National Council of Affordable Housing Market Analysts
Model Content Standards for Market Studies for Rental Housing

I. Purpose

The purpose of these standards is to provide standardized terminology and content for Market Studies of affordable rental housing prepared for developers, governmental agencies, lenders, or investors, of rental housing, which is to be financed in whole or in part by State Housing Finance Agencies and other public funding or regulatory agencies. The standards outline the content, data, analysis and conclusions to be included in Market Studies for rental housing. These standards do not establish the format or presentation for the report. The **Market Study Terminology** is an integral part of these standards. Defined terms are capitalized.

State Housing Finance Agencies and other industry members are welcome to incorporate the information below in their own standards. NCAHMA only requests **written notification of use.**

Note: Effective January 2004, NCAHMA members are to include these standards, as well as the market study terminology, index and certification.

II. Content

A. Executive Summary. Each market study should include a concise summary of the data, analysis and conclusions, including the following:

1. A concise description of the site and the immediately surrounding area.
2. A brief summary of the project including the proposed population to be served.
3. Precise statement of key conclusions reached by the analyst.
4. Precise statement of analyst's opinion of Market Feasibility including the prospect for long term performance of the property given housing and demographic trends and economic factors.
5. Provide recommendations and/or suggest modifications to the proposed project.
6. Provide a summary of market related strengths and/or weaknesses which may influence the subject development's Marketability , including compatibility with surrounding uses, the appropriateness of the subject property's location, unit sizes and configuration, and number of units.
7. A summary of positive and negative attributes and issues that will affect the property's performance and lease-up and points that will mitigate or reduce any negative attributes.

B. Project Description. The market study should include a project description to show the analyst's understanding of the project at the point in time the market study is undertaken. The project description should include:

1. Proposed number of units by: number of bedrooms and baths, income limit as a percent of AMI, unit size in square feet, and utility allowances for Tenant Paid Utilities, proposed rents, and Target Population, including income restrictions and any special needs set-asides.
2. The utilities expected to be paid by tenants and energy sources for tenant paid hot water, heat, cooking;

3. For rehabilitation projects, identification of any existing assisted housing program at the property such as Section 8, Section 202, Section 811, BMIR, Section 236, etc, as well as current occupancy levels, current rents and proposed rents.

4. Developer's projected dates for construction start and completion, and start of pre-leasing.

5. Description of: the number of buildings, design (walk-up, elevator, etc.), and number of stories, unit and common amenities, site amenities and parking. For rehabilitation projects provide a description of the methodology for the rehabilitation and the scope of work. The status or date of architectural plans and name of the architect should be referenced. A copy of the floor plans and elevations should be included as an attachment to the report.

C. Location and Market Area Definition

1. Define the Primary (PMA) and Secondary (SMA) Market Areas including a map that clearly delineates the areas and an explanation of the basis for the boundaries of the PMA and SMA. Identify PMA and SMA boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries. Also define the larger geographic area in which the PMA is located (i.e. city, county, MSA, etc.).

2. Provide a description of the site characteristics including its size, shape, general topography and vegetation and proximity to adverse conditions.

3. Provide photographs of the site and neighborhood, and a map clearly identifying the location of the project and the closest transportation linkages, shopping, schools, medical services, public transportation, places of worship, and other services such as libraries, community centers, banks, etc. In situations where it is not feasible to show all the categories on a map, the categories may be addressed in the narrative.

4. Describe the Marketability of the proposed development.

5. Describe and evaluate the visibility and accessibility of the site.

6. Provide information or statistics on crime in the Primary Market Area relative to data for the overall area. Address any local perceptions of crime or problems in the Primary Market Area.

D. Population and Households

1. Provide total population, age and income target data for the Primary Market Area using the 1990 Census, 2000 Census, current year estimates, and a five year projection. Data from other legitimate studies, such as Claritas, CACI and similar demographic information companies, with detail on Household size, tenure, age and other relevant categories may be provided. Provide the same information for the Secondary Market Area, if one has been defined. Indicate the source for all data, provide a methodology for estimates and provide an analysis of trends indicated by the data.

2. Provide a breakdown of Households by tenure for 1990 Census, 2000 Census, current year and five year projection.

3. Provide an analysis of trends indicated by the data and include reference sources for the data and methodology for analyzing the data.

4. Provide a breakdown of households by incomes in $5,000-$10,000 increments, by household size and by tenure for 1990 and 2000 Census, current year, and five year projection.

E. Employment and Economy. Provide data and analysis on the employment and economy of the Primary Market Area to give an understanding of the overall economic health of the community in which the Primary Market Area is located. List sources for the data and methodology for the analysis.

1. Provide a description of employment by industry sector for the Primary Market Area or smallest geographic area available that includes the Primary Market Area and compare the data to the larger geographic area, e.g. the city, county, labor market area, or MSA.

2. List major employers in the PMA, the type of business and the number employed and compare the data to the larger geographic area (i.e. MSA, County, Secondary Market Area, etc.).

3. Show the historical unemployment rate for the last ten years (or other appropriate period) for the PMA and compare to the larger geographic area (i.e. MSA, County, Secondary Market Area, etc.).

4. Show employment growth over the same period or a more recent, shorter period (last 5 years). Compare to the larger geographic area.

5. Comment on trends for employment in the PMA in relation to the subject.

6. If relevant, comment on the availability of affordable housing for employees of businesses and industries that draw from the Primary Market Area.

7. Provide a breakdown of typical wages by occupation.

8. Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA.

