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Market and Economic Analysts for the Real Estate Industry

FHA MAP Market Study Guidelines

National Council of Affordable Housing Market Analysts

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Responsibilities under MAP

Under MAP

Market analyst is responsible for:

- Analysis of balance of supply and demand
- Based supply/demand, performance of market and proposed pricing, responsible for projecting absorption

Appraiser is responsible for:

- Calculation of Income and Expense

Measurement of Units

- HUD measures paint to paint
- Most analyses use published sq. ft.

Key Analysis

- For Tax Credit Study, key analysis is Affordability
- For MAP, key analysis is Net Demand

Timing

- Study needs to be no more than 120 days old

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Economic Analysis

- Change in economic base

- Impact of local employers on market.

- Qualify types of jobs in the market.

Feeds into Demographic Analysis as employment growth impacts household growth.

Demographic Analysis

- Important to look at all sources of projections
  - Local
  - Regional
  - Private Vendors (Claritas)

  Need to evaluate projections as they feed into Net Demand Analysis

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Competitive Analysis

Need to Understand All Classes of Units

- HUD is responsible for all insured property in inventory
- Overall Vacancies impact net demand

Need Detail Information on Pipeline

- Projected pipeline impacts supply
- Need to understand current and future competitive position to project absorption.

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Net Demand Calculation

Demand				
Household Growth				***Units***
January 2010 Households				**45,970**
January 2013 Households				**46,725**
Net Change in Households				**755**
Add: Units Removed from Market	Hsg Stock	Removal	Lost Units	
2010 Housing Stock	48,950	0.480%	235	
2011 Housing Stock	49,213	0.480%	236	
2012 Housing Stock	49,477	0.480%	237	
				709
Net New Demand for Housing Units				**1,463**
Percent Renter Households in 2012				**39.8%**
Net New Demand for Renter Units				**582**
Add: MF Competitive Vacancy	Inventory		Vacant	
Stabilized Multifamily Communities	2,360		82	
Subtotal Stabilized Communities	2,360		82	
Communities under lease up	0	0	0	
Total Competitive Inventory	2,360		82	
Market Vacancy at 5%			118	
Less: Current Vacant Units			-82	
Vacant units required to reach 5% Market Vacancy				**36**
Total Rental Demand				**618**

Planned Additions to the Supply		
	Total Units	95% Occupancy
City Manor Apt Expansion	64	61
Park Ave Senior Apt	24	23
SUBJECT - Hawk Gardens	**144**	**137**
Total New Rental Supply	232	220
Excess Demand for Rental Housing		**398**

MAP vs. NCAHMA

MAP Studies and NCAHMA studies have been similar in terms of contents.

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– NCAHMA checklist adopted January 2008.

– MAP Guidelines as of January 2002

NCAHMA vs. MAP - Site Analysis

NCHAMA Checklist
Project Description
Project description with exact number of bedrooms and baths proposed, income limitation, proposed rents and utility allowances
Utilities (and utility sources) included in rent
Project design description
Unit and project amenities; parking
Public programs included
Target population description
Date of construction/preliminary completion
if rehabilitation, existing unit breakdown and rents
Reference to review/status of project plans
Location and Market Area
Market area/secondary market area description
Concise description of the site and adjacent parcels
Description of site characteristics
Site photos/maps
Map of community services
Visibility and accessibility evaluation
Crime information

MAPChecklist
A> Project Description
1. The number of units by type and size. Include information on number of bedrooms, number of bathrooms, structure type, square footage, etc.
2. The estimated shelter and gross rents by unit type.
3. The unit and project amenities and services.
4. The project location in terms of:
a> Characteristics of the neighborhood and sub-market in relation to:
(1) schools
(2) transportation
(3) shopping
(5) social and community services, etc.
(6) to include an analysis of the adequacy of public facilities that will service the site.
(7) Include a map showing the site and important neighborhood services and amenities
b> Any other location consideration relevant to the market and marketability of the proposed project.
5. Any income or rent restrictions imposed on the project by the use of public financing and/or subsidies (e.g., low income housing tax credits, tax-exempt bonds. HOME funds). The market analysis should address how these income and rent restrictions will affect demand.
6. Identify target market.

New MAP guidelines likely eliminate reference
to secondary Market.

