

Prepared by Dr. Rana Maya

REA 621
Real Estate market analysis

Lecture 3



The background features a series of vertical panels with rounded ends. The leftmost panel shows a person's hands typing on a laptop. The subsequent panels contain various white line-art icons on a semi-transparent background: a graduation cap, a play button, a target with an arrow, an open book, a magnifying glass, and a group of people. The main title is positioned to the right of these panels.

Market conditions: indicators and demographics

Lecture 3

REA621

Real Estate market analysis

Prepared by
Dr. Rana Maya

lecture

03

Abstract



National, and local economic conditions affect property demand. key real estate market indicators and economic indicators with consumer Demographics shape consumer confidence and business investment activity.



1. Introduction
2. Market indicators
3. Economic Indicators
4. Visitor Profiles and Tourism Trends
5. Consumer Demographics
6. City Real Estate Market (Example)

Learning outcomes

By the end of the lecture, you will be able to:

1. **Explain** the purpose and scope of real estate market analysis .
2. **Identify and interpret** key real estate market indicators.
3. **Analyze** economic indicators such as employment levels, income trends.
4. **Evaluate** the influence of visitor profiles and tourism trends on real estate markets.
5. **Assess** consumer demographic characteristics, including population. structure, household income, psychographics.
6. **Apply** market indicators, economic data, and demographic analysis to a real-world city example.

The strength of the national economy influences whether businesses expand their space, what new online and bricks-and-mortar store concepts are introduced, when families move up to pricier homes, and whether travelers book more hotel room nights.

Why?



market analysis requires some consideration of the national economic climate.

1.Introduction

The analyst should be aware of current and future macroeconomic factors when drawing conclusions about the advisability of starting a new project or investing in an existing building.

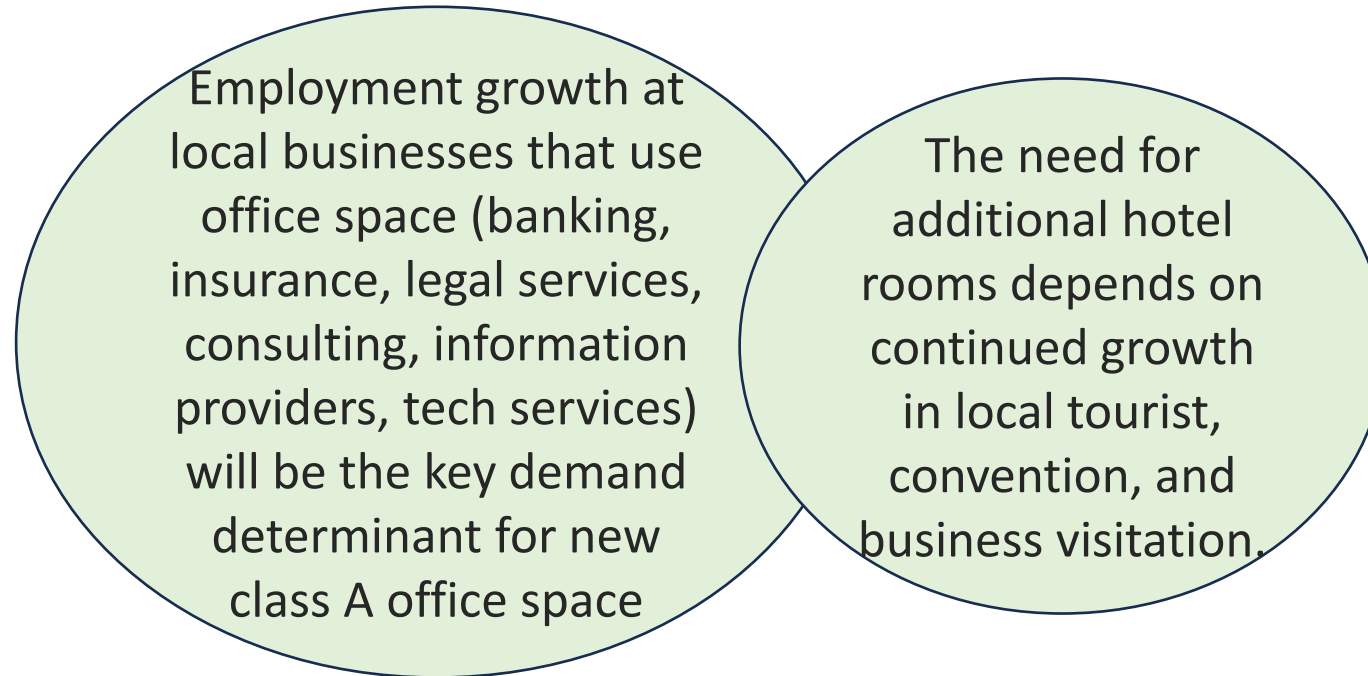
At the same time, experienced researchers understand that the national economy is cyclical. Conditions observed today may change dramatically by the time a new building breaks ground, let alone by the time it is ready for occupancy.

