MFA Market Study Parameters

In order for the submitted market study to meet the requirements of MFA, the analyst or firm performing the market study analysis **must complete a Market Study Professional Certification** (as found in the Universal Rental Development Application materials), and such document must be submitted with the market study.

Additionally, each market study must include the following components:[1]

A. Executive Summary

The executive summary should include a concise summary of each section of the market study including data, analysis, and conclusions. Minimum content of the Executive Summary includes:

1. Concise description of the site and the immediately surrounding area/surrounding land uses.
2. Brief summary of the subject development, including the proposed targeted population to be served.
3. Summary of economic conditions.
4. Brief description and support of the defined primary market area.
5. Summary of key demographic data.
6. Summary of competitive market conditions.
7. Summary of demand for the proposed development including a concise statement of the analyst's opinion of market feasibility, determined by factors of market demand. Summary must include demand for units at each income and rent level proposed, overall capture rate (with and without subsidy, if applicable), and current subject vacancy rate.
8. Summary of positive and negative attributes and issues that will affect the property's marketability, performance, and lease-up. Mitigating factors of any negative attributes should be identified, if any.
9. Precise statement of key conclusions reached by the analyst. This statement should provide a definitive evaluation of the proposed development and its prospect for success as proposed. This statement should reconcile any conflicting data indicators among the various sections of the report.
10. If needed, recommendations and/or suggested modifications to the proposed project. It should be clear if these modifications would be necessary for the project's success.
11. Absorption estimate for the subject property. If recommendations are provided in the report, it should be clear if this absorption estimate is as proposed or assuming the analyst's proposed recommendations are followed.

B. Introduction and Scope of Work
(See: [NCHMA's Scope of Work](#))

The introduction of the market study should summarize the report's purpose and scope of work conducted during the preparation of the report. This section should include:

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[1] Based on *Model Content Standards for Rental Housing Market Studies*, Version 3.0, National Council of Housing Market Analysts.

1. Type of report – Comprehensive Market Analysis Full Narrative Report, Comprehensive Summary Report, Market Advisory Report, or Other (explain).
2. Client and project developer.
3. Intended use and users of the report.
4. Identify steps taken in completion of the report. If any significant steps were not taken, identify and explain.
5. Date of field work and site visit.
6. Person conducting field work.
7. Primary analyst reaching conclusions of report.

C. Project Description

The market study should include a project description detailing the analyst's understanding of the project as proposed. The project description should include:

General Requirements:
1. The proposed unit mix including bedrooms, bathrooms, square footage (identify as heated, gross, or paint-to-paint), estimated utility costs, and proposed net rents and gross rents.
2. The community's target market and any tenancy restrictions. This may include income restrictions, age restrictions, or special needs.
3. Utility energy sources and proposed utility policy (utilities included in rent).
4. Description of the proposed/existing development including:
   a. Number of buildings and building design including:
      i. Building type (walk-up, single-story, mid-rise, high-rise, etc).
      ii. Number of stories.
      iii. Exterior finish.
   b. Common area/site amenities.
   c. Unit features and finishes (if available).
   d. Parking options provided including number of spaces and any parking fees.

5. For rehabilitation projects (See: NCHMA's Preservation Analysis White Paper), provide:
   a. Description of proposed scope of rehabilitation including a breakdown of hard and soft costs, if available.
   b. An estimate of total construction cost and cost per unit.
   c. Identify existing unit mix and rents including any existing housing subsidies. Compare current and proposed rents.
   d. Current and historical (if available) occupancy information.
   e. An analysis of the current rent roll (if available) to determine if existing tenants will remain income qualified and/or able to afford the proposed rents.
6. Include the status or date of architectural plans, name of the architect, and/or a copy of the floor plans and elevations.
7. Developer's projected dates for start and completion of construction and start of lease up.
8. Description of supportive services provided for residents, if any will be provided.

Additional LIHTC/Affordable Requirements:
- Unit mix should be broken out by bedrooms and targeted income level.

- Income restrictions for each unit type including maximum and minimum income limits should be presented.
- Identify project-based rental subsidies to be offered and the number of units to which the subsidy applies.

