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# Market Study Training

# MAP Checklist – Main Topics

- **Executive Summary**
- **Description of the Proposed Project**
  - Unit Sizes (gross heated/paint to paint)
  - Utilities included in rent
  - Rehabilitation requirements: scope of work and current rent/tenant analysis

- **Primary Market Area**

- PMA is usually the most debated item in a market study; especially when the deal does not work.
- Difference between project-specific analysis and a regional study
- Reasonable HH count/geographic size
- Secondary market area no longer required

- **Economic Context**
  - Recent and projected changes
  - Major expansions/reductions – should be tied to HH projections.
  - Does the immediate area have a significant job base with little or no new/upscale housing?

- **Demographics**

- HH projections are key to demand. Be aware of sources and if adjustments are made as needed.
- Shift in tenure percentages
- Income

- **Current Housing Market Conditions**

- Appropriate representative sample
- Rents, vacancy, and absorption are key points
- Comparison of competitive stock relative to subject property. Any significant variations should be explained: unit distributions, introduction of new unit/building type is a key point.
- Pipeline with map and narrative.
- Deeply subsidized communities – included in checklist, but does not apply to deals without PBRA.

- **Characteristics of Rental Units in the Pipeline, Under Construction and in Planning**
  - Pipeline – all deals and narrative.

# • Demand Estimate and Analysis

## – Net Demand

- Components: growth, replacement, vacancy, pipeline.
- Study period
- HH projections
- Renter percentage
- Pipeline (when to include)

## – Effective Demand

- Capture Rate
- Penetration Rate

## – LIHTC Demand



- **Findings and Conclusions**
  - Project evaluation
  - Absorption rate
  - Negative impact

- **Common Questions/Issues**
  - PMA Definition
  - Differences in market data from Appraisal/Market Study
  - Emerging/New Markets
  - Differences in Net and Effective Demand

# Net Demand



## 7.5.I Net Demand Analysis

### Net Demand

- Demand
  - Household Growth
  - Replacement
  - % of Renter Households
- Supply
  - Pipeline (When to Include)
  - Subject
- Balance of Demand and Supply
- 7.5.I.1 Estimate of demand must be based on a calculation of incremental demand, typically for a 36 month time period.

# Net Demand

<b>Demand</b>			
<b>Projected Change in Household Base</b>			<b>Units</b>
March 2017 Households			39,784
March 2020 Households			41,838
<b>Net Change in Households</b>			<b>2,054</b>
<b>Add: Units Removed from Housing Stock</b>	<b>Housing Stock</b>	<b>Removal Rate</b>	<b>Units Removed</b>
2017 Housing Stock	42,595	0.27%	115
2018 Housing Stock	43,307	0.27%	117
2019 Housing Stock	44,017	0.27%	119
<b>Total Units Removed from Housing Stock</b>			<b>351</b>
<b>New Housing Demand</b>			<b>2,405</b>
Average Percent Renter Households over Analysis Period			59.2%
<b>New Rental Housing Demand</b>			<b>1,423</b>
<b>Add: Multifamily Competitive Vacancy</b>	<b>Inventory</b>	<b>Vacant</b>	
Stabilized Multifamily Communities	6,536	263	
Communities Under Lease Up	456	167	
<b>Total Competitive Inventory</b>		<b>430</b>	
Market Vacancy at 5%		350	
Less: Current Vacant Units		-430	
<b>Vacant Units Required to Reach 5% Market Vacancy</b>		<b>-80</b>	
<b>Total Demand for New Rental Units</b>			<b>1,343</b>
<b>Planned Additions to the Supply</b>			
	<b>Total Units</b>	<b>95% Occupancy</b>	
Subject	200	190	
<b>Under Construction</b>			
Property A	268	255	
Property B	78	74	
Property C	20	19	
<b>Approved</b>			
Property D	200	190	
Property E	240	228	
Property F	32	30	
Property G	42	40	
<b>Total New Rental Supply</b>		<b>1,080</b>	<b>1,026</b>
<b>Excess Demand for Rental Housing</b>			<b>317</b>

Source: RPRG, Inc.

