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## Model Content Standards for Rental Housing Market Studies

### *Summary of Changes*

Effective January 14, 2013, the National Council of Housing Market Analysts (NCHMA) adopted an updated version of its Model Content Standards for Rental Housing Market Studies which incorporate standards for market analysis for multiple property types. The purpose of the NCHMA Model Content is to provide standardized terminology, content, and the appropriate level of analysis for market studies of a variety of rental housing products.

The principles of market analysis for all types of rental housing are shared; however, the focus of a market study is often driven by the type of housing proposed. The **revised** Model Content Standards are organized to first address standards applicable to all rental housing market studies. Following the common standards, each section lists specific requirements or methodologies applicable to specific types of rental housing including affordable, market rate, and/or senior rental housing. These standards outline the required content, data, analysis, and conclusions to be included in market studies, but do not establish the format or presentation for the report.

In addition, the Model Content Standards were rewritten/reorganized to place more emphasis on analysis and not merely specific data points. Links to NCHMA resources on [www.housingonline.com](http://www.housingonline.com) were added to help tie White Papers and other resources to the Model Content.

#### **Major Changes/Additions:**

The most visible change to the document is the introduction of general and product specific requirements. The purpose of this reformatting was two-fold. First – to create a document that would expand the reach of NCHMA beyond affordable products including FHA studies. Second – to make the requirements more user-friendly/easier to read.

- A. Executive Summary.** This section was reorganized to essentially require a recap of the salient data/conclusions from each market study section. Most original requirements remain.
- B. Introduction and Scope of Work.** This section was added to incorporate the scope of work document into the Model Content Standard.
- C. Project Description.** No major changes were made, just reorganization.
- D. Location.** No major changes were made, except that the Location and Market Area sections were separated.

- E. **Market Area Definition.** The Location and Market Area sections were separated. References to secondary market area were removed as the vast majority of market studies do not include secondary market area data for purposes of demand or competitive analysis. The market study content still requires a comparison area for economics and demographics, which can serve as the secondary market area in most cases.
- F. **Employment and Economy.** This section was rewritten and reorganized. A significant effort was made to differentiate between At-Place Employment and Employed Labor Force.
- G. **Demographics.** This section was rewritten and reorganized. A specific reference/requirement to include most recent Census data was added.
- H. **Competitive Environment.** This section was rewritten and reorganized. Much of the required data was originally presented in long paragraphs or narratives, which was reorganized into bullets to improve readability. The requirements start with a macro approach to the overall rental market before getting into more specific analysis of comparable communities. The sections relating to the evaluation of effective rents, vacancy rates by property type, and pipeline data was clarified.
- I. **Affordability/Demand/Penetration Rate.** This section includes a major addition of net demand for overall rental housing based on FHA requirements (this was ultimately moved to the market rate requirements). This approach expands the scope of the report beyond simply affordability analysis, which merely measures income qualified households. The description of affordability and penetration was expanded.
- J. **Local Perspective.** No major changes were made, just reorganization.
- K. **Analysis/Conclusions.** This section was rewritten and reorganized. The purpose of this section was to reach final conclusions based on the findings of the previous sections of the market study. This section addressed not only demand for the subject property, but also the potential impact on the overall rental market and comparable communities.
- L. The last two sections of the Model Content Standards – “Information to be Provided by Housing Finance Agency or Other Regulatory Agency” and “Additional Work” were removed. The “Information to be Provided...” section does not fit with the remainder of the document. The “Additional Work” section was removed as this concept is now covered in the Scope of Work provision.

#### **Minor Changes/Additions:**

- A. **Executive Summary.**
  - A.1 – Added to site description requirement that it should also include *“surrounding land uses”*
  - A.4 – Added language *“Brief description and support of the primary market area”*
- B. **Introduction and Scope of Work.**
  - B.1 – Revised report types: *“Type of report – Comprehensive Market Study, Summary Report, Market Advisory Report, or Other”*
  - B.3 – Added that the report should include intended use and user of report
  - B.4 – Added item *“Identify steps taken in completion of the report. If any significant steps were not taken, identify and explain”*
- C. **Project Description**

- C.1 – Added clarification to identify how square footage should be identified *“heated/gross/or paint-to-paint”*
- C.4 – For the building, unit, and amenity description, clarified that this should be for a proposed OR existing development
- C.5 – Added requirement to include breakdown of hard and soft construction cost if available
- C.8 – Description of Supportive Services section now includes stipulation: *“if any will be provided”*

**D. Location.**

- D.1 – Added requirement to include description of picture and vantage point to site picture requirement
- D.3 – Added site map requirement

**E. Market Area Definition.**

**F. Employment and Economy.**

- F.2 – Employment by Sector section modified to include *“potentially including share of employment and employment growth”*
- F.9 – Conclusion section now says *“subject property”* rather than *“proposed development”* to cover existing communities

**G. Demographics.**

- G.1 & G.2 – Made the population and household dates more general.
- G.3 Added word *“distribution”* to household income section
- Additional LIHTC/Affordable Requirements Section: Further clarified LIHTC/Affordable income cohort requirement
- Additional Senior Requirements Section: Added language *“Significant populations of older adults should be identified as a potential long-term source of demand for senior rental housing”*

**H. Competitive Environment.**

- H.1 – Added *“Provide an overview of the primary market area’s housing stock including age, condition, structure type, and any identified market trends”* and used the term *“stock”* rather than the *“size of the overall rental market”* requirement that most analysts do not use/understand
- H.3 – Added *“Market studies addressing affordable communities should identify the most comparable affordable communities and market rate comparables used for a comparison of rents.”*
- Additional Senior Requirements Section: Clarified *“When available, an analysis of senior renters at comparable should be provided including average age of occupancy at entry, frequency of previous homeowners becoming renters, and household size”*
- Additional LIHTC/Affordable Requirements Section: Clarified *“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”*

**I. Affordability/Demand/Penetration Rate.**

- Added *“Capture Rate”* to Demand section title.
- I.2 – Modified affordability analysis to include only renter households. Removed requirement for affordability analysis based on all households.

- Additional LIHTC/Affordable Requirements Section: Clarified *“Rents analyzed should be the lesser of proposed rents or maximum allowable programmatic rents”* for when discussing evaluation of a project without PBRA

**J. Local Perspective.**

**K. Analysis/Conclusions.**

- K.6 – Added language *“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”*