1. Introduction

- Local conditions may not precisely mirror national trends.
- Not every metropolitan area benefits from a national economic boom, and some communities will survive a national recession relatively unscathed.
- **As a result, real estate market studies usually give greater weight to metropolitan area economic indicators than to nationwide statistics.**



1. Introduction

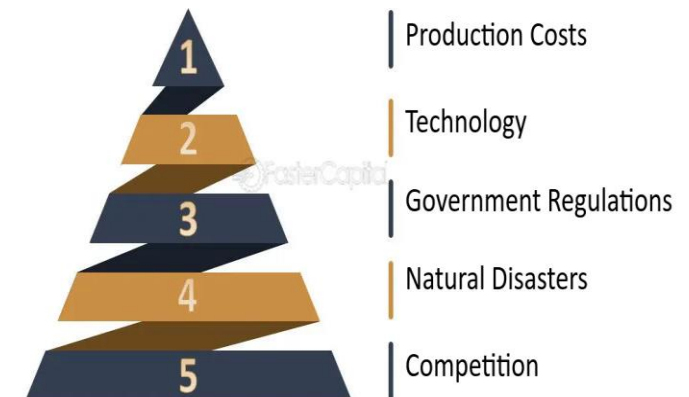


- **Metropolitan market dynamics are the most important factors considered in projecting housing demand.**

1. Introduction

- The market analyst must also devote considerable attention to supply factors that affect development feasibility. Typically, supply-side analysis considers:
- **Macroeconomic trends** affecting the market and current conditions (metropolitan area or countywide absorption, vacancy rates, and rents and prices).
- **local area market performance indicators** and construction activity.
- **Characteristics of competitive** buildings, both existing and proposed.

Factors Affecting Supply in Market Value



2. Market indicators

Real Estate Market Indicators

Number of Transactions (Market Activity)

Measures the volume of buying and selling activity in the market.

An **increase in transactions** indicates rising demand and investor confidence, while a **decrease** may reflect economic uncertainty or affordability constraints.

Example: Annual residential transactions increased from **18,500 units in 2022** to **21,000 units in 2024** (+13.5%), signaling an expanding market.



2. Market indicators

Average Property Prices

Reflect overall market valuation and price trends influenced by demand, supply, income levels, and construction costs.

Rising prices suggest demand exceeds supply

stable or declining prices may indicate market saturation or weakening demand.

Example: The average apartment price rose from **\$1,200/m²** to **\$1,320/m²** over two years (+10%), driven by limited new supply and strong household income growth.



2. Market indicators

Occupancy Rates

Indicate the level of absorption of existing real estate stock, particularly relevant for rental and commercial markets.

High occupancy rates reflect strong demand and support rental growth

lower rates may signal oversupply.

