MARKET STUDY GUIDE

I. Data Sources

1. Acceptable data sources include:
    i. The 2000 Census
    ii. Data from state or local planning bodies
    iii. Data purchased commercially from organizations such CACI or National Planning Data Service

II. Minimum Standards

The market study must be organized in the order of this guide and the market study checklist and must include all the following items.

1. Problem Definition:

Define the problem the market study seeks to answer, specifically addressing the population to be served. The problem definition and market study must specifically address the population being served. In almost all cases, the problem will be whether sufficient potential demand exists for the development as proposed. Potential demand is the pool of households that are income qualified (household income does not exceed applicable program limits) and can afford the proposed development's rents.

For example, if the proposed development will serve 100% frail elderly it is inappropriate for the study to address the entire elderly population. The study must target the analysis to the frail elderly population, the potential pool of residents. The study must also segment the frail elderly pool into those households that are income-qualified and can afford the proposed rents.

2. **Market Area Definition**:

The market area is defined as the area in which similar properties compete with the subject property for tenants. A factual basis for defining the boundaries of the market area must be established. Primary and secondary market areas may be delineated as subsets of the entire market area but a valid basis must be demonstrated for the decision to include a secondary market and for the geographical areas selected as primary and secondary.

If a secondary market is included in the study, appropriate adjustments must be made in the reconciliation of supply and demand to reflect the development's decreased likelihood of attracting households from the secondary market area. Provide a map that identifies the development site and both the primary and secondary market area for the proposed development.

3. Physical/Location Analysis

Include a description of the development site, development improvements, development amenities, units, and unit amenities. The description may be based upon a review of the development, the developer's description, or taken from the blueprints. The study should describe those attributes and amenities that set the development apart from its competitors and that will enhance or detract from the development's marketability.

It is particularly important to compare the development to competing developments and market preferences. For example, it is not enough to know that the development has one-bedroom units with a given set of amenities. The

study must indicate whether those amenities are above standard, standard or substandard in the market. Compare the proposed development's positive or negative attributes to competing developments already built or in the pipeline, specifically addressing:

1. Site
   --Site amenities (view, topography)
   --Contiguous uses
   --Nuisances

2. Improvements
   --Development size (gross square feet, stories)
   --Development description (exterior appearance, finish)
   --Construction type (methods, materials)
   --Development age (where applicable)

3. Development Amenities
   --Common area
   --Parking
   --Storage
   --Laundry
   --Elevator
   --Green space
   --Recreational area/equipment

4. Units
   --Mix of units (i.e., number of 1, 2, and 3-bedrooms and baths)
   --Unit sizes (in square feet)
   --Rent set asides

5. Unit Amenities
   --Appliances
   --Floor covering
   --Air conditioning
   --Window treatments
   --Cable TV hookups
   --Utilities

The market study must also describe public services, infrastructure and linkages available to the development. Linkages are the location and relationship of the services, institutions, and businesses which are likely to be important to the development's residents

6. Public Services
   --Public and private transportation (modes, availability)
   --Fire/police protection

7. Linkages (Distances from Subject)
   --Schools
   --Shopping
   --Employment

--Recreation
--Transportation
--Medical
--Services for special-needs populations (where applicable)

4. **Economic Analysis**:

The market study must provide an overview of the market area's economic base. The economic analysis, at a minimum, must provide the:

8. Number of persons employed in the market area (defined in Item II above) currently and as of the last census with employment broken out by the following categories:
    a. Agriculture
    b. Construction
    c. Manufacturing
    d. Transportation, communication & public utilities
    e. Wholesale trade
    f. Retail trade
    g. Finance, insurance and real estate
    h. Services (Business, repairs, personal services, entertainment, recreation, health, education, public administration, etc.)
9. Unemployment rate currently and as of the last census
10. Projected future employment in the market area

The above information may not be available for the geographical area delineated as the market area. If the required information is not available for the market area it should be provided for the smallest available geographical area which also encompasses the market area. For example, if the market area has been delineated as a five mile radius around Bentonia and economic data is not available for that area, data for Yazoo County may be used.

However, the study must then desegregate the data based on historical trends and/or shifts in the employment base. Include a map which shows both the area for which the information was available and the market area.

The study must also include a survey of major employers in the area and contain the following information:

11. A list of major employers in the area, including type of industry, number of employees, and proximity to the proposed development's location.
12. Expectations for employment changes over the next three to five years.

The major employers described above need not be located in the primary market area if those employers draw their employees from the market area. However, indicate the location of the proposed development in relation to major employment locations (i.e., the employment site is four miles east of the proposed site).

5. Demographic Summary

A demographic summary must be included. Unless otherwise noted, the following information must be provided for three points in time: the most recent census, the current year, and a calendar year between three and five years in the future. Describe the following specific population characteristics:

13. Population
    a. Total population
    b. Total population by age cohorts broken down in ranges of five years or less
14. Household
    a. Average household size
    b. Total households
15. Income:
    a. Household income by tenure, household size broken down in income cohorts of no more than $5,000. (Households with income over $50,000 can be grouped into a single category)
16. Tenure
    a. Tenure by persons in unit (Households with six or more persons can be grouped into a single category of 6 or more persons)--Most recent census only
    b. Units in structure by tenure (i.e., number of properties with 5 to 9 units that are owner occupied, renter occupied, or vacant--Most recent census only

6. Supply Analysis

The market study must analyze the supply, both current and potential, of competing developments within the market area. Address existing multifamily developments, planned multifamily developments, and land zoned for multifamily uses in close proximity to proposed project site.

