

NCHMA - MAP Market Study Guidelines

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A scenic view of Washington, DC, featuring the Washington Monument on the left, the Jefferson Memorial in the center, and cherry blossom trees in the foreground. The scene is reflected in the water of the Tidal Basin.

NCHMA SPRING MEETING

June 16-17, 2014 | NCHMA/NH&RA Conference Center | Washington, DC

Market Study Criteria

Chapter 7 Valuation Analysis & Market Study Requirements

7.1 Purpose of the Valuation Analysis

- A. The Valuation Analysis evaluates the existing or proposed project as security for a long-term mortgage. Depending on program requirements, this includes an estimation of the market value of the property and an analysis of the market need, location, earning capacity, operating expenses, and warranted cost of the property.
- B. The Valuation Analysis develops conclusions with respect to feasibility, suitability of improvements, extent, quality, and duration of earning capacity and other factors that have a bearing on the economic soundness of the property. The objective of the appraisal is to establish value for use in underwriting the supportable loan amount and to determine if the project will meet the market demand at rents that will pay operating expenses, reserves and debt service.

7.2 Selection of Appraisers and Market Analysts

The Lender is responsible for the selection and approval of appraisers and market analysts who are familiar with MAP guidelines. Lenders must ensure that each appraiser and market analyst selected is qualified to appraise or perform market analyses for multifamily properties by reviewing their education, quality, and frequency of multifamily appraisal experience, sample appraisals and market studies, professional affiliations, and state licenses or certifications. The ability to complete various HUD forms related to the appraisal, i.e. HUD-92264, 92273, 92274 etc., is also a requirement. The Lender may assist the appraiser in the preparation of these forms, and the appraiser must sign them unless he/she is not in agreement with value conclusions contained on the forms, in which case the Lender may prepare the HUD 92264-A.

- A. Should the Lender have difficulty finding a Certified General Appraiser, the Appraisal Subcommittee of the Federal Financial Institutions Examination Council maintains a national registry of Certified General Appraisers who are authorized, under Federal law, to perform appraisals in connection with federally related transactions. The Lender may review this list at <http://www.asc.gov>, although inclusion on this list is not an indication of competency to perform multifamily appraisals.
- B. The appraiser or the market analyst must be independent of and may not be affiliated with the loan originator, broker, developer, borrower, MAP Lender or any individual or institution involved in any other financial role in the application. The underwriter shall not act as the appraiser or market analyst.

MAP Guidelines



Rental Housing Market Studies Model Content Standards

I. Purpose

The National Council of Affordable Housing Market Analysts (NCAHMA) has been renamed the National Council of Housing Market Analysts (NCHMA) to reflect the organization's expanded focus beyond affordable rental housing. The purpose of this document 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. These 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. The Model Content Standards include the required items listed in this document, NCHMA's adopted white papers describing the techniques and levels of analysis required to complete a market study, and a glossary of common terminology appearing in rental housing market studies. The Market Study Terminology ([NCHMA's Market Study Terminology](#)) and NCHMA's adopted white papers ([NCHMA's Resource Page](#)) are integral parts of these standards. Applicable NCHMA White Papers are referenced in this document where appropriate with hyperlinks to the full documents, which can be found at www.housingonline.com.

State housing finance agencies, lenders, investors, and other industry members are encouraged to incorporate the information below in their own standards. NCHMA [requests written notification](#) of use. Users are encouraged to reference the date or version of the contents standards used.

National Council of Housing Market Analysts
(NCHMA)
WWW.Housingonline.org

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Evolution of Market Study Guidelines

2001	National Council of Affordable Housing Market Analysts (NCAHMA) formed Dedicated to enhancing the professionalism and standards surrounding residential rental real estate market analysis for Tax Credit Communities
2001-2010	NCAHMA creates Set of Resources: Model Content Standards Code of Ethics Market Study Terminology White Papers Market Study Index Professional Designation
Nov-11	HUD issues Revised MAP Guidebook Separate Section for Market Studies Requires Market Analysis and Appraisal to be conducted by Separate Analysts
Winter 2012	NCAHMA conducts User Survey of MAP Market Study Users 10 HUD MAP Offices 6 FHA MAP Lenders
July 2012	NCAHMA renamed National Council of Housing Market Analysts (NCHMA) organization expands its scope to include other conventional housing market analysis and users including market-rate apartments, multifamily condo-developments, and senior housing products
Fall 2012	Revised Guidelines and Resources to cover Affordable, Market Rate and Seniors Housing Adopted January 14, 2013
Aug 2013	Provide HUD with detailed recommendations to revise MAP market study guidelines



Section 7.5 - General Comment

Map Guidelines should follow NCHMA organization, reflecting how market study is typically presented:

- Site Analysis and Market Area
- Economic Context
- Demographic Context
- Supply Context
- Findings and Conclusions:
 - Balance of Supply and Demand
 - Affordability
 - Product Positioning in terms of offering and pricing



Section 7.5.C - Description of Proposed Project

- **C-2: (Add)** Utility policy of the proposed community (costs paid for tenant/costs paid by landlord should be presented).
- **C-7: (Added Section)** For rehabilitation projects provide:
 - a) Description of proposed scope of rehabilitation.
 - b) An estimate of total construction cost and cost per unit.
 - c) Identify existing unit mix, rents & existing subsidies.
 - d) Current and historical occupancy information.
 - e) An analysis of the current rent roll (if available).



