MSHDA™

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Tab C

MSHDA Guidelines for Market Studies

Processes for Ordering and Writing Market Studies

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Introduction

The *MSHDA Guidelines for Market Studies* present MSHDA's requirements for market studies submitted when applying for tax credits under the Low-Income Housing Tax Credit (LIHTC) program. The purpose of market studies is to help MSHDA staff determine whether a market exists for a given low- or moderate- income rental housing proposal. These guidelines for analysis are loosely based on the National Council of Housing Market Analyst *Model Content Standards* and differ from those standards in sometimes substantial ways. The MSHDA G*uidelines* also provide information about the processes of procuring and submitting market studies to the Authority when seeking tax credits. Please note that all market studies submitted to MSHDA should be searchable in Adobe Acrobat.

No data provided by MSHDA that is not publicly available on MSHDA's website at the time of market study engagement may be entered into a public or private artificial intelligence (AI) system. Examples of MSHDA-provided data prohibited from AI systems include project addresses, unit mixes, proposed rents, amenity packages, and any other factors that affect project marketability.

The Office of Market Research (OMR) reserves the right to waive or amend any requirements, criteria, and/or deadlines within these Guidelines at its sole discretion, where allowable within MSHDA program parameters.

I. Market Study Procurement and Submission Process

The process for procuring and submitting market studies no longer substantially differs depending on the program a sponsor is applying to, though there are minor differences in the first point of contact between the sponsor and OMR. Specifically, any project for which the sponsor is applying for funding through the following programs or sources, the sponsor must order the market study through OMR:

- LIHTC, including 4% Direct Lending within a NOFA round, 4% Direct Lending outside of a NOFA round, 4% Pass-Through funding, and 9% funding.
- Housing Accelerator Fund, unless this requirement is otherwise waived.
- Missing Middle, unless this requirement is otherwise waived.
- Employer-Assisted Housing, unless this requirement is otherwise waived.
- Housing Accelerator Fund, unless this requirement is otherwise waived.
- Any other rental-development project funding source that requires MSHDA to make an approval-or-denial decision.

Standard market study prices are as follows:

- Full Market Study: $8,000
- Reduced-Scope Market Study: $3,850
- Market Study Update: $2,000
- Custom-Scope Market Study Update: TBD case-by-case

The typical turnaround time for full market studies is 6 weeks from the date that MSHDA confirms receipt of funds. The expected delivery date will be communicated with the sponsor and the analyst at the time the order is officially placed. Any changes to the project from the information included in the Market Study Initiation Request form must be communicated to the analyst in a timely manner. Changes may result in delays to the completion and delivery of the market study. **Changes requested after the original expected delivery date may incur further costs.**

Any email communication between the sponsor ordering a study and the market study analyst must include OMR at MSHDA-MarketStudies@michigan.gov. OMR staff must be given the opportunity to participate in phone or in-person communications, as well.

Other Submission details:

- Market studies must be submitted in searchable PDF format. By the agreed-upon due date, analysts must submit the completed market study to the corresponding SharePoint project folder on the MSHDA-SPC-MarketStudyWorkspace MSHDA-owned SharePoint site. This is a change from the previous requirement that studies were to be submitted to the OMR team email inbox; submission of market studies to the OMR team inbox is permissible, but studies must also be uploaded to the project's SharePoint folder.
- Market studies must also be submitted by the sponsor to the appropriate recipient for the funding source that the sponsor is applying for. For example, the market study must be part of the full application package submitted by the sponsor for a 9% LIHTC project by the submission deadline – the analyst submitting the completed market study to OMR does not fulfill MSHDA Rental Development application submission requirements. See MSHDA's Combined Application for Rental Housing Programs or the program parameters for details on market study submission requirements.
- The filename for each study should communicate the name of the project, the community in which it is located, and the tax credit round or fundings source for which the application is being made. For example, if an application for River Pines Apartments in Townsville, Michigan was submitted in a 9% tax credit round in October of 2026, a possible name for the study could be: "River Pines Apartments_Townsville-Full Market Study [Oct 2026 9%].pdf." If the same project was submitted for Pass-Through consideration, the study could be named "River Pines Apartments_Townsville-Full Market Study [Pass-Through 2026].pdf."
- Market studies must name "MSHDA Office of Market Research" as the intended user of the study; studies should not be addressed to specific employees of OMR.'s

A. Market Study Threshold Requirements

To be accepted for threshold, regardless of the program through which the sponsor is seeking funding, studies must:

- Comply with the *MSHDA Guidelines for Market Studies* set forth in this document for the appropriate type of market study.

- The project proposal in the market study must be the same as the one proposed in the Tax Credit Application/Direct Lending proforma; **the market study's rents, amenities, site, and other elements that impact a property's market potential must be identical to those in the application**. Market studies that differ from the proposed project must be revised at the sponsor's cost to be acceptable; revisions after funding round deadlines may not be accepted for Direct Lending projects in competitive rounds, and will not be accepted for 9% LIHTC projects.

- Be submitted according to the funding program's requirements. Market studies submitted after the funding source's or program's deadline, or delivered in hard copy, will not meet the threshold requirements for 9% projects, and will not be processed; deadline extensions may be available for projects seeking funding through other sources, but must be approved ahead of the original deadline.

B. Market Study Orders for 9% Competitive Tax Credit Rounds

The process below applies only to the 9% competitive LIHTC Program applications:

The first point of contact for market analysis for a 9% LIHTC project is the Site Assessment. Project sponsors must indicate to MSHDA where their proposal is located by the deadline noted in the Qualified Allocation Plan (QAP), generally the last business day on or before the first day of the month two months preceding the 9% LIHTC funding round submission deadline. The sponsor may provide the site information listed below in an email to MSHDA-MarketStudies@michigan.gov or, preferably, by filling out the form titled "9% Site Selection Submission" at https://www.michigan.gov/mshda/developers/housing-market-research by 5pm on

the appropriate date for the funding round:

- The address of the site or, if the site does not have an address, the closest crossroads or an address of a nearby site that can be used to identify the site's location.
- A map showing the site within its context with clearly marked boundaries. Google Maps or similar sources are acceptable if the boundaries are clearly marked. If you submit your site-selection submission via the form on the MSHDA Market Research website, you will be emailed a link to a SharePoint folder that you can upload this file and the file described below to.
- For new-construction projects and for rehab/adaptive-reuse projects that involve significant site plan changes, an illustration of the site layout that includes placement of the structures, parking lot, and other major features is required. This can take the form of a hand-sketch or more formal site plan drawings.
- An indication of whether the project will be age-restricted, open-occupancy, or Permanent Supportive Housing (if known).
- An estimate of the number of units.
- An indication of whether you are requesting a site visit to be conducted by OMR; we cannot guarantee that all requested sites will receive a site visit, but we will make an effort to visit requested sites.

MSHDA staff will use this information to conduct a site evaluation, produce a site review memo, and provide that memo to the assigned market study analyst if a market study is ordered. OMR staff will also provide the site review memo to the project sponsor. Any negative site attributes noted in the evaluation must be explicitly addressed within the market study's "Site Factors/Location" section and the study's conclusions about the suitability of the proposed site.

Additionally, OMR staff will provide the sponsor with a Market Study Initiation Request Form via a project-specific SharePoint folder. The sponsor must wire payment for the market study to MSHDA and return this completed form to OMR staff via the same SharePoint folder at least 6 weeks prior to the round's application deadline to ensure the market study can be completed on time to be submitted as part of the project's full application package. This SharePoint folder will be accessible by the firm assigned to complete the market study as well.

C. Market Study Orders for Direct Lending projects within a NOFA round

For market studies to be used for Direct Lending projects within a NOFA round, the first point of contact between the sponsor and OMR for market analysis is indirect: when a sponsor submits their Notice of Intent to Apply, OMR receives this submission from the assigned Housing Development Officer (HDO). This initiates OMR's site review process.

Within the Direct Lending Notice of Intent to Apply (NOITA) application, project sponsors will indicate to MSHDA where their proposal is located. The NOITA application package should include the following, uploaded to the Rental Development portal according to the parameters published for the NOFA round in which the project is competing:

- The address of the site or, if the site does not have an address, the closest crossroads or an address of a nearby site that can be used to identify the site's location.
- A map showing the site within its context with clearly marked boundaries. Google Maps or similar sources are acceptable if the boundaries are clearly marked.
- For new-construction projects and for rehab/adaptive-reuse projects that involve significant site plan changes, an illustration of the site layout that includes placement of the structures,

parking lot, and other major features is required. This can take the form of a hand-sketch or more formal site plan drawings.

- An indication of whether the project will be age-restricted, open-occupancy, or Permanent Supportive Housing (if known).
- An estimate of the number of units.

MSHDA staff will use this information to conduct a site evaluation. The site review memo will be uploaded to the project's folder within the MSHDA Rental Development Direct Lending system, and it will be included with the Market Study Initiation Request Form sent to the market study analyst when the sponsor places the market study order. Any negative site attributes noted in the evaluation must be explicitly addressed within the market study's "Site Factors/Location" section and in the study's conclusions about the suitability of the proposed site.

Additionally, when NOFA rankings and invitations to apply are released, OMR staff will provide the sponsor with a Market Study Initiation Request Form via a project-specific SharePoint folder. The sponsor must wire payment for the market study to MSHDA and return this completed form to OMR staff via the same SharePoint folder by the deadline noted in that specific NOFA round's program parameters to ensure the market study can be completed on time to be submitted as part of the project's full application package. This SharePoint folder will be accessible by the firm assigned to complete the market study as well.

D. Market Study Orders for all other funding sources

For market studies submitted for funding through all non-9% LIHTC programs and non-Direct Lending programs through MSHDA NOFA rounds, such as Direct Lending Non-MSDA Gap projects outside of NOFA rounds and the Pass-Through Bond Program the sponsor must order their study by filling out the form titled "Market Study Order Request" on OMR's website. Similar to the 9% LIHTC and Direct Lending processes, a SharePoint folder will be created for the sponsor to upload pertinent documents, and a project-specific copy of the Market Study Initiation Request form will be uploaded to this folder. The sponsor must complete the form and pay for the study according to the directions within the form; when that is complete, MSHDA will then hire a market study firm from the approved list and provide oversight to the study.

