

# Market Study Guidelines

## I. Introduction

This document has been developed as a tool to help applicants for HOME funding from the City of Houston to understand the required elements of a Market Study.

A Market Study must be:

- a. Site specific
- b. Current (within 6 months of application date)
- c. Signed
- d. Contain primary data – data from actual competitive properties – not just data copied from another source such as the Census.
- e. The source of data should be identified (telephone calls made by applicant with date of such call; Census; or other types of sources)

The Study should have as its objective the determination of market demand for specific types of rental units that will be subsidized via tax credits, HOME funds, or other City money. The study should estimate demand from new households and rent burdened households for the time between the date of the study and the date the units will be delivered to the market.

The qualifications of the individual making the study should be identified. The market study team must be available to answer questions from the City, if any, and must have personally examined the site of the projected development.

## II. Elements of a Market Study

A Market Study should contain at a minimum the following elements:

- a. Executive Summary
- b. Analysis of Competitive Market Area
- c. Rental Housing Supply Analysis
- d. Proposed Development Analysis
- e. Rental Housing Demand Analysis

## III. Executive Summary

The Executive Summary contains the observations, conclusions, and recommendations regarding the rental housing market in the applicant's specific area.

## IV. Analysis of Competitive Market Area

The market study should consider a well-defined target market area. The competitive market area is the geographic area in which a property competes. It is the area in which properties of the same use are affected by the same economic, demographic, and supply/demand factors. It should take into consideration all subsidized and non-subsidized rental developments.

1. The economic base of the area should be examined. Where do people work? Who are the employers? What are the income levels? Is there a match between the approximate number of employees and the applicable income range of the proposed development?
2. What are the official projections for the population in this area, according to published data sources, such as Planning Department studies or the US Census? Please identify the source of information.
3. What are household income trends and projections?
4. What are the market study analyst's overall impressions of the community based on the economic and demographic analysis performed? Is there a current or future unsatisfied demand for rental units in this market area?

#### V. Rental Housing Supply Analysis

An attempt should be made to inventory all competitive rental housing within the competitive market area of the applicant's proposed development site. At a minimum, the following information should be included in the market study for each comparable development:

1. Name
2. Address and Location on a map (one map for all comparables)
3. Number of Units
4. Configuration breakdown (how many 1-bedroom, 2-bedroom, etc)
5. Condition
6. Utilities and Amenities
7. Age
8. Income limits if any
9. Rental assistance
10. Occupancy
11. How far is it from the proposed development?
12. Contact person and phone number
13. Date of information

The market study should include information about any anticipated new developments in the market area that are under construction or proposed that might be competitive with the applicant project. At a minimum, the applicant should inquire at the local Civic Club, and the City building permitting, planning, or community development departments.

The market study should support the conclusion that the market has unmet need, is in equilibrium, or is oversupplied in this location.

#### VI. Proposed Development Analysis

The neighborhood description should encompass the social, economic, and environmental forces that influence the market for rental units in the proposed project's location. The boundaries of the competitive market area should be explained.

Relevant social characteristics include population density; age levels; employment status; extent or absence of crime; quality and availability of educational, medical, social, recreational, and

commercial services; presence or absence of neighborhood organizations (crime watch, civic club, or similar).

Relevant economic characteristics include census tract income levels; extent of owner occupancy; vacancy rates for rental housing in the area; amount of development/construction in the area; age of properties in the area.

Relevant environmental characteristics to be addressed in the market study include nuisances and hazards; property maintenance; availability and quality of utilities; nearness to employment; access to public transit; access to schools, stores, services, and parks.

The market study should include a description of the site and improvements proposed by applicant. At a minimum, this should include:

- a. Specific location
- b. Approximate size and topography of site
- c. Flood plain status
- d. Current land use
- e. Existing site improvements
- f. Adjoining land use
- g. Site accessibility
- h. Possible or apparent environmental concerns (is there an old gas station next door?)
- i. Building style, unit count, unit sizes, amenities of proposed project
- j. Statement about utilities: included in rent or separate?
- k. Development amenities

The market study should include the percentage and dollar amount limitation of proposed tenant incomes that will be mandated due to any proposed subsidy. The number of set aside units proposed should be indicated.

## VII. Rental Housing Demand Analysis

The market study should contain a quantitative analysis regarding the rental housing demand in the market. The analysis should consider demand based on population growth, rent-burdened existing households, and overcrowded households. The analysis should consider the current and anticipated supply of rental housing in the market area. It should conclude with the estimated number of affordable rental units that will be in demand at the time the subject units are expected to be placed into service.

The study should indicate the number of each type of unit to be built in the project; the starting rent for each type of unit; and a comparison of this rent to the HUD affordability standards for varying levels of income. The household size expected to occupy the different unit types should be explained and compared with the existing household sizes in the competitive market area. An overall number of households needing this proposed type of housing in the area should be estimated.