Example: Residential occupancy reached **96%**, while office occupancy remained at **88%**, showing stronger demand for housing compared to office space



3.Economic Indicators

- Brokers and private data vendors are the usual sources of raw information on conditions in the metropolitan area and the submarket, both current and historical.
- However, market analysts, appraisers, and economic development professionals must verify, analyze, and interpret the statistics.
- To go beyond the numbers, they need to understand the physical character, tenancy, and performance of key competitors.
- learning about the competition requires field visits and personal or telephone interviews with building owners or managers.



3.Economic Indicators

Real estate developers and their financial partners will want to understand :

- The drivers of economic growth—the mix of industries
- The area's largest employers
- The nature of new and expanding businesses.

Investors must have confidence in the market's continued economic vibrancy, and so they look for evidence of a growing labor force and new job creation.

3.Economic Indicators

In today's economy, the largest employers in many markets are hospitals, universities, school districts, supermarket chains, and discount department stores.

The mix of industries found in a metropolitan area will determine the strength of demand for different types of properties.

3.Economic Indicators

- Tourist destinations and convention cities will need far more hotel rooms than their resident populations would support.
- A city located at the confluence of three interstate highways is often a center for warehousing and distribution uses.
Deepwater ports, intermodal rail centers, and international air cargo terminals also create above-average demand for warehouse space.



3.Economic Indicators -Employment Statistics

Employment Statistics

Government agencies publish At-place statistics count jobs according to their location; the data are calculated from sample surveys and reports filed by employers. Monthly and annual reports on employment by industry

worker-based statistics (including unemployment rates and much of the information about the occupation and education of the labor force) from the BLS are tabulated by the respondent's place of residence.

3.Economic Indicators - Employment Statistics

Comparing Sources of Employment Data from the Bureau of Labor Statistics

Topics	Current Employment Statistics (CES)	Local Area Unemployment Statistics (LAUS)	Quarterly Census of Employment and Wages (QCEW)
Description	Employment, average production worker wages, and average weekly hours by industry and geographic area (place of employment)	Employed and unemployed persons by geographic area (place of residence)	Employment, number of employers, average weekly wage, and total wages, quarterly and annual average, by industry and geographic area (place of employment)
Methodology	"Payroll survey" uses a sample of employers	"Household survey" estimates of employed and unemployed persons during a specified week each month	Census of all employers liable for unemployment insurance (97%–99% of total nonagricultural employment)
Populations excluded	Self-employed, agriculture, domestic workers, military	Individuals not in the labor force; persons in the military and in institutions	Self-employed, unpaid family workers, railroad workers, student workers, some agricultural workers

3.Economic Indicators - Employment Statistics

Market Analysis Employment Section –

example www.stats.gov.sa

“The labor market in Saudi Arabia demonstrates strong performance with an overall unemployment rate of ~3% in 2025 and a high labor force participation rate (~67–68%). Saudi nationals experienced declining unemployment and increased workforce participation, particularly among women and core working-age groups.