NCHAMA Checklist
Employment and Economy
Employment by industry
Historical unemployment rate
Area major employers
Five-year employment growth
Typical wages by occupation
Discussion of commuting patterns of area workers
Demographic Characteristics
Population and household estimates and projections
Area building permits
Distribution of income
Households by tenure

MAPChecklist
C> General characteristics of the Housing Market Area:
1. Provide an assessment of current and forecasted economic conditions and employment characteristics to include an analysis of recent trends and how they relate to demand for additional new rental housing. Identify growth sectors in the economy and emerging growth trends. Include information on significant sectors of the economy such as military facilities, colleges and universities, federal and state government and tourism. Discuss any anticipated changes in employment, including plant closing, openings, expansions or cutbacks, with a particular emphasis on their effects on the rental market during the forecast period. Provide information on the types of new jobs being created and lost, including data on pay scales and how these wage levels relate to affordability of the propose rental units.
2. Discuss past and anticipated trends in demographic characteristics, including population growth, household growth, and changes in the average size of households and tenure patterns. Provide estimates of population and households (by tenure) that include 1990, the current date, and a forecast date (two or three years from the date of the market study). Include an explanation of any significant changes.

New MAP guidelines likely to have more emphasis on Econ Trends

Continue to focus of three year forecasts

NCHAMA Checklist
Competive Environment
Comparable property profiles
Map of comparable properties
Comparable property photos
Existing rental housing evaluation
Comparable property discussion
Area vacany rates, including rates for Tax Credit and government-subsidized Comparison of subject property to comparable properties
Availability of Housing Choice Vouchers
Identification of waiting lists Description of overall rental market including share of market-rate and affordable properties List of existing LIHTC properties
Discussion of future changes in housing stock
Availability and cost of other affordable housing options incl. homeownership Tax credit and other planned or U/C rental communities in market area

MAPChecklist
D> Housing Market Conditions
1. Estimate the current competitive rental inventory in the market and sub-market area. Provide details on the number of units by unit type, number of bedrooms, structure type, rents, age, and location.
2. Recent Market Experience. Present and analyze the following information: a> Absorption experience of recently completed projects, with particular emphasis on the most similar project. b> Current occupancy level and occupancy trends in existing rental projects. c> The current shelter and gross rents for comparable and competitive projects, including a discussion of the trend in rent increases during recent years. Identify any services included in base rents or offered at a premium. Discuss whether current rents are overstated due to concessions or other factors, along with information on and the extent of rent concessions or similar incentives in projects in initial occupancy. d> Identify the current overall rental vacancy rate along with a current vacancy rate for units similar to those in the proposed project. Discuss any significant seasonal variations in vacancy rates, if applicable. Include a discussion of any vacancy or absorption problems in the market or sub-market. Identify the vacancy rate for the segment of the market most relevant to the subject project and provide an analysis if significantly lower or higher than the overall rental vacancy rate. e> Provide a map showing locations of competing rental projects and those under development.

MAP study discusses vacancy in detail, but general discussion on price position

NCHAMA Checklist
Analysis/Conclusions

MAPChecklist
F> Demand Estimate and Analysis

NCHAMA Checklist items:

Calculation and analysis of Capture Rate

Calculation and analysis of Penetration Rate

Evaluation of proposed rent levels

Derivation of Achievable Market Rent and Market Advantage
Derivation of Achievable Restricted Rent
Precise statement of key conclusions

Market Strengths and weaknesses impacting project

Recommendation and/or modification to project description
Discussion of subject property's impact on existing housing
Absorption projection with issues impacting performance
Discussion of risks or other mitigating circumstances impacting project
Interviews with area housing stakeholders

F> Demand Estimate and Analysis

1. Provide an estimate of annual demand for rental housing taking into consideration anticipated shifts in tenure; projected losses to the rental inventory via demolition, conversion, and other means; with adjustments as necessary for current excess levels of vacancies and construction activity. The demand estimate should show the number of additional rental units that would promote balanced market conditions. Demand information should include a general discussion of demand by unit size, number of bedrooms, price range and other unit and project characteristics. Describe the demand methodology and sources of information.

2. Provide an analysis which reconciles the proposed project with the demand estimate, taking into consideration the forecasted renter household growth, the current vacancy situation, and the supply in production. This analysis should include an estimate of the absorption period needed for the project to reach sustaining occupancy.

3. The market analysis should also include an opinion on characteristics of the proposal that will have a specific bearing on its market prospects and overall marketability, such as amenities, features, or design.

4. Provide an assessment of whether the development of the proposed project would adversely affect the existing rental inventory. Pay particular attention to the impact on other HUD insured properties.

G> Data, Estimates, and Forecast

1. The analysis should document the methods and techniques used to develop all estimates and forecasts; and provide adequate citations on the sources of all data, estimates and forecasts.

2. The data and estimates provided should be relevant and current; conclusions in the analysis must be consistent with the facts presented; findings and recommendations should be based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors.

New MAP guidelines likely to have more detailed demand methodology outlined

Other Changes Discussed

- Market study and appraisal conducted by separate entities

- Effective Date of study defined

- Whether market analysts can conduct rent comp study

In Summary

For Lenders

- NCAHMA members offer professional market analysts with high level of competence.

For Analysts

- MAP studies offer another line of business using your skill set.

For NCAHMA

- Another area in which the Council can grow.

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