Additional Senior Requirements:
- Identify age restriction (55+, 62+, 65+) for the community. Analysts should discuss the appropriateness of the age restriction in light of local market conditions and experiences of comparable properties.

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

1. Provide photographs of the site and neighborhood including description of picture and vantage point.
2. Identify land uses directly surrounding the subject site.
3. Provide a map of the site.
4. Describe the proposed ingress/egress of the subject property and identify any potential concerns with site accessibility.
5. Describe and evaluate the visibility of the site.
6. Provide analysis of neighborhood amenities available. Along with analysis, provide a
7. table and map of neighborhood amenities and their distance from the subject site including transportation linkages, shopping, schools, medical services, public transportation, places of worship, recreational amenities and other services such as libraries, community centers, banks, etc.
8. Comment on the availability of public transportation.
9. Provide analysis of public safety issues including information or statistics on crime in the PMA relative to data for the overall area. Address any local perceptions of crime or problems in the PMA.
10. Provide conclusion concerning the suitability of the proposed site for the proposed use.

E. Market Area Definition
1. Define the primary market area (PMA). Identify PMA 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.)   See: NCHMA's Market Area White Paper**.** PMA discussion should include:
    a. A detailed narrative explaining how the market area was determined. The narrative should include market specific language rather than a list of generic concepts or factors considered.
    b. Identify borders of the market area and approximate distance from the subject property/site.
2. Include a map of the PMA including the subject site.

F. Employment and Economy
Provide data and analysis on the local employment and economy to give an understanding of the overall economic health of the region and its potential impact on household trends.

Economic data should be presented for the market area or the smallest geographic area available, which is often the county. This data should be compared to regional data, which could include county, MSA, state, and/or nation. List data sources and describe the methodology for the analysis.

General Requirements:
1. Provide total At-Place Employment for the past ten years. "At-Place Employment" measures the number of jobs located within a specific geography and should not be confused with Employed Labor Force. Recent trends (job loss/gain) in At-Place Employment should be identified and discussed.
2. Show At-Place Employment by Sector and Employment Change by Sector. Identify the most important employment sectors in the area, potentially including share of employment and employment growth.
3. Show the historical unemployment rate for the last ten years (or other appropriate period) for the most appropriate geographic areas.
4. List major employers in the PMA and/or region including the type of business and the number employed.
5. Comment on recent or planned major employment expansions or reductions including potential impact on demand for rental housing. Comment on trends and projections of employment in the PMA, if any.
6. In relevant markets (such as resort areas), comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.
7. Provide a breakdown of typical wages by occupation or industry sector.
8. Document commuting patterns for workers including commuting time and destination.
9. Provide conclusion stating whether economic conditions will have a significant positive or negative impact on the subject property.

G. Demographic Characteristics

Demographic data should be presented for the PMA and a comparison area, which may include a secondary market area, county, or MSA. Sources of data, projections, and estimates should be clearly identified. Data should reflect the most recent decennial Census Data, recent American Community Survey information, and/or data provided by third-party providers. Analyst should present detailed discussions of methodologies used to derive estimates or projections.

General Requirements:
1. Population and household counts for:
   a. Historical Census Data
   b. Current year
   c. Projection for Five-Year Growth or Anticipated Placed-in-Service Date
2. Population and household characteristics including:
   a. Age
   b. Household type
   c. Household size
   d. Tenure
3. Income distribution for total households and renter households using Census increments.

4. An analysis of trends indicated by the demographic data.
5. Historical building permits trends by housing type should be analyzed in the context of recent household trends and projections.
6. Summarize any specific demographic trends that that positively or negatively affect rental housing demand.

Additional LIHTC/Affordable Requirements:
- Detailed income increments for the lower income households should be included to provide additional detail, if available.
- Information on substandard housing and an analysis of rent as a percent of income (rent burden) should be presented.

Additional Senior Requirements:
- Population and household estimates and projections should be provided for the appropriate age classification.
- Significant populations of older adults should be identified as a potential long-term source of demand for senior rental housing, if applicable.

