

Figure 11.1 Types of Real Estate Markets

Residential	Single-family residential subdivision	The value of a subdivision is directly affected by the absorption rate of the lots. Market analysis cannot be ignored in valuing this property type. Note that USPAP discusses several issues related to the valuation of subdivisions.
	Apartments	The sales data for apartments tends to be older, and market analysis may help the analyst adjust for market conditions.
	Single-family	Market analysis is usually only informational for this property type because the sales data is usually so current and comparable that the value opinion does not require adjustment for changes in market conditions. In other words, the value of single-family homes usually includes very recent comparables that already reflect any changes in property values due to market trends.
	Two- to four-family	Like the data for single-family homes, the market data for two- to four-family residences is usually so good that market analysis is only informational.
Commercial	Retail	Market analysis is informational and supports the adjustments made in valuing this property type. Most market analysis is conducted by large brokerage houses or chambers of commerce, therefore it is secondhand data.
	Office	As with retail market analysis, people other than the appraiser often conduct office market analysis. Office markets are sensitive to business trends, which gives market analysis additional importance.
	Hotels and motels	Primary research is fairly difficult to perform, but occupancy rates of comparables will give an indication of the supply side of the equation. Data on the demand for investment sale properties may be more difficult to obtain because national brokers often sell these properties. Market analysis of this property type is often done by brokers who specialize in hotels and motels.
Industrial	Manufacturing	Data on this property type is usually old and may require an adjustment for market conditions. Brokers or chambers of commerce usually perform market analyses for manufacturing facilities. It is secondary data but it is usually fairly accurate.
	Warehousing	Because warehouse properties are often built speculatively, market analysis is of primary importance in the valuation process for these properties. Warehouse markets are notorious for being undersupplied or oversupplied depending on economic conditions.
	Distribution	The market for distribution space is also out of balance often and requires good market analysis to ensure accurate value opinions.
Agricultural	Market analysis for agricultural properties is often difficult because brokers who specialize in this type of property are often not computerized, not organized, and not accessible. Agricultural markets vary widely depending on the product: <ul style="list-style-type: none">• Cash crops (corn, soy beans, tobacco, wheat, etc.)• Livestock (cows, pigs, chickens, etc.)• Mineral extraction (coal, gravel, gas, oil)	
Special-Purpose Properties	Again, in some markets market data relating to special-purpose properties is not organized, and market analysis is difficult. Often, these markets are so specialized that there are few buyers and sellers, and market analysis is statistically insignificant because of the lack of data. In many appraisals of special-purpose properties, there is no active resale market, and a change in use is required to develop an opinion of market value. Market analysis will then be focused on the property use that is economically viable and has a resale market.	