# Net Demand

## Components of Inventory Change

A. Characteristics	C. Present in 2011	D. 2011 units present in 2013	2011 Unit change							TOTAL Lost to Stock	Total exclude MH	2011-13 Annual
			E. Change in characteristics	F. lost due to conversion /merger	G. house or mobile home moved out	H. changed to non residential use	I. lost through demolition or disaster	J. badly damaged or condemned	K. lost in other ways			
<b>Total Housing Stock</b>	<b>132,420</b>	<b>130,852</b>		98	161	202	470	212	424	1,567	1,406	703
				<b>0.07%</b>	<b>0.12%</b>	<b>0.15%</b>	<b>0.35%</b>	<b>0.16%</b>	<b>0.32%</b>	<b>1.18%</b>	<b>1.06%</b>	<b>0.53%</b>
<b>Occupancy</b>												
<b>Occupied units</b>	<b>114,907</b>	<b>105,864</b>	8,313	58	99	68	238	59	207	729	630	315
				<b>0.05%</b>	<b>0.09%</b>	<b>0.06%</b>	<b>0.21%</b>	<b>0.05%</b>	<b>0.18%</b>	<b>0.63%</b>	<b>0.55%</b>	<b>0.27%</b>
<b>Vacant</b>	<b>13,381</b>	<b>5,123</b>	7,642	38	50	85	175	110	158	616	566	283
				<b>0.28%</b>	<b>0.37%</b>	<b>0.64%</b>	<b>1.31%</b>	<b>0.82%</b>	<b>1.18%</b>	<b>4.60%</b>	<b>4.23%</b>	<b>2.11%</b>
<b>Seasonal</b>	<b>4,132</b>	<b>2,132</b>	1,778	2	11	49	57	43	59	221	210	105
				<b>0.05%</b>	<b>0.27%</b>	<b>1.19%</b>	<b>1.38%</b>	<b>1.04%</b>	<b>1.43%</b>	<b>5.35%</b>	<b>5.08%</b>	<b>2.54%</b>
<b>Region (All Units)</b>												
<b>Northeast</b>	<b>23,978</b>	<b>23,718</b>		38	0	28	55	40	99	260	260	130
				<b>0.16%</b>	<b>0.00%</b>	<b>0.12%</b>	<b>0.23%</b>	<b>0.17%</b>	<b>0.41%</b>	<b>1.08%</b>	<b>1.08%</b>	<b>0.54%</b>
<b>Midwest</b>	<b>29,209</b>	<b>28,849</b>		14	28	49	117	56	95	359	331	166
				<b>0.05%</b>	<b>0.10%</b>	<b>0.17%</b>	<b>0.40%</b>	<b>0.19%</b>	<b>0.33%</b>	<b>1.23%</b>	<b>1.13%</b>	<b>0.57%</b>
<b>South</b>	<b>50,237</b>	<b>49,526</b>		29	120	75	235	94	159	712	592	296
				<b>0.06%</b>	<b>0.24%</b>	<b>0.15%</b>	<b>0.47%</b>	<b>0.19%</b>	<b>0.32%</b>	<b>1.42%</b>	<b>1.18%</b>	<b>0.59%</b>
<b>West</b>	<b>28,996</b>	<b>28,759</b>		17	13	50	63	23	71	237	224	112
				<b>0.06%</b>	<b>0.04%</b>	<b>0.17%</b>	<b>0.22%</b>	<b>0.08%</b>	<b>0.24%</b>	<b>0.82%</b>	<b>0.77%</b>	<b>0.39%</b>
<b>Owner occupied</b>												
<b>Owner occupied</b>	<b>76,092</b>	<b>69,324</b>	6,418	14	83	14	116	26	97	350	267	134
				<b>0.02%</b>	<b>0.11%</b>	<b>0.02%</b>	<b>0.15%</b>	<b>0.03%</b>	<b>0.13%</b>	<b>0.46%</b>	<b>0.35%</b>	<b>0.18%</b>
<b>Renter occupied</b>												
<b>Renter occupied</b>	<b>38,815</b>	<b>31,181</b>	7,253	45	16	54	122	33	110	380	364	182
				<b>0.12%</b>	<b>0.04%</b>	<b>0.14%</b>	<b>0.31%</b>	<b>0.09%</b>	<b>0.28%</b>	<b>0.98%</b>	<b>0.94%</b>	<b>0.47%</b>
<b>Metro Status</b>												
<b>In Central Cities</b>	<b>37,400</b>	<b>36,974</b>		49	3	70	124	67	112	425	422	211
				<b>0.13%</b>	<b>0.01%</b>	<b>0.19%</b>	<b>0.33%</b>	<b>0.18%</b>	<b>0.30%</b>	<b>1.14%</b>	<b>1.13%</b>	<b>0.56%</b>
<b>In Suburbs</b>	<b>65,872</b>	<b>65,311</b>		26	57	54	169	69	186	561	504	252
				<b>0.04%</b>	<b>0.09%</b>	<b>0.08%</b>	<b>0.26%</b>	<b>0.10%</b>	<b>0.28%</b>	<b>0.85%</b>	<b>0.77%</b>	<b>0.38%</b>
<b>Outside Metro Area</b>	<b>29,148</b>	<b>28,567</b>		23	101	78	177	76	125	580	479	240
				<b>0.08%</b>	<b>0.35%</b>	<b>0.27%</b>	<b>0.61%</b>	<b>0.26%</b>	<b>0.43%</b>	<b>1.99%</b>	<b>1.64%</b>	<b>0.82%</b>

