

## Requirements for Market Analysis for HOME Projects

This document is intended to provide information and guidance to developers for the preparation of a Market Analysis for either rental or homeowner housing development project.

The City of Wilmington is a participating jurisdiction (PJ) in the U.S. Department of Housing and Urban Development (HUD), HOME Investment Partnership Program. These funds may be used to support the development of homebuyer and rental projects for moderate-to-low income households, including funding for acquisition, rehabilitation, new construction, and down payment assistance.

The FY2012 HOME Appropriations Law requires that PJs evaluate market data to ascertain if the market will support the proposed project.

Affordable housing developers, including Community Housing Development Organizations (CHDO) must provide a market analysis specific to the proposed development project. The developer may prepare the market analysis in-house or contract, at their expense, for the market analysis. Market Studies prepared on behalf of the North Carolina Housing Finance Agency that meets the City's requirements will be accepted. Before entering into a legally binding funding agreement with a developer, the City will evaluate the market analysis along with development plans including the project budget, and pro-forma if applicable. Additionally, the developer's financial statements along with evidence of developer experience and capacity will be assessed.

In order for the City to fund the project the market analysis must successfully address the following questions:

- Has a need for the type and number of housing units been convincingly demonstrated?
- If homebuyer units, will developer be able to sell the planned unit(s) prior to the six-month deadline?
- If rental units, will developer be able to lease-up the planned rental units as expected, e.g. within the timeframe specified in the project pro-forma?
- Will the development adversely impact existing affordable housing developments?

Generally, the market analysis must address the following topics:

- Housing demand
- Demographic trends
- Housing supply
- Construction trends
- Vacancy rates
- Geographic market area

Below are guidelines for rental project market analysis and for a for-sale/homeowner project market analysis.

## Rental Housing Market Analysis

### Considerations for HOME small-scale rental projects

#### HOME income limits

- Program Rule –For HOME rental projects 90% of units must be rented to households at 60% of area median income (AMI); therefore initial tenants have incomes at or below 60% AMI
- Project Rule – If a scattered site project of 5 or more rental units under common ownership, financing and management, at least 20% of units rented to households at 50% AMI must be met for the affordability period.

#### Definition of Income

- Use Part 5 (i.e. Section 8/HCV) definition of income for determining eligibility

#### HOME Rent Limits, including Utility Allowances, apply

- Rent limits are set by HUD annually
- Rents must be adjusted for tenant-paid utilities

To receive HOME funds a developer must prepare a market analysis. Below are guidelines for information that must be included in the analysis and guidelines for preparing a market analysis.

### I. Defining Market Area:

Where will the proposed project be located? Address/parcel number

In relation to the project location, define the geographic area that the project is most likely to attract renters from; i.e. 1 mile radius, 3 miles, 5 miles, etc.. This shall be known as the primary market area.

What factors were used to determine the appropriate primary market area?

What census tract(s) is the project located in? What census tract(s) are within the defined market area?

Provide a map showing the location(s) of the proposed project and boundaries of the defined market area.

### II. Demand:

**Market area demographic profile/trends – (data source US Census).** For the defined primary market area provide the following data, include historic and most recent:

- Number of households on waiting list for proposed rental project
- Population
- Number of households

- Average age of household
- Average size of household
- Number/percentage of female headed households
- Median household income
- Average household income
- Number of homeowner households
- Number of renter households @ 60% AMI
- Number of renter households @ 50% AMI
- Number of cost-burdened renter households @ 60% AMI
- Number of cost-burdened renter households @ 50% AMI

### III. Supply:

Within the defined primary market area provide the following information:

- List of existing rental properties by number or units, number of bedrooms, rent, and vacancy rate, condition of property
- Average vacancy rate for market area
- List of existing rental units subsidized for low income households, including elderly
- Proposed rental development with number of units, bedrooms, amenities, etc.

### IV. Other Pertinent Information:

- Describe the characteristics of households likely to be attracted to the proposed rental project.
- List amenities available within the market area or in close proximity including, but not limited to, grocery stores, pharmacy, medical, bus stop, schools, other shopping, social services, parks, community youth centers, etc..
- Show location of above listed amenities on map include location of the proposed project
- List employment centers or likely places of employment within or in close proximity to the market area
- Describe neighborhood conditions within the market area, crime, physical conditions, history, etc..
- Other trends, changes, information or data that describe the market area

### V. Analysis:

Describe how you plan to lease-up the project. How will you market the project and select tenants? Describe the timeline for renting up units.

As appropriate for the proposed project size prepare the following analysis:

- $\text{Number of Low-Income Renter Households} - \text{Number of Subsidized Low-Income Units Rented} = \text{Net Effective Demand}$
- $\text{Proposed Number of Units} / \text{Net Effective Demand} = \text{Capture Rate}$

## Homebuyer/For Sale Housing Market Analysis

To receive HOME funds a developer must prepare a market analysis. Below are guidelines for information that must be included in the analysis and guidelines for preparing a market analysis.

### I. Defining Market Area:

Where will the proposed project be located? Address/parcel number

Broad market context: In relation to the project location, define the geographic area or secondary market area from which buyers are most likely to be drawn from- City, County, Region, etc. Why?

What is the location of comparable housing units in proximity to the project are comparable houses located (defined market area)? What factors were used to determine the appropriate primary market area?

What census tract(s) is the project located in? What census tract(s) are within the defined market area?

Provide a map showing the location(s) of the proposed project and boundaries of the defined primary market area.

### II. Demand:

Market area demographic profile/trends – (data source recommend US Census) for the defined market area provide the following data, include historic and most recent:

- Waiting list or list of pre-qualified potential buyers who have completed homebuyer education
- Population
- Number of households
- Average age of household
- Average size of household
- Median household income
- Average household income
- Number of homeowner households
- Age of housing stock
- Condition of housing stock

### III. Supply:

Within the defined market area provide the following information:

- List of existing for-sale/sold single family residential properties of similar size and characteristics

- Average time on the market
- Average listing price
- Average sales price
- Median listing price
- Median sales price
- Characteristics, prices, sales activity in similar areas available to potential homebuyers

IV. Project specific information:

- Listing price for house
- Describe down payment assistance or other direct subsidies available to homebuyer
- Target buyer household income range for the project
- Is there a pre-determined buyer for the house? If so, describe how the buyer was identified and pre-qualified.

V. Other Pertinent Information:

- Describe the characteristics of households likely to be attracted to the for-sale house and neighborhood
- List amenities available within the market area or close proximity including, but not limited to, grocery stores, pharmacy, medical, bus stop, schools, other shopping, social services, parks, community youth centers, etc..
- Show location of above listed amenities on map include location of the proposed project
- List employment centers or likely places of employment within or in close proximity to the market area
- Describe neighborhood conditions within the market area, crime, physical conditions, history, etc..
- Other trends, changes, information or data that describe the market area

VI. Analysis:

Describe how you plan to market the house. How will you market the project and qualify buyers? Describe the timeline for selling the house.

If project contains 10 or more houses, prepare the following analysis:

- Total number of households in market area within target homebuyer income range = X
- Estimated number of X with credit score at 600 or more = Y.  
Basis for estimate, i.e. sample, research, etc..
- Number of units in project/Y= market penetration