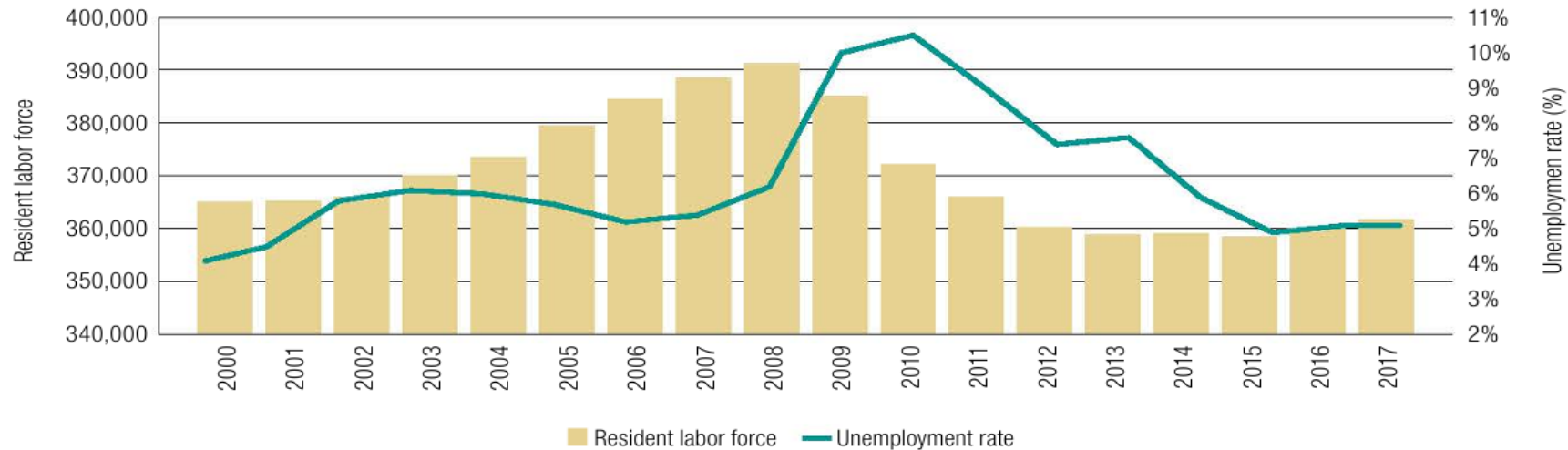
These positive trends align with government reforms under Vision 2030, which focus on economic diversification, private sector growth, and increased local workforce involvement.”



3.Economic Indicators - Employment Statistics

The economic overview should include data about total growth in nonfarm jobs over the preceding five to 10 years and about how those jobs are distributed by major industry group.

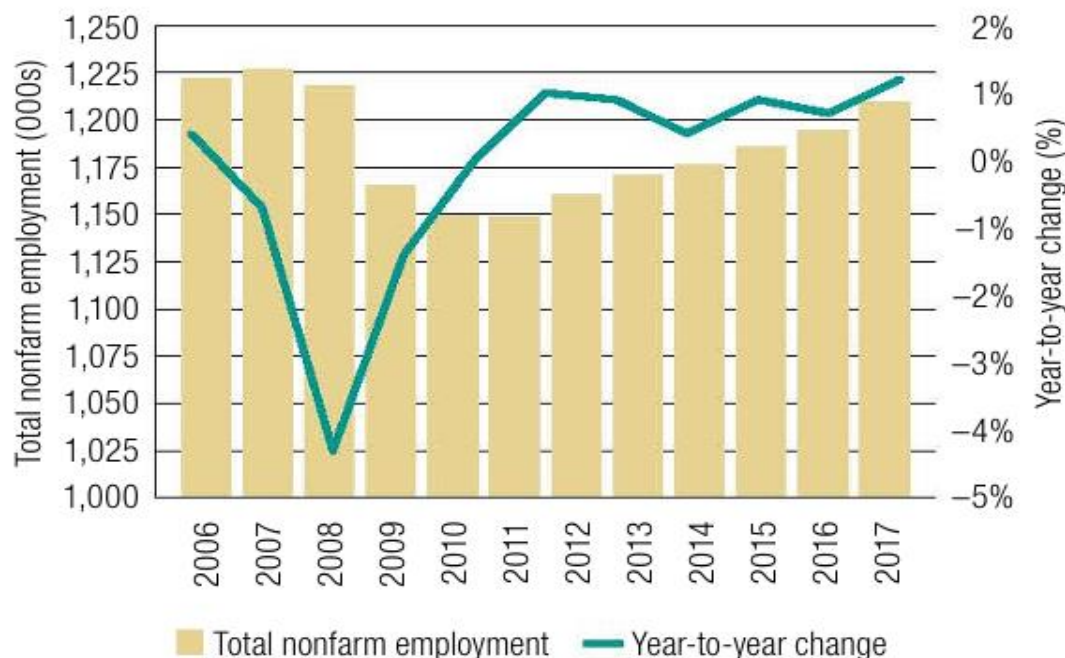
Example: Resident Labor Force and Unemployment Trends
Akron, Ohio, Metropolitan Statistical Area, 2000–2017



3.Economic Indicators - Employment Statistics

Example: Trends in Total Nonfarm Employment

Newark, New Jersey, Metropolitan Division, 2006–2017



The numbers illustrate a very slow economic recovery. Nonfarm employment peaked at more than 1.2 million jobs in 2007. Ten years later, total jobs had not yet returned to 2007 levels. While the percentage gains look small, the number of jobs stabilized in 2011 and has increased each year after that.