Site Assessment. For these projects, given the usual timeline, a site assessment occurs concurrently with the analysis and writing of the market study. Filling out the "Market Study Order Request" form on OMR's website will provide OMR with the information needed to complete the site review, except for the following, which must be submitted to the project's SharePoint folder:

- A map showing the site within its context with clearly marked boundaries. Google Maps or similar sources are acceptable if the boundaries are clearly marked.
- For new-construction projects and for rehab/adaptive-reuse projects that involve significant site plan changes, an illustration of the site layout that includes placement of the structures, parking lot, and other major features is required. This can take the form of a hand-sketch or more formal site plan drawings.

MSHDA staff will use this information to conduct a site evaluation. The site review memo will be uploaded to the project's folder on SharePoint. Any negative site attributes noted in the evaluation must be explicitly addressed within the market study's "Site Factors/Location" section and in the study's conclusions about the suitability of the proposed site. This SharePoint folder will be accessible by the firm assigned to complete the market study as well.

II. Market Study Types

MSHDA accepts four different types of market analysis, the requirements for which are found in this document. Below is a general description of each type of study.

A. New Full Tax Credit Market Study

A complete market study of the type submitted with most tax credit applications. The criteria for a new full study are explained under the *Market Study Requirements: Full Market Studies* section. The first time a project submits an application for funding, this is the type of study that is required unless the project qualifies for a Reduced-Scope Market Study (described below).

B. Reduced Scope Market Study

If a market study is submitted for the preservation of a deeply subsidized project, a reduced-scope study may be accepted. The proposal must have subsidies on at least 95% of its units and meet other qualifications specified in the guidelines. See “Section IV. Reduced Scope Studies” for the full set of requirements.

C. Update Letter

The Authority will accept Market Study Update Letters for projects financed through 9% LIHTC, Pass-Through Bond, and the Authority’s Direct Lending programs. An Update Letter is an abbreviated study that updates the information in a previously approved full market study. OMR approval is required prior to ordering an update of a study more than 12-months old or of a study previously updated; studies less than 12-months old may be ordered without first seeking OMR approval. Please be aware that updates are for proposals that are fundamentally unchanged from their last application. See “Section V. Update Letters” for the full set of requirements.

D. Custom-Scope Market Study Update

Beyond the above circumstances, occasionally OMR may need to order a follow-up to an earlier market study that is more or less in-depth than an update letter but does not require a new full market study. OMR staff will work with our approved vendors to determine an appropriate scope of work and price for such studies; the sponsor will be responsible for the cost. These studies can only be ordered at OMR staff’s discretion and can only follow a previously submitted full study.

III. Market Study Requirements: Full Market Studies

Below are the market study guidelines for the content of the full market studies. Each full market study submitted to the Authority should contain the following information, in the order presented. MSHDA reserves the right to return for correction any market study that does not follow the order of these Guidelines, or that does not provide the requisite analysis. **Some of the criteria will differ somewhat between the full 9% study and the full 4% study;** these are called out in each section that contains such differences.

Analysts must include the MSHDA *Market Study Key Data Spreadsheet* following the Table of Contents. The MSHDA *Market Study Key Data Spreadsheet* summarizes key information from the study and can be found in the Housing Market Research section of the MSHDA webpage: https://www.michigan.gov/mshda/0,4641,7-141-5587_106252---,00.html. This document is meant to provide an at-a-glance look at the study; the length of this document should not exceed one page.

A. Table of Contents

The table of contents should include a listing of all sections outlined in this document with electronic links and page numbers for ease of navigation during the market study review process. Additional detail may be included in the table of contents; the below is the minimum that must be included.

- Executive Summary
- Market Study Scope of Work
- Market Study Effective Date
- Project Description
    - Project Structure
    - General Information
    - Amenities
    - Rehabilitation Efforts (if applicable)
- Site Factors/Location
    - Site Conditions
    - Site Marketability
    - Negative Site Factors
    - Evidence of Investment/Community Revitalization
    - Concerns noted in OMR's Preliminary Site Review
    - Site Factors/Location Conclusion
- Market Area Definition
- Employment and Economy
- Demographic Characteristics
- Competitive Environment
    - Rental Market Information
    - List of Projects within PMA not included in Survey Data
    - Vacancy Rates
    - Most Comparable Properties
    - Recent Development and Pipeline Activity
    - Scattered Sites Data (if relevant)
    - Comparison and Analysis
    - Standard Amenities
    - Impact on Existing Housing Markets
    - Absorption Rates
    - Effective Rents
    - Upgrades
    - For-Sale Homes
- Achievable Market and LIHTC Rents
    - Derivation of Rents
    - Analysis of Rent Advantage
- Demand Analysis
- Absorption Rate and Period
- Conclusion
    - Strengths and Weaknesses
    - Identified Risks
- Statement of Recommendation

Include a list of tables, charts, graphs, maps, and plans included with page numbers and internal links to their locations within the study.

B. Executive Summary.

Each market study should include a concise summary of the data, analysis, and conclusions, including the following:

- A concise description of the site and the immediately surrounding area/surrounding land uses.
- A brief summary of the project including the proposed target population to be served.
- Brief summary of economic conditions.
- Brief description of and support for the defined primary market area.

- Summary of key demographic data.
- Summary of competitive market conditions.
- Summary of the demand analysis which states the analyst's conclusion about the sufficiency of theoretical market demand based on the analysis.
- A summary of market related strengths and weaknesses that will affect the property's marketability, performance, and lease-up. Mitigating factors of negative attributes should be identified, if any.
- Precise statement of key conclusions reached by the analyst. This statement should provide a definitive evaluation of the proposed development and its prospect for success as proposed and should reconcile any conflicting data indicators among the various sections of the report.
- Absorption estimate for the subject property. If the report recommends any changes to the proposal, it should be clear whether this absorption estimate is for the property as proposed or assuming the analyst's recommended changes are followed.
- **Clear, explicit, and bolded recommendation for whether the project should move forward as proposed, should move forward only with the analyst's specific suggested modifications, or should not proceed at all; studies lacking this will be returned to the analyst for revision.** The inclusion of this recommendation statement is especially important for 9% LIHTC projects given the hard deadline for submission of full application packages and the required communication moratorium once the deadline for submission has passed. That said, if this section is missing from a 9% market study, that omission alone will not cause a study to not meet threshold requirements. It will, however, be considered when OMR is considering responses to future RFPs for firms to conduct market studies.

C. Scope of Work for the Market Study.

Please identify the following:

- The type of report (Full 4% Market Analysis, Full 9% Market Analysis, Reduced Scope Study, or Update Letter). For a Reduced-Scope Study or Update letter, please explain how the proposal qualifies based on the criteria in this document.
- Client name and the name of project developer. If the client is MSHDA, as for a Full 4% Market Study, be sure to also include the name of the project sponsor.
- Intended use and users of the report.
- Identify steps taken in completion of the report. If any significant steps were not taken, identify and explain.
- Date of field work and site visit.
- Person conducting field work.
- Primary analyst reaching conclusions of report.

D. Market Study Effective Date.

Market studies are most useful when they are based on the most recent data possible. Our ability to assess the marketability of a project depends on timely information gathered by market analysts. As such, market studies must have effective dates within the following time limits to be accepted:

- **Initial submission of full 4% or 9% market studies, reduced scope studies, and update letters**. These studies must be dated no more than 6 weeks prior to the submission deadline for the funding round unless they are resubmissions from a previous round.
- **Resubmission of full 4% or 9% market studies**. These studies must be dated no more than 10 months prior to the submission deadline for the funding round and must have been previously reviewed by MSHDA. (NOTE: See the section on "Resubmissions" in this document for the complete list of requirements related to the re-submission market studies.)
- **Acceptance of studies that do not meet these requirements**. At OMR's sole discretion, market studies dated outside of these requirements may be accepted in some cases.

Written approval from OMR is required prior to submitting such studies.

E. Project Description.

The market study should include a project narrative to show the analyst's understanding of the project. Please note that for projects with combination 4%/9% tax credits - if a proposal includes multiple buildings that have distinct operations, amenities, and other elements that cause the buildings to have different market dynamics, the buildings should be treated separately. For example, a proposal with two buildings with different income targeting, rents, and amenities will need separate pro formas, demand calculations, absorption estimates, competitive market analyses and conclusions/recommendations. The separate analyses should be presented in one market study.

The Project Description should include:

1. Project Structure.

Analysts should supply a project description that includes:

- The proposed income targeting, unit mix including bedrooms and bathrooms, estimated utility costs, target tenancy (age-restrictions, Permanent Supportive Housing, etc.) and proposed net rents and gross rents. Include maximum and minimum allowable incomes by AMI level.
- Identify project-based rental subsidies to be offered and the units to which the subsidy applies.
- Unit size in net square feet (the living area of a unit, exclusive of common areas).
- The utilities to be paid by tenants and energy sources (gas, electric, etc.) for tenant-paid hot water, heat and cooking, as well as the utility allowances for tenant-paid utilities and the type of heat provided;
- Age restriction (55+, 62+, 65+) for the community. Analysts should discuss the appropriateness of the age restriction considering local market conditions and the location, design, layout, and service-provision at the property.
- For projects with a combination of 4% and 9% tax credits, the pro forma must include all units—both those financed with 4% and 9% tax credits—and analysts should identify which financing stream (4% or 9%) applies to each unit type.
- The number of buildings, number of stories, and building design type (walk-up, single-story, mid- rise, high-rise, elevator-serviced, etc.).
- Unit features and finishes (if available).

