

Market Analysis Report Outline



A. Applicability

A Market Analysis Report (MAR) must be submitted with any application package involving rehabilitation or construction of housing when directed in the application guidelines of any particular Commerce program.

B. Market Study

SMALL PROJECTS

For acquisition/rehabilitation and small projects this market study can be completed by the applicant and should include a short narrative addressing recent sales in the area, demand for housing, lack of supply, and documentation of interest in the project activity, i.e. waiting lists. Small projects will be defined as five units or less.

LARGE PROJECTS

All other application market studies must be completed by a housing professional who is unaffiliated with the developer and who has experience with multifamily rental housing. A Montana-licensed appraiser who is MAI certified and meeting the criteria listed may also complete the market study. The study must address in depth the following:

1. Review of proposed site including color photos of the site and adjoining property; definition of the primary and secondary market areas including a map that clearly marks the areas and an explanation of the basis for the boundaries; description of site characteristics including the size, shape and general topography; and evaluation of the accessibility and visibility of the site;
2. Review of the proposed project including the number of units by number of bedrooms and bathrooms, income levels to be served, rent to be charged, calculating utility allowances and amenities to be provided;
3. Review of existing community services and their proximity to the proposed project, including a site map identifying such services;
4. Review and listing of existing multifamily projects in the market area for both affordable housing (Section 8, HOME and Rural Development) units and market-rate units listing the type of housing, location, number of bedrooms, number of bathrooms, size of units, condition of buildings, vacancy rates, waiting lists, amenities, utility allowances (whether included in rent or not), and rental rates;
5. Review of the total number of income eligible households* in the market area, (include a breakdown of households (both renters and owners) at 30 percent, 50 percent, and 60 percent level of area median income and projections of the same, for the next five-year period);

6. Review of projected new multifamily projects (BOTH affordable and market rate) including number and type of building permits issued in the past three years;
7. Review of current population characteristics, such as total population, income levels, age breakdown, migration trends, and five-year projection of future changes to the population and its characteristics;
8. Review of the type of employment opportunities and entry-level wages including economic changes proposed that could potentially affect the number of jobs or wages;
9. Review of existing and projected renter and owner occupied households indicating the total number of households, average number of persons per household, and number of households that are rent burdened (tenants paying more than 30 percent of their income for housing);
10. Review of existing housing conditions and projected rental housing demands, including the breakdown of the number, size and rent level of units necessary to fill the demands of the community;
11. Review of meeting/correspondence with the local Public Housing Authority highlighting the utilization of Section 8 vouchers and the affordable rental housing in the corresponding effective market area;
12. Review of meeting/correspondence with local planners, housing and community development officials, and market participants to evaluate the local perception of the need for additional housing; and

C. Public Participation

Describe any public participation, meetings, hearings, or comments received from the public about the market need for the proposed project.

D. Market Determinations

The following issues must be considered for each potential market before the development of additional units is pursued:

1. Whether the community experienced growth in recent years and is projected to continue to grow.
2. Whether there have been any significant changes in the economic arena for the area, such as major employers leaving or moving into the area or are expected to leave or move in. Note that the definition of "major" will vary by community.
3. A determination as to whether vacancies that may have existed prior to the population growth have been absorbed, or whether there are vacancies in the market area now. If there are the vacant units, they need to be evaluated to determine if they are obsolete, have deferred maintenance, have deep rental subsidies, or qualify for Section 8 Vouchers (if available).

4. Determine if the need is for housing for families with children, disabled adults, the elderly, or other specific disadvantaged groups, and what the most suitable housing would be for the identified population; such as whether there is a need for single family homes, townhouse or condominium type housing units with lower maintenance requirements, independent apartments, congregate housing, or assisted living units. Also, determine if there are existing vacant units or structures in the community or region that could be rehabilitated or moved in to address the demand for housing in a more affordable manner than new construction.
5. A determination must be made as to whether there is a need for market rate housing or housing targeted to lower income households.
6. Discuss how local government actions impact the market, including planning, ordinances, and zoning.
7. Discuss the availability of public transit and walkability in the target community.

E. Executive Summary

The study must conclude with an Executive Summary with a precise statement of the conclusions reached by the analyst. The statement must include the analyst's opinion of

- (i) market feasibility,
- (ii) the prospect of long-term performance of the property given housing and demographic trends and economic factors,
- (iii) recommended modifications to the proposed project,
- (iv) market related strengths and weaknesses,
- (v) positive and negative attributes and issues that will affect the property's lease-up and performance, and
- (vi) the impact the subject property will have on the existing multifamily projects.