3. Economic Indicators - Economic Diversity

Most officials seek new industry that will shake up the mix of jobs and breathe new life into the economy. In general, greater diversity in a local economy makes it less vulnerable to economic downturns and less risky as a location for investment.

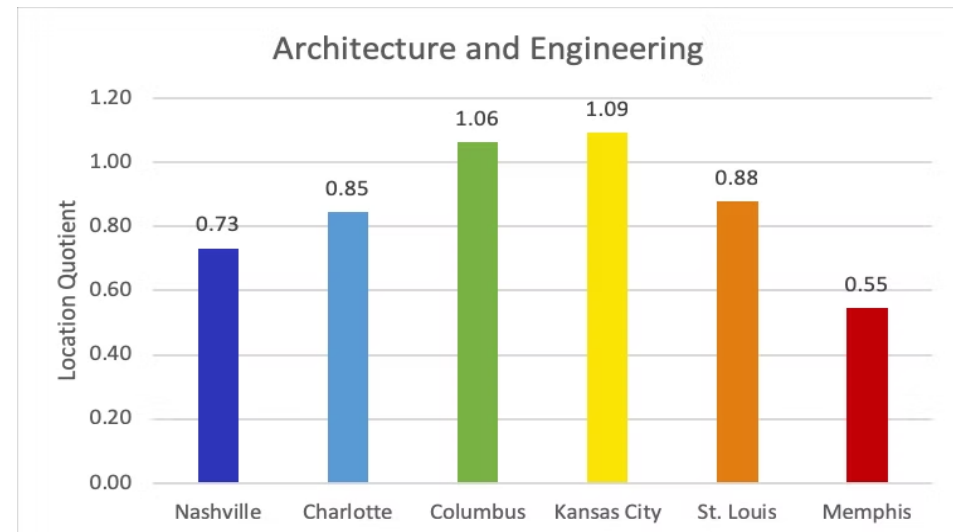
An area that depends on a few large employers or a single industry will be more vulnerable to recession.

This dependence will affect both absorption of new space and continued strong occupancy in existing buildings

3. Economic Indicators - Economic Diversity

One way to present these data is to use **location quotients (LQs)**, which are ratios that compare the concentration of employment by industry in a defined area.

For example, an LQ of 1.0 in mining means that the region and the nation are equally specialized in mining; while an LQ of 1.8 means that the region has a higher concentration in mining than the nation.

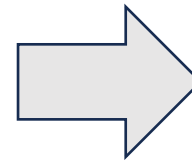


3. Economic Indicators - Key Employers and New Industries

Noting the top 10 or 20 largest employers is also helpful for portraying the area's economic base.

It is useful to focus extra attention on the area's largest private-sector businesses while noting whether their job counts or payrolls have grown over the preceding five years.

It will help clarify which segments of the economy are generating demand for space, bringing in new workers, and so on.



- Local chambers of commerce
- Economic development agencies
- business magazines or newspapers
- Telephone or in-person interviews
- agency websites can also provide announcements and statistics

3. Economic Indicators - Labor Force Profile

-Labor force availability and skills are important to employers and are carefully considered when businesses make location decisions.

The report should provide background information about the educational attainment of the resident population, as well as brief descriptions of relevant community college training programs, nearby universities, and specialized trade schools.

-If the supply of available workers is too limited—or if the necessary skills cannot be found in the area—labor costs will rise and businesses may look to other locations for expansion.