Source: American Housing Survey, Components of Inventory Change 2011-2013; Prepared by Ecometrica, Inc. for U.S. Department of Housing & Urban Development Office of Policy Development & Research; April 2016

# Net Demand

## Renter Percentage

County	2000		2010		Change 2000-2010		2017		Change 2010-2017		2022		Change 2017-2022	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>Housing Units</b>														
Owner Occupied	159,440	65.9%	225,154	65.1%	65,714	63.4%	247,908	62.3%	22,754	43.5%	275,003	62.2%	27,095	61.4%
Renter Occupied	82,591	34.1%	120,491	34.9%	37,900	36.6%	150,092	37.7%	29,601	56.5%	167,136	37.8%	17,044	38.6%
<b>Total Occupied</b>	<b>242,031</b>	<b>100%</b>	<b>345,645</b>	<b>100%</b>	<b>103,614</b>	<b>100%</b>	<b>398,000</b>	<b>100%</b>	<b>52,355</b>	<b>100%</b>	<b>442,139</b>	<b>100%</b>	<b>44,139</b>	<b>100%</b>
Total Vacant	16,913		26,191				30,358				33,297			
<b>TOTAL UNITS</b>	<b>258,944</b>		<b>371,836</b>				<b>428,358</b>				<b>475,436</b>			

Market Area	2000		2010		Change 2000-2010		2017		Change 2010-2017		2022		Change 2017-2022	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>Housing Units</b>														
Owner Occupied	15,369	62.2%	21,618	59.9%	6,249	54.9%	22,500	56.7%	882	24.7%	24,451	56.7%	1,951	57.0%
Renter Occupied	9,340	37.8%	14,477	40.1%	5,137	45.1%	17,170	43.3%	2,693	75.3%	18,642	43.3%	1,473	43.0%
<b>Total Occupied</b>	<b>24,709</b>	<b>100%</b>	<b>36,095</b>	<b>100%</b>	<b>11,386</b>	<b>100%</b>	<b>39,670</b>	<b>100%</b>	<b>3,575</b>	<b>100%</b>	<b>43,094</b>	<b>100%</b>	<b>3,424</b>	<b>100%</b>
Total Vacant	1,567		2,651				2,926				3,050			
<b>TOTAL UNITS</b>	<b>26,276</b>		<b>38,746</b>				<b>42,595</b>				<b>46,144</b>			

Source: U.S. Census of Population and Housing, 2000, 2010; Esri, RPRG, Inc.

