



BOWEN
NATIONAL
RESEARCH



Market Study

COMPONENTS & PROCESS FOR RENTAL HOUSING

Parts of a Market Study

- *Market Study Options*
- *The Market Study Process*
- *Project & Site Information*
- *Establishing a Primary Market Area*
- *On-Site Analysis*
- *Demographic & Economic Analysis*
- *Survey of Area Housing Supply*
- *Selecting Comparables*
- *Calculating Achievable Market Rent*
- *Capture Rates*
- *Methodologies Impacting Capture Rates*
- *Developer Considerations to Improve Capture Rates*
- *Penetration Rates*
- *Determining Absorption*
- *Market Study Resources*



	Capture Rate	Snapshot	Preliminary Study	Full Study
Primary Market Area	✓	✓	✓	✓
Demographics	✓	✓	✓	✓
Economic Overview			✓	✓
On-Site Analysis				✓
Supply Survey		✓ <i>Limited</i>	✓	✓
Capture Rate (Demand)	✓	✓	✓	✓
Absorption Projections			✓	✓
Recommendations & Conclusions*	✓	✓	✓	✓
Typical Timing	1-2 Weeks	2-3 Weeks	3-4 Weeks	4-5 Weeks

*Written to comply with guidelines set by the state finance agency, HUD, lender, etc.

What's Included



The Process



What We Need From You

Before We Begin

- Site Aerial Map with Parcel Boundaries
- Targeted Population (Family, Senior, Etc.)
- Unit Styles (Garden, Townhome, Villa, Etc.)
- Bedroom Sizes
- On-Site Management Contact (Rehab)

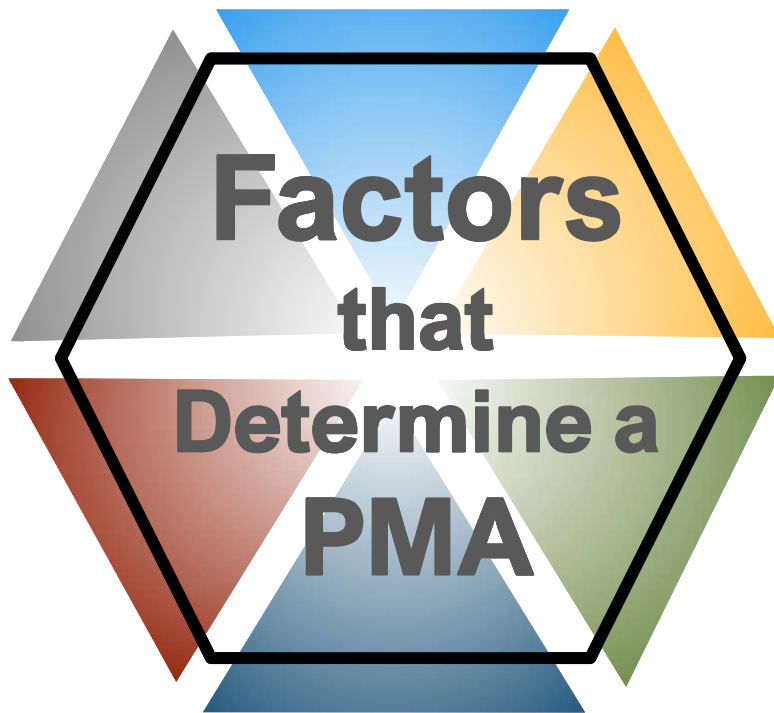


Before We Finish

- Full Project Concept Checklist
- Site and Floor Plans
- Scope of Renovations, Current Rent Roll, Current Tenant Incomes (Rehabs)

Primary Market Area

A Primary Market Area (PMA) is a geographic area from which a property is expected to draw the majority of its residents.



- Natural & Jurisdictional Boundaries
- Market Perceptions
- Commuting Patterns
- Accessibility
- Community Services & Employment
- Local Interviews
- Target Market
- Housing Product Characteristics
- Local Agency Service Boundaries
- Socio-Economic
- Non-Geographic
- Competitive Properties in area

Site Analysis

We'll answer these questions.

- Is the site appropriate for its intended use?
- Compatible surrounding land uses?
- Neighborhood adequately served by community services?
- Ingress and egress?
- Adequate visibility?
- Planned changes in the area that may compromise its suitability in the future?
- Photos of the site and surroundings?
- Map of location of community services?