4. Visitor Profiles and Tourism Trends

Visitor statistics are important in determining potential demand not only for hotels and resorts but also for entertainment, amusement, and cultural facilities.

Demand for hotel rooms, tourist information can include a variety of statistics:

- Trends in occupied hotel room nights
- Estimates of out-of-town visitation
- Patronage at museums, theme parks, concerts, and sporting events—reflected in ticket sales
- Breakdowns of visitors by type (convention attendees, business travelers, and pleasure visitors)



4. Visitor Profiles and Tourism Trends

<https://www.untourism.int/un-tourism-world-tourism-barometer-data>

**International tourist arrivals
grew 5% in January-September
2025.**

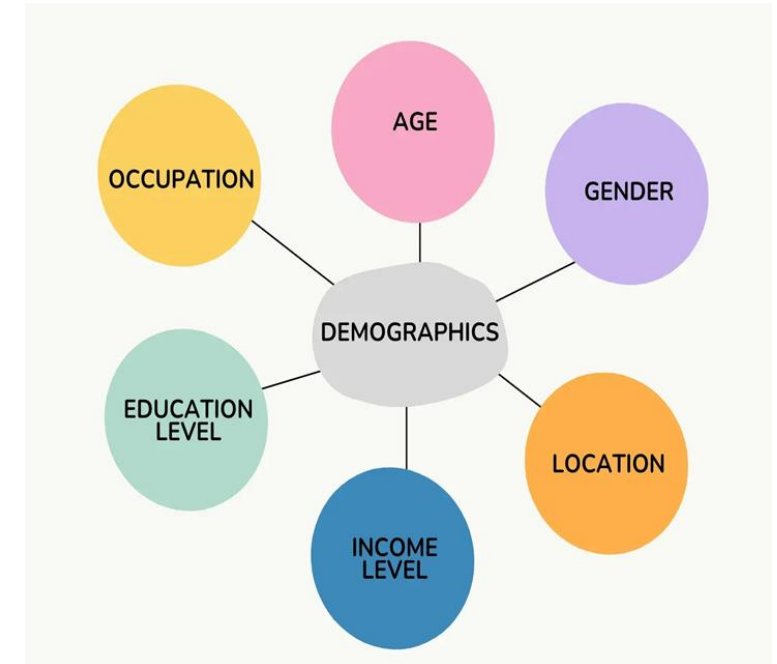
**Over 1.1 billion tourists
travelled internationally
through September, about 50
million more than in the same
period of 2024.**

5.Consumer Demographics

Housing and retail market studies require considerable detail on local population and household demographics.

Along with population counts and trends (growth or decline over time), other data that are useful for understanding consumer characteristics include :

- age distribution, median age
- housing tenure (owners and renters)
- household size
- household composition (for example, singles versus families, households with and without children)
- median and average house- hold incomes



5.Consumer Demographics

	1 mile	3 miles	5 miles
Total population			
2000	26,374	300,641	811,131
2010	49,610	330,257	793,494
2018 estimate	66,358	373,093	853,482
2023 projection	76,082	398,556	886,698
2018–2023 annual growth rate (%)	2.8	1.3	0.8
2018 estimated group quarters population	5,508	12,466	32,630
Family households			
2010	7,747	61,935	150,761
2018 estimate	10,370	68,909	160,458
Families as a % of total households, 2018	27.0	35.4	41.4
2023 projection	11,933	73,210	166,010
Families as a % of total households, 2023	26.8	35.0	40.9

5. Consumer Demographics -Demographic Characteristics

- Younger households are more likely than others to occupy smaller units and to rent rather than own.
- Their retail expenditures are much different from those of families with children and those of seniors.
- Young people spend an above-average percentage of their incomes on restaurant meals and entertainment.
 - Households with children spend more on food consumed at home and clothing.
- Ethnicity also is important because it helps shape housing preferences and shopping habits.