# Net Demand

## Rental Summary

Map #	Community	Year Built	Structure Type	Total Units	Vacant Units	Vacancy Rate	Avg 1BR Rent (1)	Avg 2BR Rent (1)	Incentive
	<b>Subject</b>		<b>Gar</b>	<b>200</b>			<b>\$982</b>	<b>\$1,269</b>	
<b>Upper Tier Communities</b>									
1	Comp	2017	Mid Rise	128	117	91.4%	\$1,109	\$1,554	None
2	Comp	2010	Mid Rise	298	39	13.1%	\$1,048	\$1,448	1 mo. free on select 1BR
3	Comp	2015	Mid Rise	298	13	4.4%	\$1,029	\$1,339	First mo. free on 1BR
4	Comp	2014	Mid Rise	300	15	5.0%	\$895	\$1,225	None
<b>Upper Tier Total</b>				<b>1,024</b>	<b>184</b>	<b>18.0%</b>			
<b>Upper Tier Average</b>				<b>256</b>			<b>\$1,020</b>	<b>\$1,391</b>	
<b>Upper Tier Stabilized Total</b>				<b>896</b>	<b>67</b>	<b>7.5%</b>			
<b>Mid Tier Communities</b>									
5	Comp	2016	Gar	328	50	15.2%	\$971	\$1,261	2 months free
6	Comp	2007	Gar	276	22	8.0%	\$1,065	\$1,185	First month free
7	Comp	2012	Gar	339	3	0.9%	\$880	\$1,176	None
8	Comp	2014	Gar	288	9	3.1%	\$1,018	\$1,140	None
9	Comp	2005	Gar	300	21	7.0%	\$944	\$1,125	Reduced rent
10	Comp	2002	Gar	320	7	2.2%	\$988	\$1,118	None
11	Comp	2009	Gar	432	5	1.2%	\$964	\$1,105	None
12	Comp	1999	Gar	212	5	2.4%	\$882	\$1,099	None
13	Comp	1999	Gar	244	8	3.3%	\$909	\$1,092	None
14	Comp	2002	Gar/TH	238	10	4.2%	\$880	\$1,065	None
15	Comp	1981	Gar/TH	200	26	13.0%	\$845	\$1,040	None
16	Comp	2000	Gar	284	12	4.2%	\$823	\$1,024	None
17	Comp	2003	Gar	228	5	2.2%	\$920	\$1,000	None
<b>Mid Tier Total</b>				<b>3,689</b>	<b>183</b>	<b>5.0%</b>			
<b>Mid Tier Average</b>				<b>284</b>			<b>\$930</b>	<b>\$1,110</b>	
<b>Mid Tier Stabilized Total</b>				<b>3,361</b>	<b>133</b>	<b>4.0%</b>			
<b>Lower Tier Communities</b>									
18	Comp	1995	Gar	180	8	4.4%	\$809	\$999	None
19	Comp	2001	Gar/TH	252	9	3.6%	\$859	\$999	None
20	Comp	1997	Gar	240	2	0.8%	\$840	\$995	Reduced Rent on 2BR
21	Comp	2000	Gar	120	6	5.0%	\$850	\$950	First month free
22	Comp	1975	Gar	384	10	2.6%	\$788	\$951	None
23	Comp	2003	Gar	104	5	4.8%	\$805	\$950	None
24	Comp	1987	Gar	315	20	6.3%	\$842	\$928	None
25	Comp	1985	Gar	280	3	1.1%	\$861	\$919	None
26	Comp	1970	Gar	404	0	0.0%	\$744	\$852	None
<b>Lower Tier Total</b>				<b>2,279</b>	<b>63</b>	<b>2.8%</b>			
<b>Lower Tier Average</b>				<b>253</b>			<b>\$822</b>	<b>\$949</b>	
<b>Total Average Stabilized Total</b>				<b>6,992</b>	<b>430</b>	<b>6.1%</b>			
				<b>269</b>			<b>\$906</b>	<b>\$1,097</b>	
				<b>6,536</b>	<b>263</b>	<b>4.0%</b>			

(1) Rent is contract rent, and not adjusted for utilities or incentives

(\*) Community Under Lease Up

(^) HUD Insured

Source: Field Survey, RPRG, Inc. March 2017

(#) Information is from online

## 7.5.2 Effective Demand Analysis

Effective Demand: The estimate of "effective demand" is the pool of households with sufficient incomes and/or applicable household size that would be expected to demand such housing during the forecast period, including the income levels and rent- to-income ratio(s) assumed in the study. Evaluation of Effective Demand includes an analysis of **Capture Rate** and **Penetration Rate**:



- 7.5.2.a Capture Rate is defined as the percentage of qualified households in the PMA the property must capture to fill the units and achieve stabilized occupancy.
  - Qualified Household is defined as households that meet any applicable age and household size restrictions and are within any limiting income eligible band such as LIHTC Income Limits and who have sufficient minimum income to pay the proposed rent without being rent overburdened.
  - The Capture Rate is calculated by dividing the total number of units at the property by the total number of households that meet the applicable age and any income band requirements.

- 7.5.2.b Penetration Rate is defined as the percentage of Qualified Households in the PMA that the property and similar existing and proposed competing properties must capture to fill all units and achieve stabilized occupancy.
  - Qualified Households is defined as households that meet any applicable age restrictions and are within any limiting income eligible band such as LITHC Income Limits if applicable and who have sufficient minimum income to pay the proposed rent of the most affordable property in the competitive inventory without being rent overburdened,
  - The Penetration Rate is calculated by dividing the total number of units the competitive inventory (subject property, current and proposed relevant competitive properties) by the total number of households that meet the applicable age and any income band requirements.