H. Competitive Environment

A market study should include a comprehensive description and analysis of the rental market serving the primary market area. While the focus of this section should be those properties that are most comparable to the subject property, the scope of the survey/analysis should be sufficient in breadth to evaluate where the subject property fits within the overall rental market. If available and relevant, an overview of the regional rental market including number of units planned/under construction and recent trends in rents and vacancies should be provided.

As the tenant-paid rents at rental communities with project based rental assistance (Section 8, Public Housing, USDA) are based on income, they are not generally an accurate representation market conditions. As such, the contract rents and vacancies at these communities should be presented independently of properties without these subsidies. At a minimum, a market study should include:

General Requirements:
1. Provide an overview of the primary market area's housing stock including age, condition, structure type, and any identified market trends.
2. Discuss recent development activity in the market area including recently constructed rental communities and those planned or under construction in the market area. The market study must include separate estimates of the numbers of rental units currently under construction and the numbers of units in the planning and development stages that are likely to enter the housing market during the specified forecast period. These estimates should include all rental developments known, not solely those determined by the analyst to be comparable and competitive. The location of each pipeline community relative to the subject site should be presented. The report should contain estimates of:

     a. The number of projects currently under construction, expected completion date, the total number of units, unit mix breakdown by bedroom and income target, and structure type.

     b. The number of projects in planning stages that are likely to be developed including but not limited to those with building permits or firm financial commitments, including details on the number of units by bedroom size, rents, locations, and stage of development.

     c. Identify any projects that will specifically compete with the subject property.

3. Identify the most comparable communities to the subject property and provide a narrative evaluation of the subject property in relation to these communities. Market studies addressing affordable communities should identify the most comparable affordable communities and market rate comparables used for a comparison of rents. The study should explain how these communities were selected as the most comparable and why other projects were excluded (See: NCHMA's Comparable Property White Paper).

4. Conduct a survey of a representative sample of rental communities in the market area. The proposed rents, amenities, and features of the subject property should be shown in comparison to existing communities in all tables. Information provided for each community should include:

     a. Name, address, occupancy target (senior/general occupancy), year built, condition, and property contact information.

     b. Unit mix including number of bedrooms and bathrooms, square footage, and rents.

     c. Current occupancy, historical occupancy if available, and absorption history (if recent/available).

     d. Waiting lists.

     e. Current concessions being offered.

     f. Unit features including kitchen amenities, utility information (those included and energy source), and other features such as ceiling fans, patios, washer/dryer connections, etc.

     g. Community amenities such as recreation, laundry, and parking.

     h. Include a map of surveyed communities in relation to the subject site.

5. In markets with limited multifamily rental communities or lower-density subject properties, provide an analysis of available scattered site rentals including pricing and other available/pertinent data.

6. Compare and analyze the subject property to the surveyed rental communities in terms of amenities, tenant paid utilities, location, parking, concessions, and rents. This analysis may be refined to include only the most comparable communities.

7. Present the vacancy rate for the surveyed rental stock. As appropriate, vacancies should be broken up by property classifications and target market, which may include market rate, LIHTC, deeply subsidized (rent based on tenant income), senior, special needs, etc. As available, vacancy data should be provided by bedroom type (unit size).

     a. Vacancy trends should be provided and discussed if available/relevant.

     b. Significant seasonal variations in vacancy rates should be discussed if applicable.

     c. Any vacancy or absorption problems should be identified and discussed, particularly among the most comparable rental communities.

     d. Identify any significant variances in vacancy rates that exist among price point, location, bedroom size, product type, target market, etc.

8. Absorption experience of recently completed rental developments as available, including units per month estimates for each project, with particular emphasis on comparable and competitive projects that have entered the market within the past 24 months.
9. Current effective rents should be provided for each of the surveyed rental communities by bedroom size. Effective rents should account for any current incentives and should be adjusted to reflect a consistent utility policy.
    a. Current incentives should be identified.
    b. Rent trends for the past 24-36 months should be included if available.
    c. Any options/upgrades should be identified with the associated costs.
10. Discuss the availability and cost of affordable housing options, including purchase or sale of homes, if applicable. The impact, if any, of the single family and condominium market conditions, including an analysis of the cost to rent versus to own, and the impact of foreclosures and of the shadow single-family and condominium rental market.

