

## **Market Analysis Policy**

To prove the need for a project, as applicant may:

1. Submit a current, purged Waiting List showing a 3-1 demand ratio for an existing housing development identical to the proposed development in terms of income served, neighborhood served and project amenities; or
2. Submit a completed DOH Market Analysis Checklist (DOH form). Following review of the Market Analysis Checklist, DOH may require a formal Market Study if it is determined that such a study performed by an independent professional will resolve questions raised by the Checklist; or
3. Submit a formal Market Study in lieu of the Market Analysis Checklist if such a study was done for another financial institution or governmental agency involved in the project and such study is less than one year old. If the study is more than one year old, the grantee must submit with the market study an update of the study or the DOH Market Analysis Checklist.

In the event a formal Market Study is required, the following guidelines shall be followed:

1. The applicant will select and commission a Market Analyst of its own choosing. The firm will then be hired by DOH. The applicant will make payment in advance for the market study which payment is nonrefundable. The Market Analyst will prepare the analysis based on guidelines and standards established by DOH.
2. The Market Analyst will prepare a report which provides a complete data profile and analysis of the preliminary and secondary market areas in sufficient detail for DOH to make a determination of the feasibility of the proposed project.
3. Market studies must include data and analysis, conclusions and recommendations on the proposed project, and must be inclusive of the following areas in narrative form:
  - a) Demographic Analysis – This component reveals historic patterns as well as projects trends, usually for the nation, state and the market or sub-market area of the proposed project, and must address population growth or decline characteristics, income and family composition profiles;
  - b) Economic Profile and Projections – This analysis evaluates the current economy of the nation, state and market or sub-market, reveals prior

trends, provides a current economic profile and supplies projections on employment characteristics and retail purchasing patterns for the proposed project. (**Note:** At the market or sub-market level, the analysis should also evaluate the effects of known major changes in the local economy (plant closings, new facility construction, governmental actions, etc.,) which could impact the feasibility of the proposed project.);

- a) Comparables and the Competition –The competitive strength of existing and proposed developments likely to impact the subject project is examined. The competition is evaluated on performance, actual or expected, and the level of amenities and other characteristics versus those in the proposed project. Current and historic occupancy levels, absorption or “lease-up” or sales performance, the rental rate or sales price structure, and amenity package content are among key descriptive characteristics of the competition which should be described and evaluated.
- b) Trend Analysis and Growth Rate of Residential Rents or Sales Prices – This analysis must provide an in-depth evaluation of rental rate trends or sales price trends for the Northeast, state and market areas; project residential rates or sales prices for the area discussed; compare the proposed rental rates or sales prices with the area trends and provide a pro forma of rent increases or sales price increases and rental vacancy rates, if applicable, for the proposed project, including commercial income analysis, if applicable;
- c) Market Support Area Analysis – The range of market support for the proposed project throughout one or more defined areas is evaluated. Area(s) of the project’s market strength are defined in terms of competing facilities, existing or proposed, and other factors such as the transportation system, physical constraints and demographic shifts;
- d) Absorption Analysis – This evaluation usually includes an estimate of maximum development potential and a rate at which absorption can be expected to occur between commencement of lease-up or sales and sustaining occupancy for rental or final sale for ownership. Qualified rents and market rents should be analyzed separately and/or distinguished;
- e) Site and Development Program Analysis – The geographic location and the physical characteristics of the site, proposed architecture and site planning, the amenity package, mix of proposed units and uses, and

other intrinsic features required to allow the development to compete at its maximum potential in the defined market must be evaluated;

- f) Summary – The Market Analyst must include a summary of the data with conclusion(s) and recommendations of the feasibility of the proposed project, supported by the documentation provided within the report;
- g) Exhibits - The market study is expected to include charts, graphs, rent or sales price grids, maps and photographs of the subject property, neighborhood, city and region;
- h) Qualifications – The Market Analyst must possess the necessary education background, academic affiliations, professional and business experience. The Market Analyst must also provide a statement to DOH attesting to a non-conflict of interest;
- i) Assumptions and Limitations – All assumptions and limiting conditions upon which the market study is predicted must be clearly defined;
- j) Market Study Updates – DOH reserves the right to require current information prior to final approval of the proposed development.