility Study, which will determine whether a home development will succeed or fail. This critical document requires detailed research about a piece of land. A market feasibility study determines the constraints of a given real estate market and the market's ability to support an individual land development.

#### PROFESSIONAL MEETING WITH CLIENT:

Before the Market Analysis Study begins, the market research team must know exactly the architecture the client wants to build on his or her piece of land. This meeting with the contractor "helps the market research team familiarize itself with the project and its goals in a qualitative" (Kuhn). At this "kickoff meeting," the client's vision for the location and the look the client wants for the development is conveyed to the marketing team (Weedon). From here, it is the market researcher's job to walk the plot of land for the overall feel of the location.

#### SITE ANALYSIS:

The site analysis requires a physical site visit. Location is the most significant factor in determining appropriate pricing of homes on a development. When buyers are searching for a

home, location is generally their first concern. Michelle Weedon, President of Meyers' Research, states that during the initial site visit, "it is important to note all services near the property, positive and negative" (Weedon). Positive services include retail shops and highly rated schools (Wolfe). The negative factors are power lines, construction, high crime rates, and busy streets. Most of these factors are determined by the site visit, but school ratings and crime rates are found from specific websites, such as FBI records (Weedon). A quick S.W.O.T. analysis is extremely important to show the client the strengths and flaws of their soon-to-be invested property. When on the site, many pictures must be taken to show how far commutes are from local jobs and locations that target that specific market (See Appendix A). The location analysis provides insight and influence on how to determine pricing and development planning.

#### MARKET/COMPETITION ANALYSIS:

The competition analysis section of the report is a collection of "data about current housing, future housing, and demand" (Jawaid). To build and sell a home successfully, market researchers have to look at which projects by competitors have succeeded and failed in the past. A competitor is either looked at through competitors' websites or through physical home visits to competing developments. Since most Market Research Studies for real estate are made for model home communities, the number of units, unit sizes, and unit types are looked at in great depth. This analysis looks at each individual competitor's development in relation to layouts of homes, home prices, and absorption rates. Weedon defines an absorption rate as "... the rate at which available homes are sold in a specific real estate market during a specific time, which is calculated by dividing the total number of available homes by the average number of sales per month." The absorption rate gives the market research team an idea of how many homes should

be built at a time in one community based on the size, layout, feasible price and location. If a competitor has a high absorption rate percentage, the contractor is most likely going to build the home development in a similar way, because the target market is buying the homes rapidly.

#### DEMOGRAPHICS:

The Demographics section of the report is a study of the potential buyers. This analysis studies “the population that will be used for your demand modeling and estimates” (Kuhn). A question to ask during this step in the process is: Who are the current customers looking for homes and what is their “purchasing power”? Purchasing power is how much one family or person can spend on a home (Weedon). Market researchers can find the number of bedrooms, square footage and lot size by looking at population trends, such as age and family size. For example, if a market research company wants to make a model home community in an area with many young, four-person families, it would be appropriate to develop a three-to-five bedroom house, with over 1,400 square feet. Any property on the market needs to be “attainable,” the new word for affordable in the market research industry (Weedon). The population’s occupations and annual income play an enormous role in house pricing. This population information normally comes from Bureau of Labor Statistics or U.S. Census. Demographics are the “external” facts such as age and job employment rather than the emotional characteristics of the target market.

(See Appendix B)

#### PSYCHOGRAPHIC:

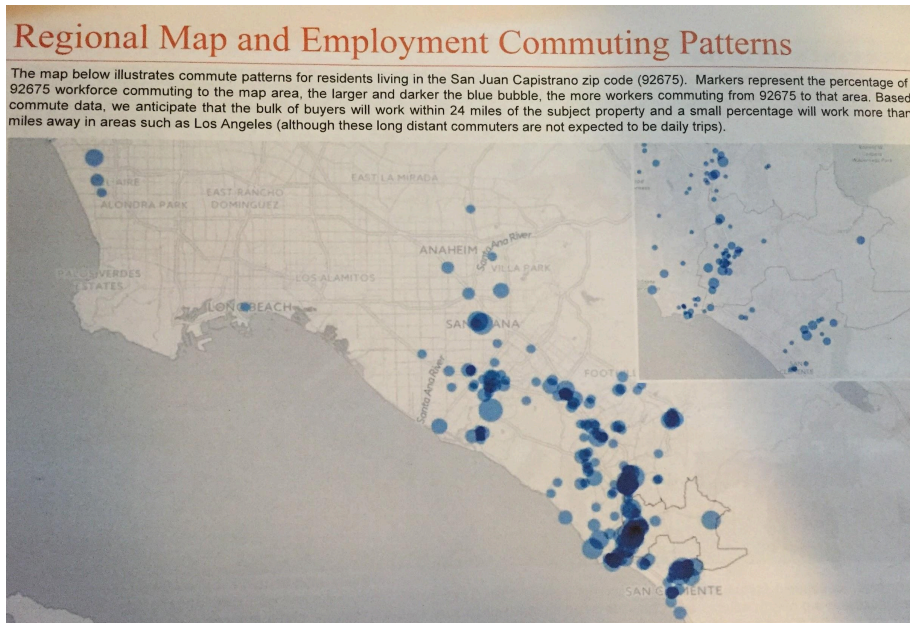
A psychographic is the study of a population’s general interests, opinions, and activities based on behavior, as opposed to a study of the population’s purchasing power (Weedon). A visual representation is made of a typical family or person within a given population (See