2. Amenities.

- List and describe the analyst's understanding of the proposed in-unit and common amenities. Pull cords or other personal emergency response system (PERS) should be offered in all senior properties, and analysts should call out the fact that they have been omitted if a sponsor has not proposed them. Please also see the "Standard Amenities" requirements under *Section H. Competitive Environment* for a discussion of amenities that should be included. A list of amenities that should be identified if present is available within this document's Attachment 2. Amenities, Services, and Finishes.
- In addition to the amenities listed in Attachment 2, be sure to identify any premium finishes or features, such as stainless-steel appliances, hardwood floors, or kitchen islands.

3. Project Design

The market analyst should review site and architectural plans and give a rough opinion of their effects on the marketability of the project. Confirm whether all bedrooms have windows; note that OMR will not approve projects that include bedrooms without windows. Include the status or date of architectural plans, name of the architect, and a copy of the site plan, floor

plans, and elevations. If the plans are not completed at the time of the analysis, the market analyst should make note of this.

If unit square footage within each bedroom type differs by more than 10%, a list showing individual square footage for each unit must be provided either in the pro forma or in a separate table. Provide analysis of whether varying unit sizes will have significant differences in market appeal and if different rents should be charged based on unit sizes. When unit sizes vary by less than 10%, an average square footage may be used for the analysis.

Additionally, 4% Direct Lending projects and split 4%/9% projects in which the 4% phase is seeking 4% Direct Lending funding are subject to MSHDA's Standards of Design, available on MSHDA's website here: https://www.michigan.gov/mshda/developers/architects-and-contractors. Sponsors are required to request waivers for any variance(s) from these standards in the Notice of Intent to Apply application; the sponsor should provide these waiver requests to the analyst as well. Provide analysis of whether each requested waiver, if any are received, would positively, neutrally, or negatively affect the marketability of the subject; this can be in tabular form. If no waiver requests are received from the sponsor, this should be stated in the market study.

Though OMR recognizes that market study analysts should not be expected to check the entire project against MSHDA's Standards of Design, we do ask the analyst note if any of the following standards are not met regardless of whether the sponsor requested waivers:

- Dishwashers and garbage disposals shall be required.
- The minimum square feet for a one-bedroom unit shall be 600 square feet.
- Dwelling units shall not be in basement spaces or where the finish floor of the habitable area is entirely below grade.
- Any building that includes barrier-free units that are not zero-step and/or senior-occupancy buildings having two or more stories shall be equipped with at least one elevator. Any buildings with 100 or more units or of three or more stories shall be equipped with at least two elevators.
- Window blinds shall be provided at all window and door wall openings.
- All dwelling units shall have individual mechanically ventilated HVAC units. Through-wall or window-mounted air conditioning is not acceptable in new construction.

4. Additional Requirements for Rehabilitation of Occupied Properties:

The rehabilitation of occupied units should not result in any displacement of current tenants. Provide the following information regarding potential displacement due to changes in subsidy status, rents, and income targeting, along with analysis of whether displacement should be expected and any changes necessary to avoid displacement.

- Identify any existing assisted housing program at the property such as Section 8, Section 202, Section 811, BMIR, Section 236, etc.
- Document the length of time that subsidies will remain available at the project, or the availability of additional rental subsidy at the proposal (i.e., additional Rental Assistance units for RHS 515 projects), such as a copy of the applicable portion of the HAP contract, or a letter from the Rural Housing Service showing that the RA units at the subject will remain after rehab effort.
- Compare the current rent structure to the proposed rent structure.
- Comment on the effect of any changes on the project's marketability and potential tenant displacement.
- Make note of any rents expected to increase by 5% or more

Include a rent roll showing tenant incomes for all affordable units at the subject, the household size

occupying the unit, the unit's number of bedrooms. Make sure tenant names or other personally identifying information are not included in the market study. The analyst may need to redact personally identifiable data from documents received from the sponsor. An analysis of this information should be provided that indicates how many of the current tenants would be overburdened by the proposed rents and estimates the number of households that could be displaced.

In addition to avoiding displacement due to the economic factors noted above, the rehabilitation of the building(s) should not result in any permanent displacement of the tenants currently in the units.

- Describe the methodology for the rehabilitation, including the phasing of rehab activities, impact of the rehabilitation work and on current tenants, and information on needed relocation of tenants (if necessary).

The rehabilitation of occupied units should result in increased market appeal. Provide the following information, along with analysis of the impact on marketability.

- Describe the scope of work, and include an estimate of total construction costs, cost per unit, and a breakdown of hard and soft costs, if available.
- Call out changes in amenity provision, including the additions or subtractions to current amenity package, and the analyst's opinion of the effects on marketability deriving from these changes.

Provide occupancy history over the last three years, as well as the current occupancy rate. If the current occupancy rate is below 90%, explain the low occupancy rate. In cases where the sponsor has been holding units vacant in anticipation of rehab efforts, note the date that the sponsor began to hold units vacant, and the number of units held vacant for this purpose. This should be consistent with the historical occupancy data provided. Additionally, for occupied rehab projects with current occupancy rates below 90%, provide analysis of whether the proposed project as conceived is likely to improve the marketability of the subject to the point that reaching and maintaining stabilized occupancy is likely given competent management of the property.

Projects in need of rehabilitation and recapitalization sometimes suffer from poor market perception among prospective tenants and the general public due to deferred maintenance, vacancy issues, units offline, perceptions of crime, or other causes. Market studies must note any significant existing negative perception, provide analysis of its impact on marketability, and recommend whether re-branding or other risk mitigation strategies are necessary to improve market performance and tenant experience.

F. Site Factors/Location.

The Authority has criteria for site analysis that can be found in Tab CC of the MSHDA Combined Application for Rental Housing Programs (www.michigan.gov/MSHDA). Analysts should look at these criteria when determining how well the site will aid or hinder marketability. Please note that MSHDA has a higher level of expectation for sites for 4% Direct Lending projects than for 9% LIHTC projects. Additional requirements for 4% Direct Lending studies are listed at the end of this section.

MSHDA OMR provides site review memos for 9% LIHTC projects submitted ahead of the deadline noted within the QAP and for all 4% Direct Lending projects. Any concerns noted in these reviews must be addressed within the market study. Site-related concerns that were noted in the site review and are not sufficiently addressed in the study may result in OMR recommending lower rents or against proceeding with the subject proposal.

Provide a **description of the site characteristics** including its size, shape, general topography, and vegetative cover, and adverse conditions. Identify land uses directly surrounding the subject site. In addition, provide the following:

- Photographs of the site and neighborhood (defined as an area within two blocks of the proposal), and a map clearly identifying the location of the project. Analyze and map the property's location vis-à-vis the following:
    - Closest transportation linkages.
    - Community anchors such as a central business district, neighborhood commercial zones, places of worship, schools, and community centers, among others.
    - Medical services.
    - Public transportation.
    - Municipal services such as libraries, police, and fire service
    - Commercial services such as banks, grocery stores, pharmacies, and others.
- In situations where it is not feasible to show all the categories on a map, the categories may be addressed in the narrative.

A **description of the site's impact on the marketability of the proposal**, including at least the following items:

- Curb appeal of the site (or the project itself if it is a rehab proposal).
- An analysis of the linkages between the project and local amenities noted in the PMA map described previously.
- An analysis of the surrounding neighborhood, including the analyst's perception of its residential character, non-residential land uses (if any), the quality of the housing stock, its level of upkeep, and its effects on the market performance of the proposal.
- In cases of poor curb appeal, poor linkages, or poor quality of housing stock, discuss these deficiencies and their likely effect on the marketability of the project.
- Provide analysis of public safety issues including information or statistics on crime in the vicinity of the site and in the PMA relative to data for the overall area. Address any local perceptions of crime or problems in the PMA.
- Describe and evaluate the visibility and accessibility of the site. Address:
    - Ease of ingress and egress, including a discussion of traffic controls around the site, difficult left-hand turns against prevailing traffic, excessive curb cuts surrounding the entrance to the development, and unreasonable lines of sight at the entrance. Excessive traffic congestion should be avoided, such as around major employment parking lots, large shopping malls and multi-screen theaters.
    - Self-advertising quality of the site, by virtue of its visibility from roadways.
    - Adequate visual separation from adjacent land uses.
    - Potential for adequate signage, lighting, and landscaping.

- **For 9% proposals that are located closer than 600 feet to an active railroad track**, specifically assess the impact on the feasibility of the proposal, including such things as the impact on rent levels and estimated absorption period. It may be useful to review MSHDA's site criteria in Tab CC of the *MSHDA Combined Application for Rental Housing Programs* when identifying negative site factors for this adjustment.
- For proposals that lack residential character, specifically assess the impact on the feasibility of the proposal, including such things as the impact on rent levels and estimated absorption period.

- State whether each of the items below is true or not for the proposal:

    - Is it located farther than 600 feet from an active railroad track? (If the answer is "no", please note that this should be addressed in the calculation of achievable rent grids, per the "ACHIEVABLE AND MARKET RENTS" section of this document.)

    - Is it located farther than 300 feet from negative site factors such as garbage dumps, truckyards, high-tension power lines, industrial land uses, drilling rigs, and other dis-

amenities? (It may be useful to review MSHDA's site criteria in Tab CC of the *MSHDA Combined Application for Rental Housing Programs* when identifying negative site factors for this adjustment.) (If the answer is "no", please note that this should be addressed in the calculation of achievable rent grids, per the "ACHIEVABLE AND MARKET RENTS" section of this document.)

- Is it near to existing residential uses, preferably single family, which are in good condition and reinforce the feeling of "neighborhood" or, if not, is it the subject of a realistic plan to improve any blighted homes or structures to a good condition? (Central city walkable proposals may be still accepted if they lack residential character.)

- 4% Direct Lending projects that answer "no" to any of the above questions may result in OMR recommending against proceeding with the project.

