

Market Relocation Analysis: Best Markets for Company Expansion

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Team Members: Ezra Mendelson, Nathan Elsenraat, Khadichakhon Nurakhmedova, Kholida Khaminjonova

Background

The problem that our team decided to investigate was which markets provided the best fit for companies looking to relocate or expand. We decided that this was both a relevant and practical topic that could actually provide real world utility. Our goal was to examine the market data provided by Savills to draw conclusions and make recommendations for different types of companies. Our group broke companies down into two different types, high-budget companies and low budget companies. The high budget companies may be shopping for class A office space, which are high end spaces with the best amenities. The low budget companies may be looking for class O, which includes all other classes of buildings, generally not as nice. The type of company was very important because different markets had different types of spaces available. The factors used to determine market quality were changes in available space year over year, average price of rent, unemployment rate, and occupancy proportion, and crime rate.

Methodology

We first began by finding the correlation between average occupancy rate and unemployment rate, which turned out to be $r = -0.695$. Due to this large negative correlation and the relative lack of data relating to occupancy, we decided to forgo using it in our analysis. To determine the quality of cities for expansion & relocation, we used the following criteria. Firstly, we narrowed down the data to the ten markets that had available occupancy data (although we didn't use occupancy for our final analysis, we did not have the room to show our graphs for all 29 markets), and separated the data by internal class type, A and O. Next, we calculated the following variables from the given price and availability data over the six year sample: average availability, average net increase in availability year over year, average internal class rent (weighted), average unemployment, and average decrease in unemployment year to year. With this calculated, we filtered out all the markets that were below 50th percentile in any of these statistics. We chose this method to make sure our chosen market had no major flaws, as opposed to having only one area that they excelled in.

Results and Conclusion

For the internal class type of A, the market that met all of the requirements was Philadelphia. For internal class type O, the two markets that met all requirements were Dallas-Ft. Worth and Houston. Since two markets met the requirements, crime rate was used as the factor to differentiate between them. Dallas-Ft. Worth had the lower crime rate and was therefore selected as the best option. In conclusion, Philadelphia was found to be the market best for high budget companies and Dallas-Ft. Worth was the best option for low budget companies looking to relocate or expand.