

Preparing Something Less than a Market Study

National Council of Affordable Housing Market Analysts
November 10, 2009

Panelists

Bud Clarke, MAI

Boston Financial

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Agenda

- Define the issue
- Define Market Study
 - Process
 - Reporting
- Define Consulting Services
 - Scope of work
 - Disclosure
- Examples of Consulting Services
 - Discussion
- Recommended solutions

DEFINING THE ISSUE

PUBLIC TRUST

- Responsibility to protect public trust
- Observe highest standards of professional ethics and understand importance of ethical obligations to those we serve.
- Responsibility to communicate scope of work, analyses, opinions, and conclusions to users in a manner that is meaningful and not misleading.

DEFINITION OF A MARKET STUDY

MARKET STUDY

- A comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography. The minimal content of a market study is shown in the NCAHMA publication *Model Content for Market Studies for Rental Housing*.

DEFINITION OF A MARKET STUDY

MARKET STUDY

1. Process

- Current requirements dictate Model Content
 - Core content discussion
- Conclusions
 - Market rents
 - Achievable LIHTC rents
 - Absorption estimates
 - Rent growth
 - Demand analysis
 - Stabilized occupancy
 - Other income
 - Expenses
- Work file

DEFINITION OF A MARKET STUDY

MARKET STUDY

2. Reporting of results

- Current requirements dictate complete report
- Proposed alternatives
 - Oral Report
 - Written report
 - E-mail
 - Memo
 - Summary Report
 - Complete Report

DEFINITION OF A MARKET STUDY

CONSULTING SERVICES

- The act or process of developing an analysis, recommendations, or opinion to solve a real estate related problem, where something less than a market study is required to arrive at the assignment results.
- Assignment results may include any or all of the conclusions included in a market study however, by definition a consulting assignment does not require all Model Content items be completed and any and all conclusions are considered **preliminary** and of a lower level of reliability than would be the case if a market study was prepared.

DEFINITION OF A MARKET STUDY

CONSULTING SERVICES

- Examples and Discussion

DEFINITION OF A MARKET STUDY

CONSULTING SERVICES

- Process Disclosure Requirements
 - Intended User(s)
 - Purpose of Consulting Assignment
 - Limited Scope of Work
 - What steps from Model Content will be performed
 - What steps from Model Content will not be performed
 - Preliminary Conclusions
 - Lower level of reliability
 - Reserve right to change conclusions upon performing a Market Study

DEFINITION OF A MARKET STUDY

CONSULTING SERVICES

- **Sample Statement - To be used whenever and wherever preliminary conclusions are reported and in NCAHMA Certification.**

The preliminary conclusions indicated in this report are based on a limited scope of work. Not all the elements of a NCAHMA compliant market study have been completed. As a result, the preliminary conclusions indicated in this reflect a lower level of reliability. Should the intended user of this report require conclusions with a higher level of reliability, the market analyst that prepared this report is available to expand upon the scope of work outlined in this report/memo.

DEFINITION OF A MARKET STUDY

CONSULTING SERVICES

- Report Disclosure Requirements
 - Report all preliminary conclusions within the context of the scope of the assignment.
 - Never report preliminary conclusions independently without qualification
 - Preliminary Conclusions
 - Limited scope consulting assignment.
 - Reserve right to revise preliminary conclusions upon completion of market study.
 - Format is optional
 - Modify Certification

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DEFINITION OF A MARKET STUDY

CONSULTING SERVICES

- Purpose, Scope of Work, Intended users, Update rules, date of Report, Effective Date of reportPeer Review review after figuring out core report.
- 1) Market Study - By definition means you did all of the checklist requirements. Perhaps in the future we can come up with another term for when we do a market study using only core requirements.

2) Consulting Assignment - by definition now means you did not do all of checklist requirements. In future it could also mean did not do all of core requirements.

3) MARKET STUDY Reporting options - by definition we currently do not have reporting options for a market study (market study currently means we do and report on all of checklist).. I would like to propose on Tuesday we allow for summary and oral reporting options provided we certify in certification all steps were taken on checklist and file is documented as such.

4) Consulting Assignment reporting options- write whatever it takes to communicate conclusions with scope of work disclosure and preliminary conclusions disclosure.

As background, this discussion was debated over a period of several years at the A/I. The 4 step solution outlined above was what has been in place since 2004 and has been embraced by the users pretty well.

Keeping it simple....

The solution revolves around two key concepts:

1) The process



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