# Effective Demand

## Key Assumptions and Threshold Measurements

The appropriate income range for residents to qualify for the project must be established

- Minimum income required to live at the property is based on the lowest gross rent (including all utilities) offered at the subject site.
- Maximum allowable income for the subject project is based on the household income necessary to qualify for the largest unit offered at the site. Real (Tax Credit) or Artificial.

## Minimum Income - Rent Burden

- Minimum income required to live at the property is based on the lowest gross rent (including all utilities) offered at the subject site.
- Accepted ratio of rent to income is 35% for families and 40% for seniors. Sometimes 30% is minimum.
- May vary by state or situation
- Example: \$500 gross rent requires an annual income of \$17,140  
( $\$500/35\% \times 12 \text{ mos.} = \$17,140$ )

# Effective Demand

## Affordability @ 35% Rent Burden

100% Units	One Bedroom		Two Bedroom		Three Bedroom	
	<b>Min.</b>	<b>Max.</b>	<b>Min.</b>	<b>Max.</b>	<b>Min.</b>	<b>Max.</b>
Number of Units	24		75		18	
Net Rent	\$1,200		\$1,473		\$1,675	
Gross Rent	\$1,285		\$1,583		\$1,810	
% Income for Shelter	35%		35%		35%	
Income Range (Min, Max)	\$44,057	\$55,050	\$54,274	\$66,000	\$62,057	\$76,250
<b>Total Households</b>						
Range of Qualified Hslds	20,667	18,076	18,244	15,709	16,561	13,511
# Qualified Households		2,591		2,535		3,050
<b>Total HH Capture Rate</b>	<b>0.9%</b>		<b>3.0%</b>		<b>0.6%</b>	
<b>Renter Households</b>						
Range of Qualified Hhlds	6,312	5,165	5,234	4,201	4,548	3,322
# Qualified Hhlds		1,147		1,033		1,226
<b>Renter HH Capture Rate</b>	<b>2.1%</b>		<b>7.3%</b>		<b>1.5%</b>	

Income Target	Units	All Households = 28,460				Renter Households = 10,586				
			Band of Qualified Hhlds		# Qualified HHs	Capture Rate	Band of Qualified Hhlds		# Qualified HHs	Capture Rate
100% Units	117	<i>Income Households</i>	\$44,057	\$76,250	7,156	<b>1.6%</b>	\$44,057	\$76,250	2,991	<b>3.9%</b>
			20,667	13,511			6,312	3,322		

# Effective Demand

## Special Note for Subsidized Projects

- Two capture rates should be calculated for subsidized projects
  - First capture rate is for property **without** Section 8 (assumes Tax Credit rents)
  - Second capture rate is for property **with** Section 8 subsidy (down to \$0 income)
- Resulting capture rates demonstrate importance of maintaining project based rental assistance

# Effective Demand

## Penetration Rate

Competitive Communities			
Competitive Communities	Units	Planned Communities	Units
The Pointe at Stafford	180	River East	235
Camden Monument Place	280		
Falls at Flint Hill, The	190		
Archstone Monument Park	288		
Lincoln at Fair Oaks, The	176		
Elms at Oakton, The	215		
Sky Terrace **	190	Subtotal	235
Camden Fairfax Corner	374		
Lakewood	226		
Crescent Pointe **	312		
Jefferson at Fair Oaks, The	240		
Avalon Fair Oaks	164	Subject Property	Units
Reserve at Fairfax Corner, The	348	Fairchild	117
Aquia Terrace	180	Subtotal	117
Arbor Grove **	200		
Windsor at Fair Lakes, The	192		
Subtotal	3755		

**Grand Total of Competitive Supply 4,107**

	Minimum Income	Maximum Income
150% Units	One Bedroom	Three Bedroom
Net Rent	\$945	
Gross Rent	\$1,030	
% Income for Shelter	35%	
Income Range (Min, Max)	\$35,314	\$114,375
<b>Qualified Renter HHs</b>	<b>7,345</b>	<b>1,298</b>

All Renter Households = 10,586				
	Band of Qualified Households		Qualified HHs	Penetration Rate
Income	\$35,314	\$114,375		
Households	7,345	1,298	6,048	<b>67.9%</b>

Source: 2010 U.S. Census, Esri, Estimates, RPRG, Inc.