- Where applicable, provide evidence of new private or public investment in the area near the proposal. This could include community revitalization plans, other housing developments, new commercial enterprises, and others. Note whether any funded community initiatives to revitalize or stabilize the neighborhood or the immediate area exist.

- For scattered-site single-family projects, the Authority has added site considerations that must be met. Analysts should look at the scattered-site criteria in Attachment 2 of this document and determine how well the proposal's site meets them.

Areas of Minority Concentration. HUD prohibits placement of projects within Areas of Minority Concentration (AMC) when certain types of HUD funding are used. HUD provides several tools for determining if a proposed site is in such an area, depending on the tenant targeting; MSHDA has decided to adopt the following tools:

For non-senior-occupancy projects, use this tool:
https://www.huduser.gov/portal/maps/sec811/home.html

For senior-occupancy projects, use this tool:
https://www.huduser.gov/portal/maps/section202/home.html

Since it is often unclear at the time of application whether HUD funds that trigger an AMC review will be used, for all projects that:

- include one-or-more new-construction residential units **and**
- are located within a HUD-defined AMC **and**
- are required to submit a market study along with an application for MSHDA funding

the market study must include the data necessary to determine whether the project is eligible for an exception to HUD's rule. Exceptions are available only if:

(a) sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration or

(b) the project is necessary to meet overriding housing needs that cannot be met in that housing market area.

To be eligible for an exception under option (b), it must also be demonstrated that the project is in a revitalizing area or that the project is an integral part of a plan to revitalize or stabilize the neighborhood.

MSHDA is not asking market analysts to opine on whether the project is eligible for an exception but rather asking for the market study to include the data necessary to make that determination.

Market studies for new-construction projects located within an AMC must include the following information:

- A listing of comparable properties, as defined by HUD. HUD's definition of comparable properties is as follows: "Units may be considered to be comparable opportunities if they have the same household type (elderly or disabled, as applicable) and tenure type (owner/renter); require approximately the same total tenant payment; serve the same income group; are located in the same housing market; and are in standard condition."
- The number of comparable units in the market area within Areas of Minority Concentration, using the tools noted above.
- The number of comparable units in the market area outside of Areas of Minority Concentration, using the tools noted above.
- The estimated penetration, capture, and saturation rates for the project and the total demand estimate.
- Whether the project is in a revitalizing area, including data to support the analyst's conclusion. HUD will consider evidence that the site is in a revitalizing area if it is experiencing significant investment that is demonstrably improving the economic character of the area. Examples include low or declining poverty rates, low or declining violent crime rates, evidence of high or increased educational opportunity, high or increasing median household income, high or increasing homeownership rates, and high or increasing employment. Examples of public and private investment in the project's immediate area should be included where possible.

Market study analysts may provide this data by filling in the Excel form provided at the link below and pasting it as an appendix to the market study or formatting it in your firm's standard format and appending it to the market study, if all the information is included.

Please contact the Office of Market Research at MSHDA-MarketStudies@michigan.gov with any questions.

Excel form for data presentation within market studies can be found here:
https://www.michigan.gov/mshda/developers/housing-market-research

Site Review. Address any concerns noted in Marketing staff's preliminary site review, as described under ***"I. Market Study Procurement and Submission Process."***

Site Factors/Location Conclusion. Provide a conclusion concerning the suitability of the proposed site for the proposed use. Include an opinion on whether the site affects the subject's marketability positively, negatively, or neutrally.

G. Market Area Definition

For the purposes of Authority market studies, the Primary Market Area is the local area from which the subject will draw potential renters. It implies that households within the PMA would be willing to move to, or shop for, housing located therein, and that rents, amenities and other aspects of housing are similar among multifamily complexes in that area. Analysts may choose to seek Authority pre-approval of a PMA before proceeding with subsequent analysis by submitting it to MSHDA-MarketStudies@michigan.gov.

Given this definition, the analyst must define the Primary Market Area (PMA) that pertains to the subject. Identify PMA boundaries by census tracts, school districts, jurisdictions, street names, or other

geography forming the boundaries. Also, include a map that clearly shows the borders of the PMA, and its major features (towns and cities included, major roadways, and the location of the subject).

Defend the composition and extent of the PMA. Note the number of households within the PMA. To the extent possible, the PMA should be based on real- world data, such as the experience of other complexes in the area. This is especially applicable if the proposal is for a new phase of a successful project. It is important to note that **PMA boundaries based on radii are not accepted by the Authority**. In addition, PMAs that cross state borders are allowed only if convincing evidence of cross-border interaction (migration, commuting, shopping, experience of other projects in the market, etc.) is presented in the study.

Include a list of all Census tracts within the PMA.

H. Employment and Economy.

Provide data and analysis on the employment and economy of the Primary Market Area to give an understanding of the overall economic health of the community in which the proposal is located. List sources for the data and methodology for the analysis and be sure to relate all findings to the market performance of the subject property.

Employment and Unemployment: Provide the information described below for the Primary Market Area or smallest geographic area available that includes the Primary Market Area and compare the data to the larger geographic area, e.g. the city, county, labor market area, or MSA. List data sources and describe the methodology for the analysis. The following should be provided:

- A description of employment by industry sector.
- A list of major employers in the PMA, the type of business and the number employed and compare the data to the larger geographic area (i.e. MSA, County, etc.).
- The historical unemployment rate for the last ten years (or other appropriate period) for the PMA and compare to the larger geographic area (i.e. MSA, County, etc.).
- Information that pertains to the number of jobs within the study geography:
    - Total At-Place Employment for the same period. “At-Place Employment” measures the number of jobs located within a specific geography and should not be confused with the Employed Labor Force. Compare to the larger geographic area. Recent trends (job loss/gain) in At-Place Employment should be identified and discussed.
    - At-Place Employment by Sector and Employment Change by Sector. Identify the most important employment sectors in the area, potentially including share of employment and employment growth.
- A discussion of future trends for employment, as well as general economic conditions, in the PMA in relation to the subject property.
- Discuss recent or planned major employment expansions or contractions, plant openings or closings or other similar information including potential impact on demand for rental housing.
- Comment on how concentrated the local economy’s employment is on an industrial sector basis.

- If relevant, comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.

- Provide a breakdown of typical wages by occupation. These are usually available on an MSA- wide basis, but some sources might exist for smaller areas (the American Community Survey, for example).

- Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA. Comment on what these patterns mean for the marketability of the subject proposal.

- **Provide a conclusion** stating whether economic conditions will have a significant positive or negative impact on the subject property.

I. Demographic Characteristics

Provide total population, age, and income target data for the Primary Market Area and the smallest available comparison area, (which may include a county or MSA) using data from the most recent decennial Census, American Community Survey information, and/or data provided by third-party providers. It should include current year estimates and estimates projected to market entry (usually one to two years after the current year).

Indicate the source for all data and provide an analysis of trends indicated by the data. This is especially important if the trends noted in the Census figures do not match those coming from the third-party sources (i.e., Claritas or ESRI). When they differ, the analyst must offer a plausible explanation for the difference with proof; as a last resort, if one cannot be made, then straight-line estimates and projections using data from the previous two decennial censuses (for example, 2010 and 2020). In addition, the market analyst's own estimates can be used, but these must be accompanied by a detailed description of their derivation, and enough data to allow Authority staff to recreate them, if needed.

Detail on the following demographic topics is necessary:

1. **POPULATION AND HOUSEHOLD COUNTS AND CHARACTERISTICS.** Population and household counts for the appropriate age classification should be provided for the year of the most previous decennial Census, the current year, and projections for five-year growth or anticipated placed in service date. Counts for elderly persons and households (65 and older) should be broken out.

    - Tenure by age of householder, including the number of renters and owners that are headed by seniors (aged 65 and over) and non-seniors.
    - Household size and type by tenure (both the average number of persons per household and tenure group, and a breakdown of households by number of persons per household and tenure group).

    - Include population by age, including the number of non-elderly (0-64) and elderly (65 and over). For congregate care and Affordable Assisted Living projects, ages used in the analysis (for both population and household information) should be 75 and over. If sufficient evidence is introduced, younger elderly populations might be accepted; this will depend greatly on the product type proposed by the developer.

2. **INCOME BY TENURE.** Provide a breakdown of households by income in $5,000-$10,000 increments by household size and by tenure. The data should be taken from

the most recent version of the American Community Survey and the year of market entry.

In most cases, elderly households must be removed from these totals when analyzing family projects, and non-elderly households must be removed for senior proposals. The only exception for this rule concerns markets where the subject, by virtue of market or unit size (for example, markets with a lack of senior housing, or proposals that feature one- and two-bedroom unit mixes), might attract senior renters. Proof of this contention is necessary.

3. **BUILDING PERMITS.** A 5-year history of building permits, if available, by housing type, and comments on building trends in relation to household trends will be included in the study.

4. **ANALYSIS.** Provide an analysis of the demographic trends indicated by the data described above, being sure to relate the findings to the market performance of the subject property. Clearly identify any specific trends that that positively or negatively affect rental housing demand.

J. Competitive Environment

A market study should include a comprehensive description and analysis of the rental market serving the primary market area. The scope of the survey/analysis should be sufficient in breadth to evaluate where the subject property fits within the overall rental market. If available and relevant, an overview of the regional rental market including number of units planned/under construction and recent trends in rents and vacancies should be provided.

As the tenant-paid rents at communities with project based rental assistance (Section 8, Public Housing, USDA) are based on income, they are not generally an accurate representation of market conditions. As such, the contract rents and vacancies at these communities should be presented independently of properties without these subsidies. Unless stated otherwise, the following requirements pertain to both Full 9% and Full 4% studies, with additional requirements for 4% Direct Lending studies listed separately.

1. RENTAL MARKET INFORMATION

The purpose of this section is to understand the competitive environment in the market area and assess the proposal's competitiveness when compared to competitive multifamily rentals.