Demographic & Economic Analysis

Demographics (Current and Projected):

- Population Trends
- Household Trends
- Income Trends

Economics:

- Major Area Employers
- Recent Economic Development Announcements
- Labor Force Employment
- Employment/Unemployment Trends (past 5-10 years)



Survey of Area Housing Supply

- Identification and survey of market-rate, LIHTC and subsidized housing projects within the PMA (or within region if lack of supply with PMA).
- Collection of over 200+ items on all properties surveyed.
 - Year Built • Year Renovated • Project Type • Unit Mix • Rents • Target Population • Rent Growth • Waitlist Concessions • Utility Structure • Amenities • Number Voucher Holders • Lease-Up • and much more.
- Includes identification of housing projects in the development pipeline.

The form is titled "Bowen National Research" and contains the following sections:

- Additional Information:** Includes fields for Project Name, Address, City, State, Zip, and a percentage field.
- Contact:** Includes fields for Property Name, Mgmt Co Name, Mgmt Co Address, Mgmt Co Phone, and Contact Email.
- Internal Comments:** A large text area for notes, with a red "COVID-19 Impact?" label.
- Table:** A table with columns for Type, BR, Low, High, of Units, *Vac, UC, INH %, TC %, Sub, Rent (Low, High), Square Footage (SF low, SF High), Rent Credit (Low, High), and *Aided?.
- Other Fields:** Includes "Need Picture" buttons, "Current Photos" (Good, Need more), "Ratings" (Quality, Neighborhood, Access, Visibility, Total Units, Confidence, Total Units UC), and "Info for State - & Optional (prior to entry or in ARA/Anomaly section)".

Selecting Comparables

Comparable properties are selected based on the following attributes

- Target Market
(Senior, Family, Special Needs)
- Location (Proximity to Site)
- Design (Floor Plan, Stories)
- Bedroom Type
- Number of Bathrooms
- Square Feet
- Amenities (Project & Unit)
- Property Age
- Quality
- Neighborhood Characteristics
- Parking
- Utility Structure
- Occupancy



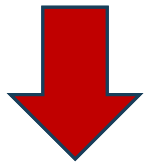
Calculating Achievable Market Rent

Market Rent: The rent an apartment, without rent or income restrictions, or rent subsidies, would command in the open market considering its location, features, and amenities.

Adjustment Process Start with Asking Rent



If Comparable is inferior



If Comparable is superior



If Comparable is similar

Rent Comparability Grid

Subject	Unit Type	Comp #1	Comp #2	Comp #3	Comp #4	Comp #5
2333 Hardman Road	ONE BEDROOM	2000m	2000m	2000m	2000m	2000m
Asking Rent		\$570	\$610	\$600	\$600	\$600
Estimated Market Rent		\$728	\$728	\$728	\$728	\$728

The grid contains numerous rows of comparable properties with columns for asking rent, estimated market rent, and various adjustment factors. The final row shows an estimated market rent of \$728 for the subject property.

Capture Rates

Definition: The percentage of age, size, and income qualified renter Households in the primary market area that the property must capture to fill the units.

CAPTURE RATE CALCULATION EXAMPLE:

- 50 PROPOSED SUBJECT UNITS
- WILL SERVE HOUSEHOLDS WITH INCOMES BETWEEN \$10,000 AND \$25,000

$$\begin{aligned} & 50 \text{ (SUBJECT UNITS)} \\ & \underline{\quad / 1,000 \text{ (DIVIDED BY ELIGIBLE HOUSEHOLDS)}} \\ & = 5.0\% \text{ (EQUALS CAPTURE RATE)} \end{aligned}$$

