Strengthening Market Analyses for Forest Legacy Project Proposals

As congressionally directed, the market analysis has been a Forest Legacy Program (FLP) requirement since 2021. A clear, well-supported market analysis is one of the most effective ways to strengthen an FLP proposal. It helps our program understand the basis for the project's funding request, increases confidence in the project's financial feasibility, and reduces the risk of a significant discrepancy between the proposal estimate and the final Yellow Book appraisal. A stronger market analysis reduces the likelihood of a major discrepancy, but it cannot eliminate that possibility.

A thoughtful market analysis does not need to be an appraisal. It is an early, good-faith estimate that demonstrates an understanding of current market conditions and the request is grounded in realistic expectations.

Why the Market Analysis Matters

The market analysis is performed as part of the proposal stage. The Yellow Book appraisal – conducted later – relies on full due diligence (title research, hazmat inquiries, confirmation of the property boundary and legal description, conservation easement drafting) and determines the final federal funding amount.

A strong market analysis helps a proposal by:

- Showing that the requested federal share is tied to real market indicators.
- Demonstrating that the project is financially viable and less likely to encounter avoidable funding gaps due to a large difference between the proposal estimate and the final appraisal.
- Supporting a more persuasive narrative during state, regional, and national review.

Elements That Strengthen a Market Analysis

The following features help ensure the project cost estimate is clear and well supported:

- Identification of the preparer (e.g., real estate professional, appraiser, consultant, or FLP program staff) to help readers understand the level of expertise involved.
- The analysis is dated and includes cited sources so readers can see it reflects current information.
- A clear description of the property, including location, size, access, condition, and relevant characteristics.
- A well organized, transparent document that explains how the estimate was developed.

Using Comparable Sales Effectively

Comparable sales ("comps") are often the most persuasive component of a market analysis. Stronger analyses typically:

- Identify three to five relevant sales.
- Explain why older comps (more than one year) or distant comps are still appropriate when local or recent sales are limited.
- Provide clear, reasonable adjustments for differences in size, location, condition, access, zoning, or other characteristics.

- For CE projects, "After" comps should reflect the anticipated level of restriction. This does not apply to fee acquisitions.

Full CE language is not expected at the proposal stage, but the market analysis should include a short description of the major restrictions that materially influence value – such as the anticipated number of building areas, number of subdivision rights, or timber limitations. A sentence or two that conveys the expected "after" condition helps readers understand the level of restriction assumed when selecting comps and why those comps are appropriate. The goal is not to match every clause, but to ensure the comps reflect a similar overall easement profile. For example:

- "After execution of the CE, the property will no longer have marketability as a recreation or residential site and will function solely as a timber tract."
- "We anticipate the CE will allow one buildable area and permit public access over a portion of the site."

Local Knowledge and Reasonableness

A market analysis that aligns with known trends, recent sales, and local conditions is more likely to be viewed as credible and persuasive. FLP State Coordinators bring deep familiarity with their local markets and can strengthen a proposal's market analysis by showing how the estimate fits within the broader pattern of recent FLP projects. For example, looking at a recent FLP acquisition with similar characteristics and comparing the before-condition and after-condition price per acre can help demonstrate that the proposed estimate is consistent with outcomes seen in recent appraisals. This kind of contextual awareness helps show that the estimate is reasonable.

Common Issues That Undermine Credibility

Market analyses can be strengthened by avoiding or addressing:

- Projections that seem optimistic without supporting evidence.
- Missing, outdated, or poorly matched comps.
- Values that appear unusually high or low for the area.
- Heavy reliance on anecdotal statements rather than data.
- Use of a subdivision approach in the Before scenario instead of bulk land sales.
- Assuming a Highest and Best Use that differs from current use without compelling market-based or evidence-based support.
- Treating the After scenario as having no practical value – unless the easement truly imposes that level of restriction.
- Unclear or missing data sources.
- Potential conflicts of interest (e.g., valuation prepared by the seller/landowner).
- Boilerplate or generic analyses that do not reflect the specific property.

Addressing these issues early helps States prepare clear, well-supported estimates of value in FLP proposals and reduces the likelihood of major appraisal surprises during project implementation.