## Effective Demand

### Interpreting Capture Rates & Penetration Rates

- There are no right or wrong capture rates
- Capture/penetration rates must be considered within context of market
- In rural markets, be conservative; “don’t want to be wrong forever”
- Critical demand for several units does not mean sufficient demand
- Senior markets may consider support from homeowners



## Effective Demand

### Other Factors Impacting Demand

- Location—Surrounding land uses may attract or prevent renters from moving to the site
- Proposed Rents—Capture rates estimate the number of households able to pay the proposed rents, not the willingness to do so
- Housing Markets—Rental markets with high vacancy rates may reflect an oversupply of available housing. The overall health of the rental market may impact the ability of a proposed development to reach stabilization despite low capture rates

## Conclusions

### 7.5.J Findings and Conclusions

- Net and Effective Demand
- Project Evaluation
- Absorption
- Impact on Market

## Conclusions

# Product Evaluation

- Target Market
- Unit Distribution
- Unit Sizes
- Features and Amenities
- Price Position

**7.5.J.1** Evaluate the subject property within the context of the site, economic, demographic and competitive characteristics. Comment on the strengths and weaknesses of the proposed project in terms of location, project size, unit breakdown, unit sizes, amenities, features and rents.

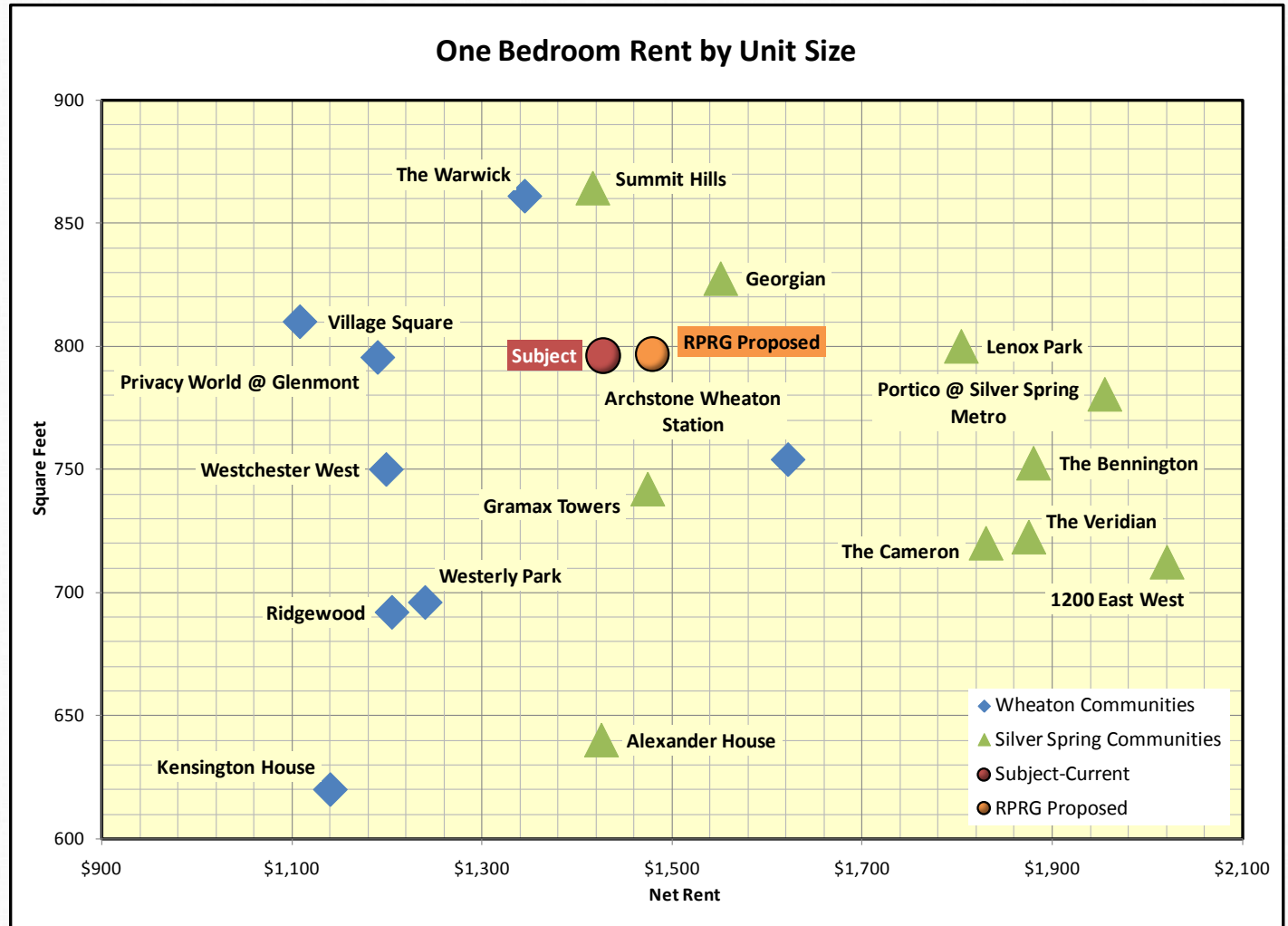
# Conclusions

Considered in the context of the competitive environment, the relative position of The Residences at Woodstock Springs Townhouses is as follows:

- **Site:** The subject site location is comparable to that of most of the other general occupancy rental communities in the market area. A large concentration of retail stores, including grocery stores and comparison shopping, is within two miles driving distance.
- **Unit Distribution:** The unit mix at the subject will consist of 11 three-bedroom units (30 percent) and 25 four-bedroom units (70 percent). As such, this development will be a small, niche product in the market that would appeal to larger households of three or more persons. Less than ten percent of the existing conventional stock in the market area is three- and four-bedroom units. The demand for four-bedroom units should be particularly high, as only one percent of the existing conventional stock is four-bedroom units. Also, based on a review of scattered site townhouse rentals in the market area, average rents at three- and four-bedroom townhouse units are higher than those of three- and four-bedroom conventional garden apartments, indicating a limited supply of affordable larger rental product.
- **Unit Size:** The subject's three-bedroom units have an average size of 1,539 square feet. This will be the largest three bedroom unit offered in the market area, and 41 percent or 452 square feet larger than the market average size of 1,087 square feet. The subject's average four-bedroom unit size is 1,654 square feet. This is 14 percent larger than the largest four-bedroom units in the market (1,452 square feet at Spanish Village), and significantly larger than the four bedroom units at Surrey Square or Woodland Springs garden. The subject's large sizes should be attractive and a competitive advantage in the market.