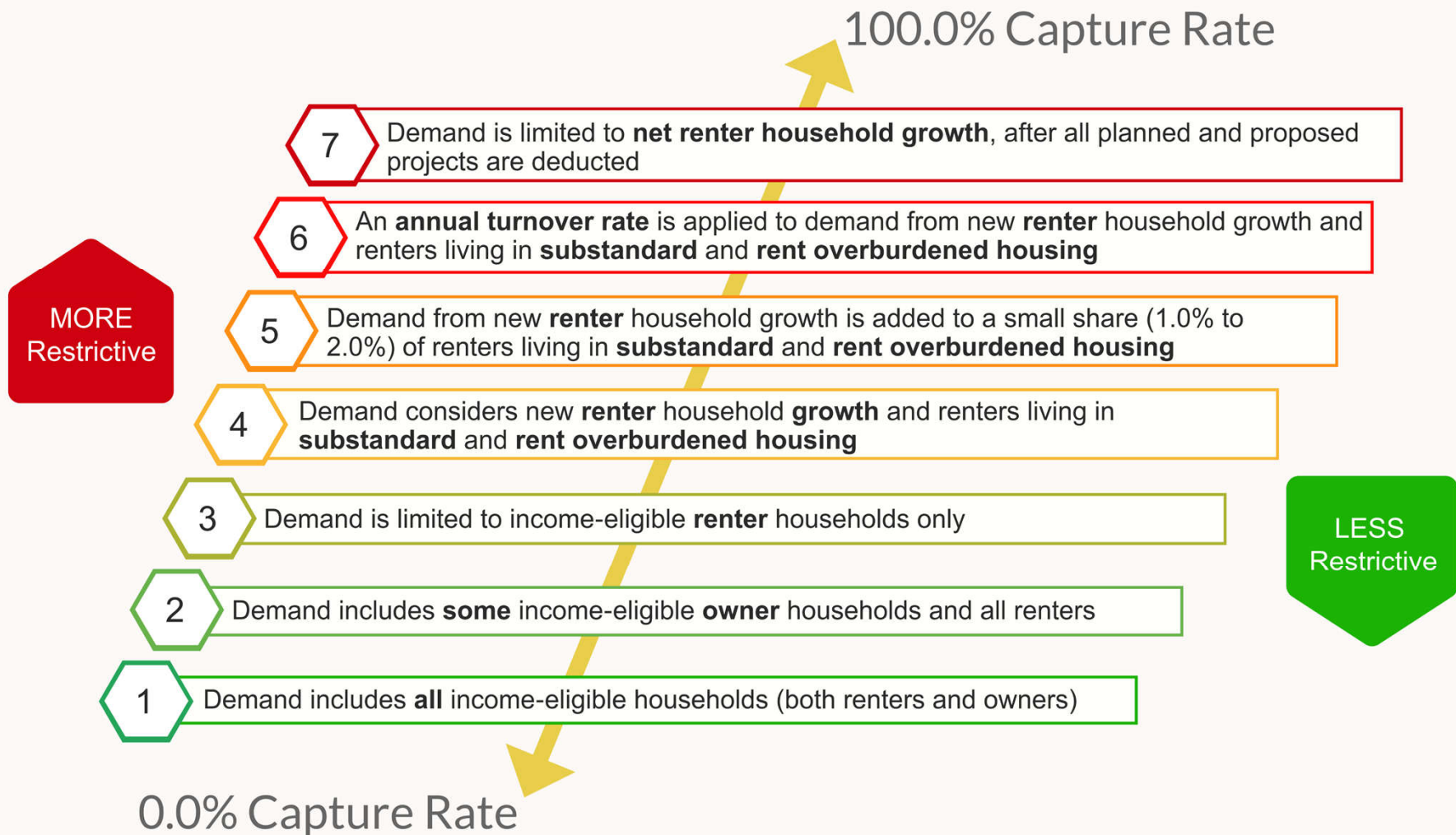
The 50 subject units must capture 5 of every 100 eligible households.

Typical acceptable capture rates:

12% - Urban 20% - Rural

*Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living conditions and other comparable factors.

Methodologies Impacting Capture Rates



Considerations to Improve Capture Rates

How Project Components Impact Capture Rates

- Unit mix can impact capture rates if demand is done by bedroom type; diverse unit mix expands base of prospective tenants (add bedroom types).
- Lowering rents reduces the minimum income requirement at subject, which widens the base of prospective tenants.
- Replacing some LIHTC units with market-rate units may make the subject project more marketable and reduce the LIHTC capture rate.
- Including a subsidy on some or all of the units will widen window of affordability and make project available to larger base of prospective tenants.



Determining Absorption

Absorption Rate:

Number of Units Expected to be Rented on Monthly Basis

Absorption Period:

Months required to reach stabilized occupancy rate (generally 93%)

Factors Considered When Determining Absorption:

- Historic Pattern of New Units Absorbed Annually
- Performance of Recently Completed Projects
- Market Norms
- Adjust Estimate to Reflect Market Conditions
- Economic and Demographic Forecasts
- Units in Pipeline
- Occupancy Levels
- Wait List (Pent-Up Demand)



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