5.Consumer Demographics -Household Income

In housing market studies, data on the distribution of households by income are often cross-tabulated with data on the age of the householder.

This tabulation allows the market analyst to zero in on the number of households that would be age- and income-qualified or targeted for a proposed development.

For retirement housing, data on assets as well as current income help determine affordability

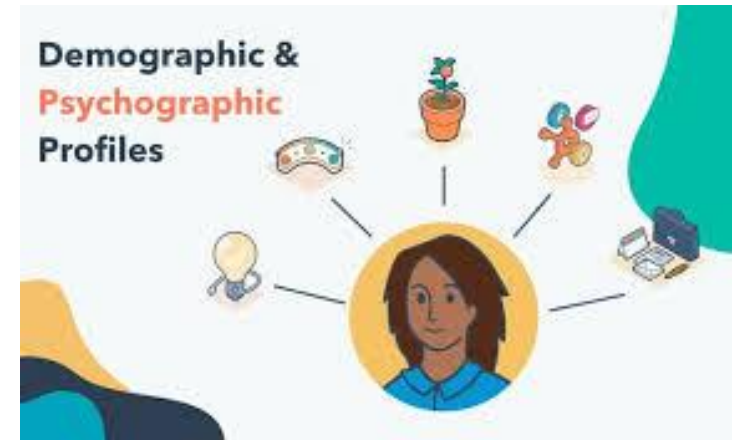
Income	Age cohort							Total households
	< 25	25–34	35–44	45–54	55–64	65–74	75+	
2017 households								
< \$15,000	69	150	205	239	422	373	639	2,097
\$15,000–\$24,999	62	208	255	270	431	518	865	2,609
\$25,000–\$34,999	57	294	313	304	490	482	846	2,786
\$35,000–\$49,999	99	560	608	638	804	875	1,143	4,727
\$50,000–\$74,999	190	1,172	1,230	1,455	1,509	1,517	1,258	8,331
\$75,000–\$99,999	104	972	1,330	1,383	1,456	1,125	395	6,765
\$100,000–\$149,999	68	940	1,803	2,257	2,042	1,147	458	8,715
\$150,000–\$199,999	27	347	880	1,382	1,042	480	113	4,271
\$200,000+	16	254	811	1,225	1,221	535	158	4,220
Total	692	4,897	7,435	9,153	9,417	7,052	5,875	44,521

5. Consumer Demographics –Psychographics -Portraying Household Lifestyles

Today's market studies often include information on trade area psychographics.

- Reading and music preferences
- Hobbies
- Recreational pursuits
- Community involvement

They can vary widely among residents in a given age or income bracket, and the differences influence shopping habits and housing preferences



5. Consumer Demographics –Psychographics -Portraying Household Lifestyles

DEMOGRAPHICS

- Age
- Gender
- Ethnicity
- Religion
- Education
- Profession
- Income



PSYCHOGRAPHICS

- Personality
- Values
- Attitudes
- Opinions
- Interests
- Social Class
- Lifestyle

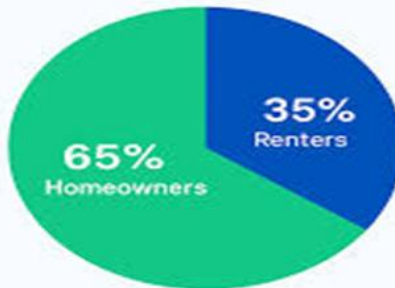
Analysis of lifestyle clusters helps developers determine the types of stores, restaurants, and entertainment venues that would be best suited for a new shopping center.

Consumer preferences for home types, sizes, features, and amenities become more obvious when residential developers use lifestyle data.

5. Consumer Demographics -Housing Tenure

The extent to which trade area households own or rent their homes, while not a population indicator per se, is important not only for housing market studies but also for retailers. obtaining information about existing tenants or buyers can be invaluable for identifying likely future customers.

