

WHY MARKET STUDIES?

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Why Market Studies?

1. Define, understand and mitigate the market risk of developing a project
 - ❑ Lets you & the banks, investors know you can repay the loans and maintain the units—in other words, operate the project.
 - Are there sufficient?
 - ✓ Tenants who want to rent your units;
 - ✓ Tenants who can afford to pay the rents you establish;
 - ✓ Tenants at the income levels you are targeting
 - ❑ Lets you & lenders know there are homebuyers who want to (and can) to buy the homes at the price you are selling them for
2. Helps you, therefore, decide whether to build or not to build what you have planned – or to revise the project.

What is a Market Study?

- Comprehensive assessment of the housing market in a defined area

What Can a Market Study Tell You?

- Number of units needed
- Optimal unit mix (based on demographics)
- Required design features
- Amenities
- Achievable rents or sale prices
- Absorption (how many, long it takes to rent, sell)
- Occupancy level (how many units are leased today and what can expect to see when your project is built)

Eight (8) Market Study Elements

1. Site Analysis

- Suitability for housing - land use, services, planned future development

2. Market Area Definition

- Target market
- Boundaries (Natural, Jurisdictional, Local Agency)
- Competitive Properties
- Housing Characteristics
- Market Perceptions
- Accessibility, Commuting Patterns

Market Study Elements, cont'd.

3. Economic Analysis

- Employment and Employers

4. Demographic Analysis –

- Income
- Population, Households and Renter/Homeownership mix

Market Study Elements, cont'd.

5. Housing Market Analysis

- Trends & Conditions (Construction and Absorption, Inventory, Rent/Vacancy and Sales activity and Price Trends)
- Pipeline – how many Projects are you competing with? Are there too many Projects?
- Market Rent and Vacancy Trends –long/short term
- Project Analysis – Comparable Projects and Rent Analysis

Market Study Elements, cont'd.

6. Demand Analysis

- Market demand: Units needed to achieve balance between supply and demand.
- Project specific demand: Households within a project's target occupancy group relative to the number of units proposed and the supply of existing and planned units with same target group.

7. Marketability Analysis

- Project Analysis – Comparable Projects and Rent Analysis
- Comparison of Project to others

Market Study Elements, cont'd.

8. Conclusions about your Project's projected performance

- Rents/Prices
 - Concessions
 - Absorption Rate
 - Stabilized Occupancy
 - Rent/Price Appreciation
 - Turnover
- Can your Project achieve its required market share?
- If no, what changes are needed?
 - Design, Unit Mix, Attributes, Rents

Do You Need A Market Study?

1. When you don't really know the market or it is rapidly changing (think oil boom areas). It is impossible to have accurate data otherwise.
2. MFA will have one completed for top scoring LIHTCs applications (at your expense). Most funders accept MFA's, so if you want to control costs and don't fit into 1, above, then "No".
3. When the money people need it before MFA does theirs.
4. More studies...more duplication and possibly conflicting data and appraisals also figures rents.... Differently.
5. TIP: Review the conclusions first -- if they are wonky --either too much away from or perhaps suspiciously too much exactly what you need, then review the elements in detail on data.