Appendix C and D). A psychological profile of the people of the target market is developed in the visual. One category used in a psychographic study is hobbies. Opinions are considered as well. These include both light issues, such as food preferences, and serious issues, like global warming or opinions on the world's next president. Lifestyle, meaning whether a person is busy or more relaxed, shows what people either do out of requirement or desire. For example, if the target market has a hobby in swimming, it would give the home developers an idea to build a pool, which would fulfill the needs of the population. On the other hand, if the target market tends to be very family oriented, it would be in the contractor's best interest to include a park in the home development. A psychographic shows the emotional, rather than physical and statistical, part of the target market and whether a specific person or family will fit into the target market of the developing homes.

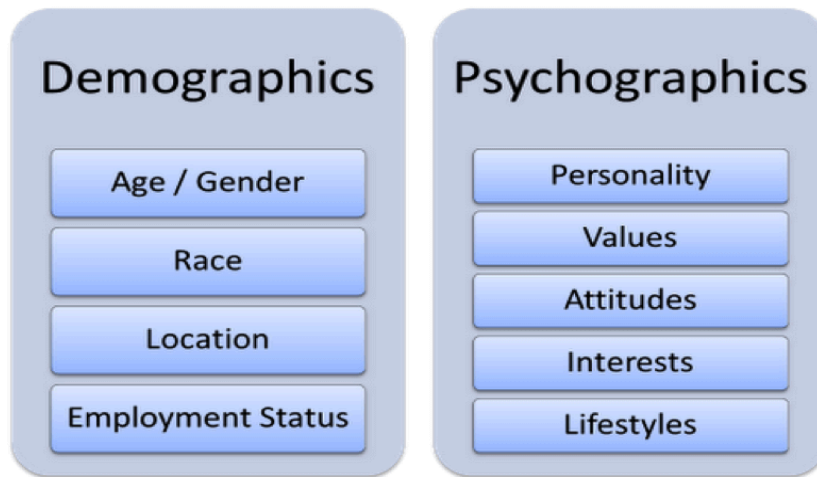
#### CONCLUSION:

A Market Feasibility Study plays an important role in showing contractors if a potential site should be purchased. This study is gives the contractor suggested pricing based off the location, the absorption rates of similar home developments, and an in-depth study of the target market's demographics and psychographics. The final Market Feasibility Study shows how a project will succeed and identifies any potential problems that could cause issues in the future.

### Appendix A



### Appendix B



(Smith)

Appendix C



(Smith)

Appendix D

## Top Tapestry Segments in South County Largely Caucasian

The majority of South County (San Juan Capistrano, Dana Point, and San Clemente) residents are married couples, with a high average age, who prefer to own homes and live in single family housing types.

**1**

**1E Exurbanites**

Prof/Mgmt  
College Degree  
White

Household: Married Couple  
Housing: Single Family

- Live in or have been very active in the financial district
- Travel abroad
- Support public TV radio
- Own two or more cars

Household: 2,326,000

**2**

**2A Urban Chic**

Prof/Mgmt  
College Degree  
White

Household: Married Couple  
Housing: Single Family

- Use insurance, art galleries
- Own luxury vehicles
- Use private jets, blue city taxis
- Shop local stores
- Own luxury homes

Household: 1,570,000

**3**

**3B Golden Years**

Prof/Exec  
College Degree  
White

Household: Single  
Housing: Single-Fam

- Travel overseas frequently
- Manage portfolio of CDs, stocks
- Have one child, work investment advice
- Walk with dog and companion
- Support arts, charities

Household: 1,970,000

**4**

**4A Top Tier**

Prof/Mgmt  
College Degree  
White

Household: Married Couple  
Housing: High Density

- Own two or more homes
- Use financial advisors
- Shop at high-end retailers, spas
- Have pets and companion color
- Participate in fully equipped luxury cars

Household: 2,072,000

**5**

**5C Trendsetters**

Prof/Exec/Mgmt  
College Degree  
White

Household: Single  
Housing: High Density

- Travel frequently
- Own financial advisor, high-tech portfolio
- Shop at Whole Foods, Trader Joe's
- Use personal, public transit
- Own smartphones, public transportation

Household: 1,940,000

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