Section 7.5.D - Housing Market Area (HMA)

- Housing Market Areas (HMA) is a term used by HUD's Economic and Market Analysis Division (EMAD) for Comprehensive Housing Market Analyses.
- HMA's typically are large metropolitan areas.
- Market analyses generally use term Primary Market Area (PMA). The scale of a PMA is typically smaller than a metropolitan area.
- Eliminate required Secondary Market



Section 7.5.E.1.B - Economic Conditions

- **E.1.b.2:** Wage Levels reflect the vitality of an area and provide context whether the market can support a project targeted to a certain market.
 - Wage levels do not translate directly to affordability.
 - Better to focus on Household Income distribution by Tenure.
- **E.1.B.5: (Added Section)** Information on Commutation Patterns



Section 7.5.F - Current Housing Market Conditions

- **F.2.B:** Annual absorption ten years ago is irrelevant to today. Likely, maximum relevant information is 5 years ago.
- **F.2.C:** Appraisal function is the primary voice in term of rents (income),

However, market analyst must discuss in detail the proposed price position of the subject property in the context of the competitive environment.



Section 7.5.H - Demand Estimate and Study

- **H.1-4:** Net Demand for rental units should be separate from “Effective Demand”, which is not defined in the document.



Net Demand

- Items **H.1** and **H.4** address the demand and supply factors for overall Net Demand.
 - Renter Household Growth
 - Tenure breakdown
 - Replacement of Lost/Dilapidated Units



Net Demand Analysis

Net Demand			
<i>Projected Change in Household Base</i>			Units
January 2013 Households			40,731
January 2016 Households			42,138
Net Change in Households			1,406
Add: Units Removed from Housing Stock	Housing Stock	Removal Rate	Units Removed
2013 Housing Stock	42,650	0.370%	158
2014 Housing Stock	43,171	0.370%	160
2015 Housing Stock	43,700	0.370%	162
			479
Net New Demand for Housing Units			1,886
Average Percent Renter Households over Analysis Period			65.0%
Net New Demand for Renter Units			1,226
Add: Multifamily Competitive Vacancy	Inventory		Vacant
Stabilized Multifamily Communities	5,673		243
Subtotal Stabilized Communities	5,673		243
Communities Under Lease Up	0		0
Total Competitive Inventory	5,673		243
Market Vacancy at 5%			284
Less: Current Vacant Units			-243
Vacant Units Required to Reach 5% Market Vacancy			41
Net Demand for New Rental Units			1,266
Planned Additions to the Supply			
		Total Units	95% Occupancy
Parc Rock		360	342
Avant at Rock Town Center		359	341
Subject - Boulevard at Loger Station		448	426
Total New Rental Supply		1167	1,109
Excess Demand for Rental Housing			158



Effective Demand

- Item **H.2** and **H.3** addresses number of income qualified households that the subject and other projects addressing the same market need to address.
 - Capture Rate Analysis (% qualified households subject project needs to capture)
 - Penetration Rate Analysis (% qualified households subject and inventory of like communities need to capture)



Section 7.5.H - Demand Estimate and Study

- **H.1.5:** The impact of the proposed property on existing rental developments should stand on its own as a conclusion.
- **H.7:** For subsidized communities, sensitivity affordability and penetration rate analyses should be conducted both with and without project based rental assistance.



Section 7.5.I - Seniors Housing

- **I.1& I.2:** Generally, 221(d)(4) and 231 properties target independent seniors that do not have frailty issues and do not offer services to address Frail seniors (ADLs).
- **I.3:** Income is the key determinant for independent senior rentals. Unlike assisted living, don't typically look at net worth.



Section 7.5.1 - Seniors Housing

- **I.4:** Most states use a 35% to 40% net rent burden for income calculations for senior renter households. The industry generally uses a 40% rent burden. Not necessary to introduce 30% rent burden.
- **I.5:** NCHMA criteria is maximum 2 person income limit for two bedroom units.



Section 7.5.I- Seniors Housing

- **I.6:** Concern about over-counting large senior households is unfounded.
 - Senior one and two person households account for 92 % of all senior renter households.
 - **I.7:** Two thirds senior renter households are single person households.
- **I.8:** It is typical to look at senior one person households when looking at assisted living. Not particularly appropriate for senior independent.





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