Additional LIHTC/Affordable Requirements:

- Provide a list of all affordable housing communities including LIHTC communities and deeply subsidized communities (Section 8, Public Housing, USDA). Any LIHTC communities not included in the analysis should be identified with an explanation of its exclusion.
- To accurately understand rent structure, rents of the subject property and existing LIHTC communities should be broken out by AMI level.
- Vacancy among existing LIHTC communities should be provided by AMI if available. Furthermore, vacancies for units with and without project-based subsidies should be included.
- Derive a market rent and an achievable restricted rent and then compare them to the developer's proposed rent. Quantify and discuss market advantage of the subject and impact on marketability (See: NCHMA's Market Rent White Paper).
- Analysis of projected operating expenses of subject property in relation to comparables.

Additional Senior Requirements:

- Age-restricted properties should be analyzed separately from general occupancy communities when evaluating rents, occupancy, services, etc.
- Examine features and amenities that are specifically designed to address seniors.
- When available, an analysis of senior renters at comparable communities should be provided including average age of residents at entry, frequency of previous homeowners becoming renters, and household size.

I.   Affordability Analysis, Demand Analysis, Capture Rates, and Penetration Rates
(See: NCHMA's Recommended Practices for Determining Demand) (See: NCHMA's Demand and Capture Rate Methodology).

The market study should include measurements of potential support of any given product. The analysis should first determine if additional demand exists in the market to support a proposed expansion of the multifamily rental stock. Further, the analyst should address whether sufficient demand or need exists to support to the proposed development.

General Requirements:

1. Comment on the overall level of demand for rental housing in the market area based both on net demand for additional rental housing and needs addressing the existing population/housing stock.
2. Conduct an affordability analysis detailing the number of income-qualified renter households that the subject property will address. Components of the affordability analysis include:
    a. A minimum income, which is based on the proposed rents and an acceptable rent burden. Rent burden refers to the maximum percentage of income households will be willing or allowed to spend for rent. Analysts should identify if minimum income is based on asking rent or gross rent (including utility cost).
    b. A maximum income limit, which is based on applicable housing program requirements or perceived target market for unrestricted market rate communities.
    c. An affordability analysis capture rate is determined by dividing the number of proposed units by the number of renter households within the target income segment.
3. Calculate the penetration rate. A penetration rate measures the percentage of income-qualified households needed to fill the subject property, existing competitive units, and proposed competitive units. Given the inclusion of additional properties, the target income range may differ from that of the subject property. A detailed description of how the income range was calculated should be included.
4. Analyst must evaluate the overall demand, affordability analysis, and penetration rate analysis and render an opinion on the potential impact of these indicators may have on the subject property.

Additional LIHTC/Affordable Requirements:

- Demand estimates and capture rates for affordable housing communities should address both overall demand, demand by income target (AMI), and demand by bedroom count and income target. Demand by income target and bedroom can be used to determine if the community is too heavily weighted towards a particular income level or bedroom size.
- Demand, affordability, and penetration rate analyses should be conducted both with and without project-based housing assistance. Analyst should provide a conclusion stating whether project feasibility is dependent upon project-based rental subsidies. The analysis of the project without project-based rental subsidies may include assumptions regarding proposed rent on the part of the analysis. Rents analyzed should be the lesser of proposed rents or maximum allowable programmatic rents.
- Specific demand estimates may be required. Typical demand methodologies measuring need rather than demand include estimates of overburdened renter households and those living in substandard housing. If the analyst has concerns with the prescribed methodology, an explanation of how the required methodological approach is inadequate should be included.
    o Any additional sources of demand other than those prescribed from the required methodology should be itemized. Capture rates should be shown both with and without any additional sources of demand.
- All data sources used to determine demand should be easily identifiable and easily replicated.