F. Existing Rental Housing Stock. Provide information on other multifamily rental housing in the Primary Market Area and any rental housing proposed to be developed in the Primary Market Area. This section of the Market Study should include:

1. If relevant in the market, a 10-year, or other appropriate period, history of building permits, if available, by housing type and comments on building trends in relation to household trends.

2. Identify a list of existing Comparable Properties, including: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size in square footage of units, kitchen equipment, type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking), unit and site amenities included, site staffing, occupancy rate, absorption history (if recently completed), name, address and phone number of property contact. Attach photos of each Comparable Property. Include a map identifying the location of each Comparable Property in relation to the subject.

3. Describe the size of the overall rental market in the PMA, including the percentage of Market Rate and Affordable Housing properties.

4. Provide a narrative evaluation of the subject property in relation to the Comparable Properties, and identify the Competitive Properties, which are most similar to the proposed development. The analyst should state why the comparables referenced have been selected, which are the most directly comparable, and explain why certain projects have not been referenced.

5. For each Comparable Property comparisons to the subject rents based on the Comparable Property Amenities, Tenant Paid Utilities, location, parking, concessions and rent increase or decrease trends.

6. Discuss the availability of affordable housing options, including purchase or sale of homes.

7. When relevant, include a list of LIHTC projects with allocations in or near the market area that are not placed in service, giving as much known detail as possible on estimated Placed-In-Service dates, unit mix and Income Levels to be served. As noted in Section III the Housing Finance Agency is expected to provide this information to the analyst.

8. Discuss the impact of the subject development on the existing housing stock.

9. The Market Vacancy Rate for the Primary Market Area rental housing stock by population served (i.e. market rate, Low Income Housing Tax Credit, and Project Based Rent Assistance) and type of occupancy (i.e. family, seniors, special populations) and unit size.

10. Identify the number of people on waiting lists for each project.

G. Local Perspective of Rental Housing Market and Housing Alternatives. The Market Study should include a summary of the perspective on the rental market, need for the proposed housing and Unmet Housing Need in the market. The local perspective should consider:

1. Interviews with local planners, housing and community development officials and market participants to estimate proposed additions to the supply of housing that would compete with the subject and to evaluate the local perception of need for additional housing.

2. Interview local Public Housing Authority (PHA) officials and seek comment on need for housing and possible impact of the proposed development on their housing inventory and waiting lists for assisted housing. Include a statement on the number and availability of Housing Choice Vouchers and the number and types of households on the waiting lists for Housing Choice Vouchers. Compare subject's proposed rents to local payments standards or median rents.

3. The cost and availability of home ownership and mobile home living, if applicable.

H. Analysis.

1. Provide a detailed analysis of the income levels of the potential tenants for the proposed units. State and support the minimum household income used for total housing expenses to set the lower limit of the targeted household income range. If required, provide an analysis based on the regulating agency's requirements.

2. Derive a Market Rent and an achievable rent and then compare them to the developer's proposed rent. Quantify and discuss Market Advantage of the subject and impact on Marketability.

3. Calculate the Capture Rate for each Income Limit in the subject property incorporating any Housing Finance Agency or other regulating agency restrictions such as age, income, living in Substandard Conditions, renters versus home owners, household sizes, etc.

4. Calculate the Penetration Rate.

5. Define and justify the Absorption Period and Absorption Rate for the subject property.

6. Project and explain any future changes in the housing stock within the market area.

7. Identify risks (i.e. Competitive Properties which may come on line at the same time as the subject property; declining population in the PMA, etc.), unusual conditions and mitigating circumstances. Evaluate need for voucher support or HUD contracts.

8. Provide documentation and descriptions that show the methodology for calculations in the analysis section and relate the conclusions to the data.

I. Other Requirements

1. Date report was prepared, date of inspection and name and telephone number of analyst preparing study;
2. Certification of no identity of interest between the analyst and the entity for whom the report is prepared;
3. Certification that recommendations and conclusions are based solely on professional opinion and best efforts;
4. Statement of qualifications;
5. List of sources for data in the Market Study;
6. Append current utility allowance schedule (or utility company provider letters).

III. Information to be Provided by Housing Finance Agency or Other Regulatory Agency

The Housing Finance Agency or other regulatory agency to which the Market Study will be provided will be expected to cooperate in the completion of the Market Study and provide the documentation listed below. If data relative to the Housing Finance Agency or other regulatory agency financed properties is not provided by the agency, then the analysts should not be required to include this data in the Market Study.

1. Average operating costs for other agency financed housing similar in size, design, and target population in the Primary Market Area or region
2. Average and maximum management fees permitted based on type and size of project or a statement that the agency does not in have the data or does not limit management fees
3. Data on rental housing inventory in the Primary Market Area financed or assisted by the agency or which has received preliminary approval or reservations of funding of Low Income Housing Tax Credits and is expected to become available in the market. This data should include property address, number and type of units, rents by unit type, Income Limits, and other relevant information.

IV. Additional Work

The documentation and analysis outlined previously in section II constitutes the entire content for a Market Study. A Housing Finance Agency, other regulatory agency or developer may desire a market analyst to provide additional information beyond the basic scope of the Market Study. Any additional documentation or analysis beyond the scope of the Market Study will be performed for additional compensation above the cost of the Market Study. Such additional work may include:

1. Preparation of estimates of the annual operating expenses for the operation of the subject property, upon achieving a Stabilized Level of Occupancy;
2. Report on the zoning designation of the property and comments on conformance of the subject property's conformance with zoning. This additional work also may include a zoning map, zoning ordinance or letter from the local zoning official;
3. Report on the flood zone for the property and a copy of the flood zone map;
   Census of all rental property in an area.

4. Evaluation of special needs set aside, including:

    - demands for target population, and its
    - impact on the rents the property can attain.