A. Please conduct a market survey and provide an overview of the primary market area's housing stock including the information below. Provide this information for all surveyed properties (rather than solely for the most competitive properties) unless indicated otherwise. The proposed rents, amenities, and features of the subject property should be shown in comparison to existing communities in tabular form. Specifically, the information provided should include:

a. Name and street address, population served (senior/general occupancy/special needs), year built, property contact information, etc.), and rent structure. For the most comparable properties, also provide the age, condition and street appeal and the type of design (i.e. townhome, walk-up, duplex, etc.).
b. Unit mix including number of bedrooms and bathrooms, square footage, and rents.
c. Provide the current occupancy. If available, add the historical occupancy and absorption history (if recent/available) for the most comparable properties.
d. Number of households and date of any waiting lists.
e. Current concessions being offered.

f. Unit features and amenities such as ceiling fans, patios/balconies, washer/dryer connections, parking, etc. Specify how many units have individual patio/balconies.
g. Include additional details such as high-end finishes, hardwood/carpet flooring, high-efficiency appliances, etc., for at least the most comparable properties.
h. Community amenities such as on-site management, recreation, laundry, elevators, and parking (including number of parking spaces and elevators, if possible). Include the cost of any fees charged for laundry, parking, or any other amenity.
i. For the most comparable senior properties with services, give the types of services included in the rent or available for an additional fee. Provide the costs of any for-fee services.
j. Type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking).
k. The market vacancy rate for the PMA rental housing stock by population served (i.e. market rate, Low Income Housing Tax Credit, and Project-Based Rental Assistance.)
l. Include a map identifying the location of each property in relation to the subject, identifying its funding type or subsidy source (9% LIHTC, Conventional, Section 8, Section 236, Section 515, Authority financing, or other).

B. Projects not included in the survey of the rental market. Provide a list of projects within the PMA that were not included in the survey along with an explanation why each project was left out. For Tax Credit projects left out due to unresponsiveness, note the number of attempted contacts.

C. Vacancy Rates. Present the vacancy rates for the surveyed rental stock. As appropriate, vacancies should be broken up by property classifications and target market, which may include market rate, LIHTC, deeply subsidized (rent based on tenant income), senior, special needs, etc. As available, vacancy data should be provided by bedroom type (unit size). Provide this data in tabular format.

Vacancy trends should be provided and discussed if available/relevant.

- Significant seasonal variations in vacancy rates should be discussed if applicable.
- Any vacancy or absorption problems should be identified and discussed, particularly among the most comparable rental communities.
- Identify any significant variances in vacancy rates that exist among price point, location, bedroom size, product type, target market, etc.

D. Most Comparable Properties. Identify the most comparable properties to the subject property and provide a narrative evaluation of the subject property in relation to these communities. Market studies should identify the most comparable affordable communities and market-rate comparables used for a comparison of rents. The study should explain how these communities were selected as the most comparable and why other projects were excluded. Photographs must be provided of the properties deemed most comparable to the subject, as well as a map of these properties that includes the location of the subject property.

E. Recent Development Activity and Pipeline. Discuss recent development activity in the market area including recently constructed rental communities and those planned or under construction in the market area. The market study must include separate estimates of the numbers of rental units currently under construction and the numbers of units in the planning and development stages that are likely to enter the housing market during the specified forecast period. These estimates should include all rental developments known, not solely those determined by the analyst to be comparable and competitive. The location of each pipeline community relative to the subject site should be presented. The report should contain estimates of:

a. The number of projects currently under construction, expected completion

date, the total number of units, unit mix breakdown by bedroom and income target, and structure type.

b. The number of projects in planning stages likely to be developed, including but not limited to those with building permits or firm financial commitments, including details on the number of units by bedroom size, rents, locations, and stage of development.

c. Identify any projects that will specifically compete with the subject property.

d. Include an explanation of why any non-competitive projects in the pipeline are not competitive. Keep in mind that in most Michigan markets, 60%- and 80%-AMI units will be competitive with at least a portion of the market-rate rental market, especially when there is a lack of new housing units in the market area.

e. Include a list of LIHTC pipeline projects with allocations in or near the market area that are not yet placed in service, giving as much detail as possible on estimated placed-in-service dates, unit mix, and income levels. The Authority may be able to provide a list of properties that were recently approved for funding by the MSHDA upon request. If there are no comparable projects in the pipeline, the analyst must state this fact.

F. Scattered Sites. In markets with limited multi-family rental communities or lower-density subject properties, provide an analysis of available scattered site rentals including pricing and other available/pertinent data.

G. Comparison and Analysis. Compare and analyze the subject property to the surveyed rental communities in terms of amenities, tenant-paid utilities, unit sizes, location, parking, concessions, rents, and other relevant considerations. This analysis may be refined to include only the most comparable communities.

H. Standard Amenities. MSHDA considers any amenity which is offered by more than 60% of comparable properties to be a standard amenity for that market. Provide a list of standard amenities within the market, including the percentage of comparable properties offering each standard amenity. Identify any amenities absent from the subject's amenity offerings that are provided by at least 60% of either of the following: 1) the most comparable properties, 2) the newest comparable properties (properties constructed within the primary market area in the past ten years), or 3) all surveyed properties. For any such amenity, discuss the amenity's prevalence among competing properties and the potential impact on the subject's market feasibility given that it lacks this offering. Also, include a statement to the effect that MSHDA considers standard amenities to be a necessity in all proposals and may condition the addition of any missing standard amenity or require a rent reduction due to its absence. Please note that MSHDA may make an exception for rehabilitation projects that do not offer certain amenities due to the building's existing structure and layout.

I. Impact on Existing Housing. Discuss the impact of the subject development on existing housing in the market area, in terms of conventional multifamily projects and affordable projects (including RHS, HUD and others where applicable). Further, discuss the impact on Authority-financed properties, including those that are active in the Authority's pipeline or that have been constructed, but not have not yet reached stabilized occupancy.

J. Absorption Rates. Absorption experience of recently completed rental developments as available, including units per month estimates for each project, with particular emphasis on comparable and competitive projects that have entered the market within the past 24 months.

K. Effective Rents. Current effective rents should be provided for each of the most comparable

rental communities by bedroom size when available. Effective rents should account for any current incentives and should be adjusted to reflect a consistent utility policy.

L. Upgrades. Any options/upgrades available to renters should be identified with the associated costs.

M. For-Sale Homes. If the subject property has three- or four-bedroom units that account for at least 20% of its total units, discuss the availability of non-rental housing options, including purchase or sale of homes.

2. ACHIEVABLE MARKET AND LIHTC RENTS.

Provide estimated achievable market rents and LIHTC rents for each unit type derived from comparable properties in the market area. Discuss their ramifications for the marketability of the subject. The following are the specific requirements of this section of the guidelines:

A. Derivation of the Rents/Rent Comparability Grids.

Analysts should use a rent comparability grid to estimate the achievable and market rents. **Analysts are required to submit to MSHDA the rent comparability grids for each market study in spreadsheet form that includes the formulas for all calculations and the weights applied to the adjusted rents of each property used to derive the Estimated Market Rents.** The purpose of this requirement is for MSHDA to be able to understand the methodology for deriving market rents and to be able to revise the spreadsheet with different adjustment amounts or add/delete comparables in order to see the impact on the Estimated Market Rent.

The choice of which comparable properties to use to estimate achievable rents can greatly affect the resulting achievable rents. Generally, using comparable projects requiring fewer adjustments results in a more credible analysis. The analyst must provide an explanation of why the included properties were chosen. Properties outside of the PMA, properties with low occupancy rates, luxury developments, and others with significant differences from the subject project should only be used in rare cases where other comps are not available.

When compiling rent comparability grids, please keep the following requirements in mind:

- Analysts should add the following adjustments to their rent comp grids when applicable:
    - A rent adjustment for any property that is sited less than 600 feet from an active railroad track. For Full 9% Market Studies, explain, using information from existing comparables or other justifications, why the market study supports the proposal (if it does), given that it is located so close to an active railroad track. (For proposals for 4% tax credits, see Additional Requirements for 4% Direct Lending Studies, below.)
    - A rent adjustment for proximity to any other type of site-related dis-amenity, such as high- power tension lines, truck yards, drilling rigs, propane tanks, or other negative site factors. It may be useful to review MSHDA's site criteria in Tab CC of the MSHDA Combined Application for Rental Housing Programs when identifying negative site factors for this adjustment.
    - An adjustment for sites that are not near existing residential land uses, preferably single family, which are in good condition and reinforce the feeling of "neighborhood". However, walkable proposals in core downtown areas may be still accepted if lacking residential character.
- For each estimated rent, a ratio of the adjusted rent to the last rent must be provided. MSHDA's preferred range for this ratio is 90% to 110%; properties that yield adjustments outside of this range are considered not to be comparable to the subject property. In cases where this ratio cannot be achieved due to a lack of comparables, the analysts should call this out, discuss the limits to the analysis of such a lack of true

comparables, and take these limits into consideration in their analysis/recommendations.

- If any weighting of the adjusted rents other than a straight averaging is used to determine the achievable market rents, the analyst must provide the weights and explain how they were assigned.

- The following are prohibited in rent comparability grids submitted to MSHDA:
    - Positive adjustments due to high occupancy rates at comparable properties (properties with low occupancy rates rarely should be used to determine achievable market rents)
    - Positive adjustments for perceived pent-up demand in the market,
    - Positive adjustments for cases where the analyst thinks comparable properties are not maximizing their rent potential.

- Senior properties that offer services (assisted living facilities, congregate care facilities, continuum of care retirement communities, etc.) should not be used as comparable properties for independent senior apartments. If, due to a lack of comparable properties, senior properties that offer services are used as comparable properties for independent senior apartments, the costs of the services at the comparable properties must be accounted for in the grid. Beyond the actual cost of the services, properties that offer services often charge a rent premium due to the availability of these services; this should also be accounted for in the grid.