- **Unit Features:** Standard features at The Residences at Woodstock Springs Townhouses are expected to include dishwashers, disposals, and washer and dryer units. This combination would position the subject at an advantage in the market, as only one existing property offers washer and dryers as a standard in unit feature.
- **Community Amenities:** The Residences at Woodstock Springs Townhouses would include a tot lot and exercise station to appeal to all age groups. Residents would also have access to all amenities at the existing Woodstock Springs community. These include an outdoor pool, community room, and computer room. A variety of programs are offered to persons at all age levels, including after care for young children, a teen center, and summer camps. This amenity package would be competitive in this market, particularly as most townhouse rentals in this market are scattered site and do not offer the common area amenities of a conventional rental property.
- **Marketability:** The structure type, large units and unit distribution of three and four bedroom will give the subject a competitive position in the market.

# Conclusions

Net Rent  
and Size



## Conclusions

### Projected Absorption Levels

- Historic Pattern of New Units Absorbed Annually
- Performance of Recently Completed Projects
- Adjust Estimate to Reflect Market Conditions
  - Economic and Demographic Forecasts
  - Units in Pipeline
  - Occupancy Levels

**7.5.J.2** The absorption rate is defined as a projection of the pace of unit lease up as units become available for occupancy. The study should also include an estimate of the absorption period needed for the project to reach sustaining occupancy based on current market data and the quantitative and qualitative demand estimates.

# Conclusions

## Impact on Existing Market

**7.5.J.3** The market study must include an assessment of the impact the proposed project would have on existing rental developments.

- Specifically, the study must address the impact on existing insured properties and show if sufficient demand will come from new renter households, the shifting of households into the rental market, or the replacement of lost or sub-standard units.
- It must be demonstrated quantitatively that the number of units under construction and the proposed supply, including the subject, will not create over-supplied or overall soft market conditions.
- Even if the subject does not directly compete with existing insured or uninsured properties, an oversupply of units could spill over into all segments of the market.

## Conclusions

### Impact on Existing Market

- Will the subject's success have an adverse impact on the competitive market.
  - Penetration Analysis
  - Clustering of existing product at same price point.
  - Introduction of new product at same price point.





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