



To: Real Estate Department Partners

Notice: **RED-18-27**

From: Real Estate Department

Date: May 4, 2018

Re: **Common Issues in Market Studies – 2018 9% Round**

The following is a non-exhaustive list of issues identified with market studies submitted under the 2018 RHTC Round. This list is provided as guidance for applicants and market study analysts to assist with submitting market studies for the 2019 RHTC Round.

1. Close proximity to railroad tracks was a fairly common theme in the market studies. However, there was not always a discussion as to how the noise from the tracks would impact marketability.
2. If proposed tax credit rents are higher than the local payment standard, the impact on marketability, as well as the justification for the higher rents, should be fully discussed.
3. Properties used for lease-up (absorption) projections leased up too long ago for the information to be relevant. Absorption rates should be within two (2) years of the date of the market study.
4. All or most of the comparable properties provide something that the subject will not (e.g. dishwashers, but there is no discussion as to how this will affect marketability. This was also true of washer/dryer hook-ups vs. actual appliances in the unit. If the majority of the comps offer these appliances, there should be a detailed explanation as to why or why not this will impact marketability.
5. The subject requires relatively high capture rates, but there is little to no discussion as to why these higher capture rates indicate that there is a need for the proposed units.
6. Very high adjustments are needed to determine the appropriate rent with no explanation as to how properties with these high adjustments are really comparable to the subject.
7. The penetration rate is relatively high, but a very short lease-up time is determined, with little to no explanation as to how this would occur.
8. Many reports failed to address concentration of poverty. This is a new requirement under the Affirmatively Furthering Fair Housing requirements.
9. Inconsistencies within the market study: number of units, number of parking spaces, number of units with subsidy, etc.



ADDRESS 30 South Meridian Street, Suite 1000, Indianapolis, IN 46204
PHONE 317 232 7777 TOLL FREE 800 872 0371 WEB www.ihcda.IN.gov

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10. Utility allowances are not provided, or assumptions are made relative to utilities at comparable properties.
11. The market study states that there will be a decrease of income-qualified demand in the market area, but no detailed explanation provided as to how that will affect marketability.
12. Grocery stores that are shown to be within 1 mile of the subject property MUST have interior photos showing that the store provides fresh produce. This is a new requirement in the 2018/2019 QAP and market study requirements.
13. School ratings are no longer required to be provided in the market studies.
14. On senior projects, no calculation is made as to the number of senior home owners who will make the decision to convert to renters. This is required in all market studies of senior properties.
15. Capture rates are over 30% for family properties or over 35% for senior properties. If the capture rates per bedroom and income level are very high, discuss how this indicates a need for these units at this income level.
16. All or the majority of the units will have rental assistance subsidy, but incomes below \$20,000 are not considered as part of the potential market.
17. If the capture and penetration rates are high and the analyst does not believe a sufficient market exists for the subject property, it is expected that the analyst will make this statement.
18. When there are undesirable uses in close proximity to the subject site – waste water treatment facilities, industrial uses, etc. – there should be a detailed explanation as to whether or not these undesirable uses will impact marketability. If the determination is made that they will not impact marketability, there needs to be discussion as to why this decision was made.
19. If the subject proposes to offer unit types not already present in the market (e.g. studio/efficiency units or 4 bedroom units), please explain how the analyst determined that there is a market for new unit type.
20. The proposed absorption period does not appear to be justified by the market conditions presented in the market study, with no description as to why the absorption period is justified.

Should you have any questions regarding these issues or other items related to market study requirements, please contact Jerri Bain, Director of Real Estate Lending at 317-233-6667 or jbain@ihcda.in.gov.