- Continuum of Care Retirement Communities (CCRC's) or other senior housing complexes housed in a campus-like setting that offer multiple levels of care are not comparable to independent living or congregate-care senior properties. However, if there are no other senior comparables available, and if performance data about the independent-living portion of a CCRC can be isolated from the other levels of care on the campus, it may be used as a comparable; in these cases an adjustment should be made in the grids in recognition of the fact that senior renters will pay more for CCRC housing based alone on the benefit of being able to age in place at a multi- level of care campus.

- Luxury or high-end apartments (those offering luxury finishes, premium amenities, etc.), should not be used as comparables for affordable housing proposals offering a more modest product.

The rent grids should result in an estimated achievable market rent and an estimated qchievable LIHTC rent for each unit type. Provide an explanation of how the estimated achievable rents were calculated from the individual adjusted comps used (i.e. straight average, specific weights, average weighted to median, etc.).

B. Analysis of Rent Advantage.

Quantify and discuss the market advantage of the proposed rents and the resulting impact on market feasibility. Include a table that shows the proposed rents, estimated achievable market rents, and the ratio of the proposed rents to estimated market rents. Discuss the feasibility of the rents, stating whether the proposed LIHTC and market rents (if applicable) are reasonable and achievable given the competitive market and the specifics of the proposal. And, if not, recommend achievable rents. When conducting this analysis, please consider the following MSHDA findings:

- OMR's review of MSHDA compliance data suggests that 70%- and 80%-AMI units do not operate to underwriting standards. The following data points from MSHDA's own compliance database (2024/2025 data) suggest caution with proposed rents above 60%-AMI maximums:
    - Approximately 12% of units targeting households earning over 60%-AMI within projects that have reached stabilized occupancy are vacant, above MSHDA's usual 8%

underwriting standard.
    - Among units with reliable data, approximately 40% of tenants in 70%- and 80%-AMI units have rental assistance.
    - Only approximately 45% of non-subsidized tenants of 70%- and 80%-AMI units are paying rents over 60%-AMI maximums.
    - Only approximately 49% of 70%- and 80%-AMI units are not vacant nor occupied by a household with rental assistance.
    - Based on the above percentages, approximately 22% of 70%- and 80%-AMI units are not vacant, not occupied by a household with rental assistance, and collecting gross rents higher than 60%-AMI maximums; generally, 92% of these units were underwritten to these standards. This suggests a high risk to the Authority of approving such rents.
    - Put another way, approximately 78% of units underwritten to achieve rents above 60%-AMI programmatic maximums are not achieving those rents unless they have a tenant who has a rental assistance voucher of some sort.
- Although units above maximum 60%-AMI rents may look competitive in the market, their heavy reliance on Housing Choice Vouchers, rent overburdened households, or extended vacancy, suggests that households with sufficient resources often choose other housing options. Factors may include the administrative burden of income qualification, greater market choice for higher-income households, or other market dynamics. Rents above 60%-AMI income limits appear to perform to underwriting standards only when offering significant discounts from market rents at comparable projects in the immediate area, beyond previous industry assumptions that a 10% discount from market rents is sufficient.

If a market study finds that proposed rents at 60%-AMI programmatic maximums or higher are achievable, the analyst must provide supporting data beyond a discount from the estimated achievable market rents. Previously, a 10% discount from market rents for 60%-AMI units and a 5-10% discount for 80%-AMI units was considered to be a sufficient discount for the LIHTC rents to be viewed as a good value in the market; the above-noted MSHDA compliance data suggests that this is not always the case.

3. SENIOR REQUIREMENTS

- Age restricted properties should be analyzed separately from general occupancy communities when evaluating rents, occupancy, services, etc.
- Senior properties that offer services (assisted living facilities, congregate care facilities, continuum of care retirement communities, etc.) should be analyzed separately from independent senior communities.
- Examine features and amenities that are specifically designed to address seniors. Pull cords or any other personal emergency response system (PERS) are no longer required in all senior properties by MSHDA's Standards of Design, but analysts should continue to explicitly note their presence or absence within the market study.

4. ADDITIONAL LIHTC/AFFORDABLE REQUIREMENTS

Provide a list of all affordable housing communities including LIHTC communities and deeply subsidized communities (Section 8, Public Housing, USDA). Any LIHTC communities not included in the analysis should be identified with an explanation of its exclusion.

- To accurately understand rent structure, rents of the subject property and existing LIHTC communities should be broken out by AMI level.
- Vacancy among existing LIHTC communities should be provided by AMI if available. Furthermore, vacancies for units with and without project-based subsidies should be included.
- Proposed rents should be evaluated for each proposed income level, rather than an average by bedroom type.

- Analysts should comment if specific units (bedroom/AMI) will lease significantly faster or slower than the remainder of the project.

5. LOCAL PERSPECTIVE.

The market study should include a summary of the perspective on the rental market, need for the proposed housing and unmet housing need in the market. The local perspective should consider:

- Interviews with local planners, housing and community development officials and market participants to estimate proposed additions to the supply of housing that would compete with the subject, evaluate the local perception of need for additional housing and obtain information on any redevelopment plans that cover the site's location.

- Interviews with local Public Housing Authority (PHA) officials to seek comment on need for housing and possible impact of the proposed development on their housing inventory and waiting lists for assisted housing. Include a statement on the number and availability of Housing Choice Vouchers and the number and types of households on the waiting lists for Housing Choice Vouchers.

K. Demand Analysis

For the purposes of these analyses, it is assumed that market-rate households will pay up to 30% of their income toward gross rent, and that lower-income households will pay up to 40% of their income toward gross rent. **However, growing affordability difficulties for low- and moderate-income households means that spending percentages of their incomes on rent that has previously been considered affordable puts significant pressure on household food, healthcare, transportation, and childcare budgets. Due to these increased unaffordability pressures, demand analysis must now determine penetration, capture, and saturation rates for LIHTC units based on both the assumption that households will pay up to 40% of their income towards housing and, a new requirement, that households *can* only pay up to 30% of their income towards housing if they are to have stability in their home.** For market-rate units, the upper income limit for the demand analysis should be 100% of AMI for the estimated average household size of prospective market-rate tenants or other methodology explained and justified by the market analyst. If evidence from the market exists, it is possible that higher income levels or income-to-rent ratios may be used for senior projects; however, evidence supporting this contention must be presented in the study. **The market study must discuss whether the difference in demand estimates resulting from the 40% and 30% assumptions suggests that the project's success is reliant on imposing rent overburden on potential future tenants.**

It is further assumed that for family proposals there will be 1.5 persons per bedroom; senior projects will rely on an assumption of two-person households. Demand estimates for proposals that contain a significant proportion of larger rental units (with at least 20 percent of the units offering three or four bedrooms) will need to consider the relatively small number of large households that would choose such unit sizes; the analyst must account for this in the analysis.

Analysts should use the Excel spreadsheet (the "*Demand Estimation Sheet with Movership Rates")* provided on the OMR's website (https://www.michigan.gov/mshda/developers/housing-market-research) for the calculation of demand estimates for each income limit at the subject property. These demand estimates should be constructed to eliminate double counting stemming from overlapping income qualification limits. (Information on the Authority's preferred methodology on creating non-duplicated demand estimates is included in Attachment 3 to these guidelines.) Be sure to use income-specific renter propensities for demand estimation, to recognize the fact that

more low-income households rent. This information is available from the US Census (factfinder.census.gov), on table HCT11 for family projects, and on the HUDUser website (www.huduser.org) for senior proposals. The use of other data sources (such as the HISTA dataset) is also acceptable.

Analysts should compare the findings of the analysis to MSHDA's preferred demand ratio thresholds, shown in the table below. Please note that senior housing with services, such as under the MSDHA Congregate Care model, may be feasible despite having capture rates above 50% in some markets. MSHDA may accept capture rates of up to 75% to 100% for certain proposals, depending on their specifics.

Type of Rate	Open-Occupancy	Senior
Penetration Rate	6%	3%
Capture Rate	50%	50%
Saturation Rate	20%	10%

L. Absorption Estimates

Estimate the absorption rate for the subject property and the corresponding lease-up period. The absorption period should be based on stabilized occupancy rather than 100 percent occupancy. If the absorption period is based on the inclusion of pre-leased units, provide an explanation for that assumption. Explain what data was used to estimate the absorption rate. Cite absorption rates at comparable projects in the market area completed within the past 24 months if possible. If such data is not available or no comparable projects have been completed in the market area recently, indicate what the absorption rate is based on. Please note that the Authority has observed that lease-up times for senior housing with services are significantly longer than those for other types of housing.

M. Analysis and Conclusions

The analysis and conclusions section of the market study should summarize salient points from each section of the market study used by the analyst to reach the conclusion.

Compare the proposed development to comparable rental communities including:

- Unit distribution
- Community Amenities
- Included utilities
- Unit features and finishes
- Unit square footage
- Location

Also, please address/provide the following:

- Identify any significant competitive advantages or disadvantages of the proposed development.
- Discuss the proposed price position relative to the existing rental market. Comment on the appropriateness of the proposed rents considering the site location and product to be constructed.
- Identify risks, unusual conditions and mitigating circumstances that may affect the subject's ability to perform as expected. Provide an overview of potential risks related to the following project and market characteristics and conditions. If no mitigations are recommended for these risks, provide your reasoning:
    - Unit configuration, targeting, and unit types, such as unit size, layout, and intended demographic target.
    - Amenities, such as the proposed amenity suites' impact on market appeal, operating costs, and project viability.