Additional Senior Requirements:

- Demand for senior communities should be measured on appropriate minimum age classification.
- Demand for senior communities that includes homeownership conversion should be conservative and take into account the ability, or lack thereof, of seniors to sell homes.
- Maximum income limits for senior communities should be based on a maximum household size of two persons. Maximum income limits for efficiency units or smaller one bedroom units may be based on less than two persons per household.
- Underwriting (rent burden) percentage for senior communities may be different than general occupancy communities.

Additional Market Rate Requirements:

- Compute an estimate of demand for new rental units in the market area. This demand estimate measures rental demand for a three- or four-year period to coincide with the estimated placed-in-service date of the subject property. As this demand analysis is a measurement of the overall rental market, it is based on the universe of rental housing rather than specific income targets. This demand estimate should consider:
  - Renter household growth during forecast period.
  - Recent trends in tenure that may increase/decrease demand for rental units.
  - Replacement of existing rental units from the inventory due to demolition, conversion, housing quality, shifting owner units into the rental market and by other means, and consideration of any current excess vacant supply based on a balanced market vacancy rate.
  - The demand estimate should be presented in terms of the number of rental units needed for the market area to be balanced.
  - This gross demand estimate should be reconciled with estimated additions to the rental market (units under construction, approved, or proposed).
- Although market rate communities are not subject to maximum income limits, analysts should make a determination of reasonable target market. Market rate units at mixed income communities generally target renter households earning no more than 80 to 100 percent of the AMI. Luxury rental products, especially those in urban markets, can often target renter households earning upwards of 150 percent AMI.

J. Local Perspective of Rental Housing Market and Housing Alternatives

The market study should include a summary of the local perspective on the rental market, the need for the proposed development and unmet housing needs within 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 housing supply that would compete with the subject development and to evaluate the local perception of need for additional housing.

Additional LIHTC/Affordable Requirements:

- Provide the total number and availability of Housing Choice Vouchers and the number and types of households on the waiting lists for housing choice vouchers.

- Interviews with local public housing authority (PHA) officials to solicit comments on the need for housing and the possible impact of the proposed development on the housing inventory and waiting lists for subsidized housing.

K. Analysis/Conclusions

The analysis and conclusions section of the market study should summarize salient points from each section of the market study used by the analyst to reach the final conclusion.

1. Estimate the absorption rate for the subject property and the corresponding lease-up period. The absorption period should be based on stabilized occupancy rather than 100 percent occupancy. Stabilized occupancy rate should be stated.
2. Compare the proposed developed to comparable rental communities including:
   a. Unit distribution.
   b. Community amenities.
   c. Included utilities.
   d. Unit features and finishes.
   e. Unit square footage.
   f. Location.
3. Identify any significant competitive advantages or disadvantages of the proposed development.
4. Discuss the proposed price position relative to the existing rental market. Comment on the appropriateness to the proposed rents in light of the proposed location and product to be constructed. Identify risks (i.e. competitive properties which may come online at the same time as the subject property; declining population in the PMA, etc.), unusual conditions and mitigating circumstances.
5. Discuss any impact (short/long term) the subject property will have on the overall rental market and comparable rental communities.
6. The final conclusion of the report should reconcile any conflicting data in the report. For example, experience of comparable properties may indicate less/more demand than indicated in the demand section of the report.

Additional LIHTC/Affordable Requirements:

- Evaluate need for voucher support or HUD contracts.
- Proposed rents should be evaluated for each proposed income level, rather than an average by bedroom type.
- Analysts should comment if specific units (bedroom/AMI) will lease significantly faster or slower than the remainder of the project.
- Compare the subject's proposed rents to local payments standards or median rents.

L. Other Requirements

1. Certifications that state:
   a. No identity of interest between the analyst and the entity for which the report is prepared.
   b. Recommendations and conclusions are based solely on professional opinion and best efforts.
1. Statement of analyst's qualifications.
2. List of sources for data in the market study that are not otherwise identified.

Additional LIHTC/Affordable Requirements:

- Provide source of utility allowance estimate, which may include PHA Utility Allowance schedule or utility company provider letters.