17. Housing conditions of existing developments
    a. For both existing and planned developments describe, in aggregate, the:
        i. Number of units
        ii. Unit mix (i.e., number of 1, 2, and 3-bedrooms and baths)
        iii. Average rents by number of bedrooms and baths
        iv. Vacancy by number of bedrooms (existing developments only)
        v. Federal assistance and subsidies available by type (i.e., section 8)

18. Describe the land zoned multifamily within a one mile radius of the proposed project site. Specifically address the:
    a. Amount of land zoned for multifamily Density restrictions on land zoned multifamily
    b. Number of units which could be developed given zoning restrictions Estimated date of availability of utilities
19. The market study must also describe the competition on a development by development basis, including the:
    a. Name and address of competing developments
    b. Unit mix (i.e., number of 1, 2, and 3-bedrooms and baths)

c. Unit sizes
d. Rents by number of bedrooms and baths
e. Concessions offered
f. Vacancy
g. Development's age
h. Waiting list (Length of list, frequency of updating)
i. Vouchers/certificates in the development
j. Development amenities relative to the subject property
k. Unit amenities relative to the subject property
l. Name and phone number of on-site manager
m. Map showing development-by-development location of competition relative to the subject development

20. Summary of Supply Analysis

7. Demand Analysis

21. Articulate anticipated demand for the development and for competing housing in the market area. In some instances, this will overlap with information required in the demographic summary. The analyst must estimate the:
    a. Potential pool of households within the market area
    b. Number of age, income, and rent qualified households that will create the effective demand and expected change in that number over the next five to ten years
    c. Average size of the potential renter households and the expected change in that number over the next five to ten years.
22. Vouchers and certificates
    The study must document the number of rental vouchers and/or certificates that are available and used in the community. If waiting lists for developments with vouchers and/or certificates are available, indicate the number of persons on the list(s) along with the frequency with which the waiting lists are updated.
23. Special-needs populations
    For developments serving a special-needs population, the demand analysis must address the specific-needs population. For example, if the development's tax credit or loan application is based on the fact that a portion of the population is expected to be frail elderly, then the study must demonstrate demand for those frail elderly units through:
    a. Secondary data
    b. Data maintained by local governmental agencies establishing the market area's number of percentage of frail elderly or special-needs households
    c. Developer's demonstrated experience with special needs populations
24. Summary of Demand Analysis

8. Reconciliation of Supply and Demand

25. Each market study must specifically articulate:
    a. An overall vacancy rate for competitive housing in the market area;
    b. A vacancy rate, by number of bedrooms, for competitive multifamily housing in the area;

c. The expected demand for units;
d. An estimated absorption rate (units rented per month/year) for the development overall and by number of bedrooms; and
e. The penetration rate (development units divided by qualified households) for the development overall.

In every instance, all data sources and calculations used in arriving at the above results must be shown in their entirety in the market study. Any assumptions used to derive any of the above rates must be explained within the study and supported by verifiable data.

26. Summary of Conclusions for reconciliation of supply and demand

9. Tax Credit Housing Forecast

27. The analyst should provide a detailed summary that addresses each of the items listed below:
    a. Identify HTC developments and units approved with the previous five (5) years of the study available on the Corporation's website at www.mshomecorp.com, and those currently under construction in the market area
    b. Identify tax credit developments' rent levels and lease-up experience.
    c. Analyst should define the market area and defend the definition.
    d. Calculate achievable rents (most important)
    e. Identify number of people and households in the income band included in the application.
    f. Comment on the possibility of tax credit market saturation (i.e. What is the total number of units the market will support as of the date of the market study).

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III. Recommendation

The analyst must state, in his or her professional opinion, whether the proposed development is feasible from a market perspective and whether a market exists for the development as proposed in the application for tax credits. If the analyst does not believe that the development, as proposed, is feasible, the analyst must indicate what modifications would be needed to make the development feasible (i.e., phased construction, fewer units, different mix of units, different market niche). If the analyst does not believe that the proposed development, even with modifications, is feasible, the analyst should indicate that in the study and should state why.

IV. Standards of Review

In reviewing the market studies, MHC will first determine whether the market study meets the minimum standards set forth in this document. If the minimum standards are not met, applicants will be advised of the deficiencies and given an opportunity to correct those deficiencies (in the next tax credit cycle).

If the minimum standards are met, MHC will then determine whether the study establishes, in a logical, reasonable and supportable manner, that a market probably exists for the proposed development. If it is not clear from reviewing the study, that such a market probably exists, the reviewer will make reasonable efforts to look at the data contained within the market study and determine whether such a market probably exists. If it is not evident from a reasonable review and interpretation of the data that a market exists, the study and application will be rejected.

V. Conclusion

This document establishes minimum standards. It is not meant to limit the scope of the market study. If the required data is unavailable, document all steps taken to obtain the data and include that documentation as an appendix to the study.