    - Project site and surroundings, including risks local to the site, risks from surrounding land uses and neighborhood conditions, and risks due to availability of amenities within reasonable distances.
    - The rental market, including risks due to aggressive rents, performance of the existing rental market, market demand, and other projects in the pipeline.
    - Displacement, including any potential causes of displacement such as rent increases, rehab methodology, changes to income targeting, transition from market-rate to income limited units, and any others.
- For occupied rehab projects with current occupancy rates below 90%, provide a statement of whether the proposed project as conceived is likely to improve the marketability of the subject to the point that reaching and maintaining stabilized occupancy is likely given competent management of the property. This should be supported throughout the market study.
- Demand, including reconciling any conflicting data on future demand such as expected population or household shrinkage in the PMA paired with demand estimates within preferred thresholds.
- Discuss any impact (short/long term) the subject property will have on the overall rental market and comparable rental communities.
- The final conclusion of the report should reconcile any conflicting data in the report. For example, experience of comparable properties may indicate less/more demand than indicated in the demand section of the report.
- Include a clear, explicit, and bolded recommendation for whether the project should move forward as proposed, should move forward only with the analyst's specific suggested modifications, or should not proceed at all.

N. Other Requirements

- Date report was prepared, date of site visit and name and telephone number of the analyst preparing study.
- Certification of no identity of interest between the analyst and the entity for whom the report is prepared.
- Certification that recommendations and conclusions are based solely on professional opinion and best efforts.
- Statement of qualifications, including a resume.
- List of sources for data in the market study.

IV. Market Study Requirements: Reduced Scope Studies

If the proposal is for the preservation of a deeply subsidized project and meets the requirements below, the sponsor can submit a reduced scope study.

- Has rent subsidies that cover at least 95% of its units.
- Is at least 90% occupied.
- Features rent increases of less than 5% on any units without project-based rental assistance.
- Has (or will have in place by the estimated date that the renovation is concluded) a signed HAP contract with five or more years remaining after the renovation.

Please explain how the proposal qualifies based on the criteria below. If the requirements below are not met, then the sponsor of the proposal must submit a full market study.

The necessary components from the *III. Market Study Requirements* section of this document include:

A. Executive Summary (for information relevant to reduced-scope studies).
B. Project Description, including vacancy and turnover rates at the subject over the last three years.
C. Site Factors/Location (Sufficient analysis to identify significant issues that could impact marketability. No site visit required.)

D. Market Area Definition.
H. Competitive Environment
F. Analysis and Conclusions

Beyond the above circumstances, occasionally OMR may need to order a follow-up to an earlier market study that is more in-depth than an update letter but does not require a new full market study. OMR staff will work with our approved vendors to determine an appropriate scope of work and price for such studies; the sponsor will be responsible for the cost. These studies can only be ordered at OMR staff's discretion and can only follow a previously submitted full study.

V. Update Letters

The Authority will accept Market Study Update Letters for all project types. For an Update letter, the project must meet the conditions below and the market study must demonstrate how the proposal qualifies under the criteria. The qualification criteria include:

- The project that is described in the study has not undergone any major changes since the study was completed and submitted. Major changes include, but are not limited to:
  - Proposed rents higher than 90% of the estimated achievable market rents noted in the original market study and/or proposed rents that are not supported by the original market study. In these cases, a custom-scope update study may be necessary so that achievable rent analysis in included.
  - The addition of units at higher AMI levels than those contemplated in the original study – for example, adding 80%-AMI units when the original study included only 60%-AMI units.
  - The addition of market-rate units when the original study did not include them.
  - Removal of more than three amenities and/or removal of any one Standard Amenity from the proposal (see RENTAL MARKET INFORMATION, Section G for more information).
  - Changing the tenant targeting, i.e. a family-targeted proposal to senior (or vice versa), the addition or removal of PSH targeting, or significantly changing the availability of deep subsidies.
- Changes to the proposal that clearly aid in its reaching stabilized occupancy sooner (lower rents, fewer units, increased number of units with project-based subsidy, for example) usually qualify for an update.
- OMR approval is required prior to ordering an update letter for the following studies:
  - Studies dated more than 12 months prior to the application due date for the funding round in which the proposal will compete.
  - Studies that have previously been updated.
- The original study must have been completed by a firm that was on MSHDA's list of approved firms at the time the study was published. (See the "Approved Vendors for Market Studies" document at the MSHDA Market Research website.)

Studies must meet all the above criteria to be eligible to be updated. The update will take the form of a letter comparing the original proposal to the updated proposal and updating all information necessary to assess whether the more recent proposal is still feasible in the market. If the unit mix has changed, the update letter must include an update of the demand estimation, section K. Include a statement of whether any material changes have occurred in the market since the completion of the original study, and whether the recommendation given previously is still supportable.

Update letters must explicitly address any deficiencies noted by OMR staff. Any deficiencies will be provided to analysts either at the time the study is ordered for studies ordered through MSHDA or when approval is sought for studies older than 12 months or that have already been updated for studies ordered directly with an analyst from the approved list.

Any questions about update letters, including requests for approval for studies older than 12-months

old and previously updated studies, should be submitted to MSHDA-MarketStudies@michigan.gov.

VI. Resubmissions

Market studies that were submitted and reviewed for the immediately preceding 9% tax credit round can be resubmitted for the following 9% tax credit round as long as:

- With the exception noted below, the proposal's rents, amenities, site, and other elements that impact a property's market potential have not changed from the initial submission, and
- The market study is dated no more than ten months prior to the submission deadline.
- For example, a market study dated April 1, 2026 that was submitted for the April 2026 tax credit round can be re-submitted in the October 2026 tax credit round, if the proposal submitted in October 2026 is the same as the one submitted in April 2026. Please note that in no case may a market study be resubmitted for more than one round.

Please also note that market studies can sometimes be resubmitted even if the proposal has changed if any changes will clearly reduce the project's exposure to the market, such as by increasing the proportion of units providing project-based subsidies, reducing the number of market-rate units and/or units targeted to households earning 60% or above of AMI, adding amenities, or offering fewer units overall for the project. **Sponsors are encouraged to submit any questions about whether or not a study may be resubmitted to MSHDA-MarketStudies@michigan.gov.**

Attachment 1. Approved Market Analyst List

Note: Along with all other threshold requirements listed throughout this document, an analyst must have been on the approved list on the date the market study was ordered for a market study to meet threshold requirements. Analysts not on the approved list may not update market studies, but a market study produced by an analyst no longer on the approved list may be updated by any firm currently on the approved list, as long as the other requirements for an update are met and the original analyst was on the list at the time the study to be updated was ordered. OMR will ensure that an approved analyst authors all studies ordered through OMR, and will select which analyst will provide the market study for each order. While we appreciate why sponsors may want to share their preferences for specific analysts, analyst assignments are made independently by OMR to ensure consistency and objectivity across all projects.

For a list of the currently approved market study vendors, see the “Approved Vendors for Market Studies” document at the MSHDA Market Research website.

Attachment 2. Amenities, Services, and Finishes

Market studies must clearly indicate whether the proposed project will include or not include the amenities, services, and finishes listed below. Additionally, the market study should indicate which of these amenities, services, and finishes are present at any comparable properties used to estimate achievable market and/or LIHTC rents. (Please note that the rent grids used to estimate achievable market and LIHTC rents are not required to include all these amenities.) Analysts should make reasonable efforts to determine whether other surveyed projects include these amenities.

Appliances

- Self-Cleaning Oven/Range
- Frost-Free Refrigerator
- Dishwasher
- Microwave
- Garbage Disposal
- In-Unit Laundry Hookups
- In-Unit Washer/Dryer
- Air Conditioning (including type)

Flooring Types

- Differentiate between the following types:
    - Carpet
    - Ceramic Tile
    - LVT
    - Composite
    - Hardwood
    - Finished Concrete
    - Other (specify)
- List type for each area within the units:
    - Bedroom(s)
    - Kitchen
    - Bathroom(s)
    - Living Areas

Security Amenities

- Gated Entry
- Security Fence
- Security Cameras
- Intrusion Alarms
- Intercom
- Controlled Building Entry

Unit Amenities

- Mini-Blinds
- Individual Patio/Balcony
- Basement
- Walk-In Closet
- Assigned Exterior Storage
- Coat Closet
- Ceiling Fan(s)
- Fireplace

Community Outdoor Spaces

- Playground/Tot Lot
- Bike Racks/Storage
- Picnic Area/Grill(s)
- Rooftop Terrace/Community Balcony
- Courtyard
- Walking Trails
- Gazebo/Pavilion
- Community Garden
- Dog Park
- Fire Pit
- Sports Court/Field (specify type)
- Swimming Pool
- Notable Views (specify type)

Community Indoor Spaces/Amenities

- Business/Computer Center
- Café/Coffee Bar
- Clubhouse
- Community Room
- Exercise Room/Fitness Center
- Community Kitchen
- Laundry Room
- Media Room/Theater
- Convenience Shop
- Dog Wash Facility
- Elevator (including the number of elevators)

Parking

Include the number of spaces and any fees.

- Surface Lot
- Carport
- Detached Private Garage
- Attached Private Garage
- Attached Structure/Garage
- Electric Vehicle Charging Station(s) (specify type)

Services

- On-Site Management
- 24-Hour On-Site Management
- Organized Activities
- Healthcare
- Housekeeping
- Transportation (specify type)
- Meals

Senior Amenities

- Emergency Call System (specify type)
- Beauty/Barber Shop
- Activity Director
- Library

Upgraded Finishes

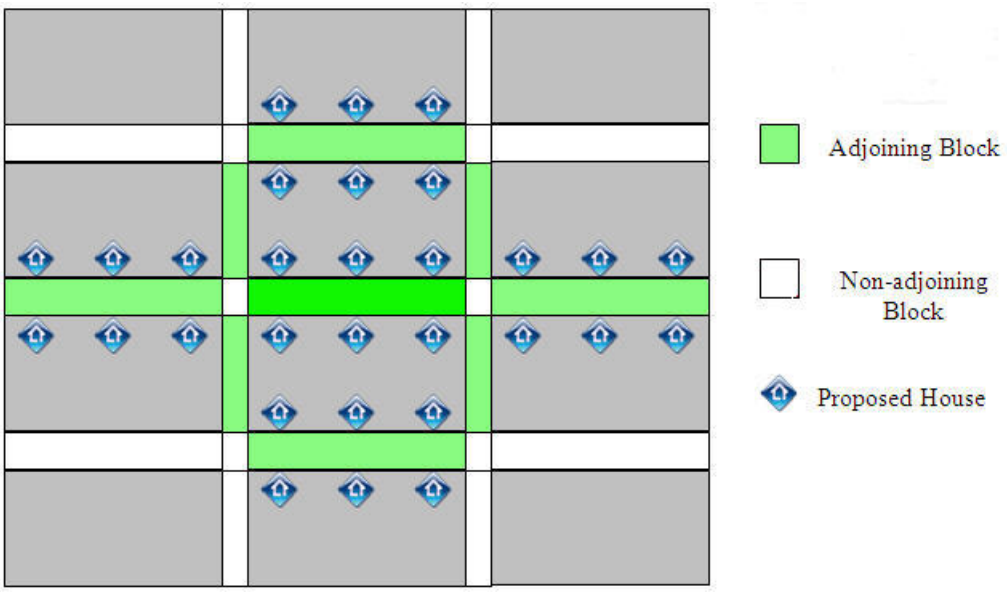
- Stainless Steel Appliances
- Premium Countertops (specify type)
- Premium Cabinetry (specify type)
- Premium Fixtures (specify type)
- High/vaulted Ceilings

Attachment 3. Scattered-Site Criteria.