**Homeownership
Share (2025)**



Source: DoorLoop.com

6. City Real Estate Market (Example)

1. Economic Indicators

Employment Statistics

Unemployment Rate: 4.2% in 2025, down from 5.1% in 2023, indicating strengthening labour demand.

Employment Growth: The total number of jobs expanded by **2.5% annually** over the past three years, outpacing the national average of 1.8%

6. City Real Estate Market (Example)

1. Economic Indicators

Economic Diversity

Economy is diversified across **five major sectors**: technology (22% of jobs), healthcare (18%), finance (15%), logistics (12%), and manufacturing (9%).

Economies with **diversified industry bases** tend to show more stable real estate growth than mono-sector cities (stability up to +40% in downturns) because multiple sectors attract more consistent employment growth.

6. City Real Estate Market (Example)

1. Economic Indicators

Key Employers and New Industries

Major employers include:

- *Tech Solutions* (8,000 employees)
- *Regional Health Network* (6,500 employees)
- *FinanceCo Bank* (4,200 employees)

Emerging industries (e.g., renewable energy and biotech) added **1,200 new jobs in 2025**, reflecting ongoing economic innovation.

6. City Real Estate Market (Example)

1. Economic Indicators

Labor Force Profile

Total labor force: **450,000 persons**

Participation rate: 66.8% (above national rate of 62.3%)

Average income growth over 3 years: +6.1%

Median household income: **\$67,000**, compared to \$58,000 national median.

6. City Real Estate Market (Example)

2. Visitor Profiles and Tourism Trends

Annual Visitors: welcomed **3.8 million visitors in 2025**, up **12% year-over-year**.

Tourism Spending: Total visitor spending reached **\$1.45 billion** in 2025, supporting hospitality properties and short-term rentals.

Occupancy Trends: Average hotel occupancy improved to **72% in 2025 from 66% in 2023**, driven by stronger business travel and event tourism.

Tourism Impact on Real Estate

Visitor-related demand boosts rental markets in central districts and supports investment in hospitality real estate and mixed-use developments.

6. City Real Estate Market (Example)

3. Consumer Demographics

Demographic Characteristics

Total Population: 1.24 million

Population Growth (3-year): +4.7%

Median Age: 36.5 years

Age Breakdown:

- 0–17 years: 24%
- 18–34 years: 32%
- 35–54 years: 28%
- 55+ years: 16%

6. City Real Estate Market (Example)

3. Consumer Demographics

Household Income

Median Household Income: \$67,000

Households with Income > \$100,000: 28%

Households with Income < \$40,000: 19%

Higher income brackets show increased demand for mid- to high-end housing and owner-occupied properties.

6. City Real Estate Market (Example)

3. Consumer Demographics

Psychographics

Lifestyle Trends:

- 46% of households prefer urban apartments.
- 37% are first-time homebuyers planning purchases within 1–2 years.
- 17% are investors focused on rental yields.

Younger demographics (18–34) exhibit stronger interest in walkable communities and proximity to employment centers.

6. City Real Estate Market (Example)

Housing Tenure

Owner-Occupied: 57% of housing units

Renter-Occupied: 39%

Vacancy Rate: 4% (below the national urban average of ~6%)

New Housing Starts: 8,500 units in 2025 vs. 7,800 in 2024 (+9% growth)

6. City Real Estate Market (Example)

Summary

City presents a **dynamic real estate market** backed by strong employment growth, diversified economic sectors, rising tourism, and favorable demographic trends.

Owner-occupancy remains resilient, while **rental demand is buoyed by young professionals and transient populations linked to tourism and business travel**.

Vacancy rates are low and housing starts are rising, suggesting continued upward pressure on prices and rent levels — particularly in core urban districts.

Conclusion

The art and science of market analysis requires judgment and vision as well as facts. Once market analysts have completed fieldwork, collected data, and prepared maps and tables, they must synthesize the findings and reach conclusions about a proposed project's marketability or the future performance of an existing property.



lecture

03

Exercise

Write market condition paragraph for market analysis report at your city?



Thank You