For scattered-site single-family projects, the Authority has added site considerations that must be met in addition to those above. The market study should clearly state whether the subject meets these requirements. They are:

A. No less than 20% of total units must be located on a single block (defined as both sides of a street, i.e., the north and south sides of May Street between First and Second Avenues).

B. Blocks must be adjoining, as shown in the diagram below. Adjoining blocks are any blocks that have a proposed house located directly on them.



C. There cannot be more than four existing housing units between proposed units, all of which must be of good quality (good-quality units are either new, or display a minimum need for rehabilitation of major structural systems such as roofing, porches, or windows).

D. There cannot be any blighted structures (defined as one that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare) between any two proposed units regardless of the distance between them.

Attachment 4. Unduplicated Demand for Authority Market Studies

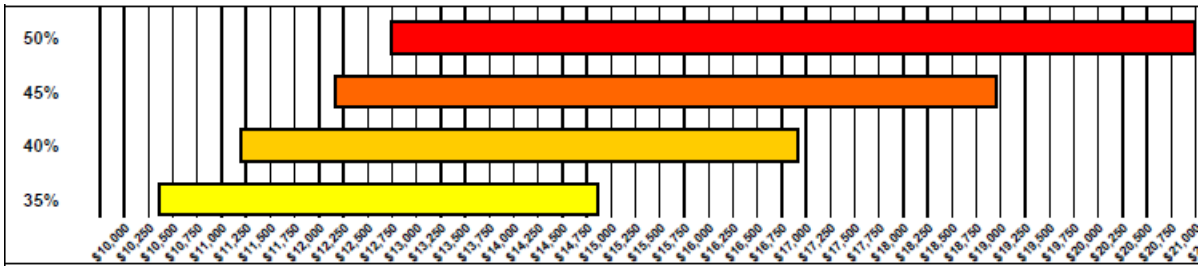
Unduplicated demand estimates segment the market for a project into separate AMI bands. This is a basic approach, done so that comparisons between competing proposals can be judged more completely, and that any double- (or triple-, or quadruple-) counting between AMI bands is removed from the analysis.

The steps used to do this are simple. First, the analyst determines the amount of overlap present between AMI levels (usually, this exists between the upper limit of one income band and the lower limit of the next-affluent band). Second, the analyst divides that overlap in half. Finally, the analyst allocates each half to the AMI bands in question. The graphics below will hopefully illustrate how this is done:

Take a hypothetical proposal, with the following income targeting, rents, and household income distribution:

% AMI	# Units	Contract Rent	Gross Rent	Lower Limit	Upper Limit
35%	10	$320	$344	$10,320	$14,770
40%	10	$350	$374	$11,220	$16,880
45%	10	$380	$404	$12,120	$18,990
50%	10	$420	$444	$13,320	$21,000

The overall income band for LIHTC units in this case stretches from $10,320 to $21,000. As you can see, the example displays a great deal of overlap; in fact, those households that earn between $13,320 and $14,770 qualify for all of the units at once. These income bands are graphically displayed below:



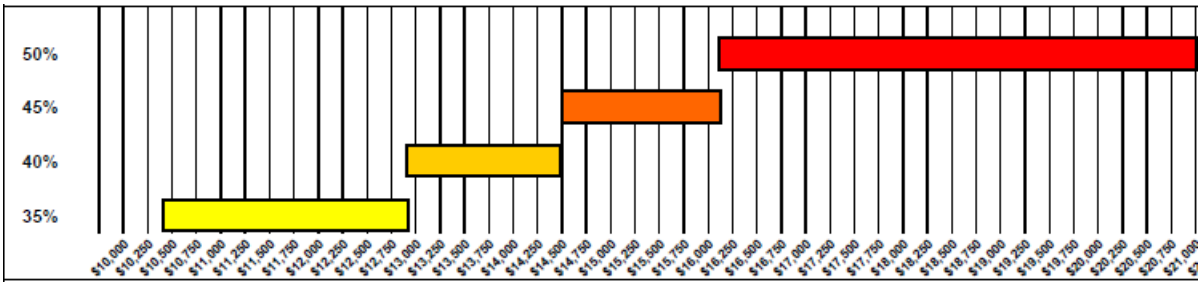
If demand by AMI band is computed and added together, the resulting figure will overestimate the total LIHTC demand by a large factor due to the large amount of overlap. To rid the analysis of this effect, the first step is to compute the amount of overlap between the bands—in effect, taking the upper limit of the lower income band, and subtracting from it the lower limit of the next-lowest band. This is shown below:

% AMI	Lower Limit	Upper Limit	35% and 40% Overlap	40% and 45% Overlap	45% and 50% Overlap
35%	$10,320	$14,770	$3,550		
40%	$11,220	$16,880		$4,760	
45%	$12,120	$18,990			$5,670
50%	$13,320	$21,000			

In this example, $14,770 - $11,220 = $3,550, and so on. The next step involves allocating 50% of this overlap to both income bands. The calculations are in the table below:

Lower Limit	Upper Limit	Split of Overlap	New Lower Limit	New Upper Limit
$10,320	$14,770	$1,775	$10,320	$12,995
$11,220	$16,880	$2,380	$12,996	$14,500
$12,120	$18,990	$2,835	$14,501	$16,155
$13,320	$21,000		$16,156	$21,000

So, the overlap between the 35% and 40% bands is $3,350. One half of that is $1,775. Taking that amount from the old 35% upper limit leaves $12,995. This is the new upper limit for the 35% units. The new lower limit for the 40% units is set at one dollar more than this, or $12,996. This is done for all of the overlaps in the example. A chart showing the new income limits is below:



Using these new limits will give you the following demand estimates, using the usual statewide movership rates for Michigan:

Income Distribution			*Qualifying Percentages of Each Income Band*					*Number of Qualifying Households in Each Band (Tenure and Movership Included)*				
Income Range	Renters	Owners	35%	40%	45%	50%	Total LIHTC	35%	40%	45%	50%	Total LIHTC
			$10,320 $12,995	*$12,996 $14,500*	*$14,501 $16,155*	*$16,156 $21,000*	*$10,320 $21,000*	*$10,320 $12,995*	*$12,996 $14,500*	*$14,501 $16,155*	*$16,156 $21,000*	*$10,320 $21,000*
$0 to $9,999	624	304	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
$10,000 to $14,999	651	469	53.5%	30.1%	10.0%	0.0%	93.6%	84	60	20	0	165
$15,000 to $19,999	457	596	0.0%	0.0%	23.1%	76.9%	100.0%	0	0	35	117	152
$20,000 to $24,999	268	544	0.0%	0.0%	0.0%	20.0%	20.0%	0	0	0	19	19
$25,000 to $29,999	150	653	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
$30,000 to $39,999	110	450	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
$40,000 to $49,999	64	704	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
$50,000 to $74,999	45	484	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
$75,000 +	30	332	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0

These estimates result in the following demand calculation:

AMI Band	35%	40%	45%	50%	Total LIHTC
Present Demand (Number of Qualifying Households in each band after applying Movership Rate)	84	60	55	136	336
Capture Rate	11.9%	16.5%	18.1%	7.3%	11.9%

Number of Qualifying Households in Each Band

We are assuming for the purposes of this analysis that household growth did not occur in this market, and the demand is made entirely of current households.

Speaking of assumptions, these numbers represent the unduplicated demand for the project based on a number of them, namely the accuracy of HUD's income limits, the current household count, the current household income distribution, movership differences between tenure types, and the homogeneity of households throughout the income bands themselves in terms of desired monthly rent payments.

Keeping these things in mind, here are a few guidelines concerning how to use these estimates to determine market depth for a project:

- First, the concept of excess demand is important, since it will likely exist in most studies. In our example, an excess demand of 74 units exists for 35% units, 50 at the 40% level, 45 at the 45% AMI level and 126 at 50% AMI. Obviously, this example shows a project that has plenty of theoretical market to cover its units. In other situations, individual income bands can show a capture rate closer to 100%. In these cases, some of the excess at the next-lower income band can carry over, since households can qualify at more than one income level. Carrying a lower band's excess demand through more than one adjacent band presents more risk.

- Second, it is possible to use these statistics to guide recommendations about income targeting. If demand indicators (capture, penetration and saturation rates) are strong in some levels, more room in the market might exist. If indicators are tight, then a reduction in units is probably warranted.

- The more conservative approach to assigning income limits in a demand analysis is to add more of the overlap to lower bands, rather than enlarging the top bands to lower their capture rates. The Authority's experience with lease-up has shown that in most projects it is the 60%- and 80%-AMI units that tend to stay on the market longer, so showing large amounts of theoretical demand for them can be misleading in terms of absorption and, as a result, financial underwriting.