APPENDIX A
Market Study Standards and Requirements

Section 42(m)(1)(A)(iii) of the IRS Code and Section IV(A)(2) of the 2026 Qualified Allocation Plan (QAP) require market studies for all low-income housing tax credit (tax credit) allocations. In addition to the requirements of those provisions, Applicants and market analysts (analysts) must follow the procedures and rules described in this Appendix.

I. Market Study Process

A. **Bid:** The Agency will accept bids from market analysts to perform third party market studies for the 2026 tax credit cycle between November 17, 2025 and December 1, 2025.

B. **Market Study Fee:** A fee for the market study will be paid by the Applicant with the submission of the preliminary tax credit application (preliminary application).

C. **Assigning Projects:** Upon submission of the preliminary applications, the Agency will contract with analysts. The Agency will make its assignments by February 6, 2026. The number of projects assigned will be based upon the following: stated capacity, experience with studies in the tax credit program, number of preliminary applications submitted, conflicts of interest and the Agency's evaluation of the analyst capacity based on prior studies submitted.

D. **PMA Designation:** Analysts must provide the Agency with a proposed Primary Market Area (PMA) for review as soon as possible but no later than February 20, 2026. Each site must include a map of the PMA **CLEARLY DEPICTING THE CENSUS TRACTS** on the map that make up the PMA. Analysts must use a conservative, market supported PMA delineation and conduct local interviews to determine cultural nuances, geographic factors or other relevant factors. Analysts must describe the methodology and reasoning used to define the PMA.

E. **Analysts Contact with Applicants:** Once the PMA designation is complete, analysts may contact Applicants to ensure they have all the information necessary to complete the market study. Analysts <u>**must not discuss PMA delineations**</u> with Applicants until the study is complete.

F. **Schedule**

After PMA designation - analysts may contact Applicants regarding general information

March 13	Deadline for analysts to upload studies to the application system
	Synopsis letters are required (emailed to the Agency only) for projects in the Metro region within the same PMA (DO NOT include project preference)
March 27 - 5:00 pm	Deadline for analysts and the Agency to receive any revisions from Applicants
April 10	Deadline for analysts to upload revised market study, if applicable

G. **Process for Revisions to Proposals:** The initial market study must be based solely on information contained in the preliminary application. The revised market study may only vary based on revisions from the Agency or Applicant. The following alterations will be permitted: reduction of project size, targeting and bedroom mix. The following alterations will not be permitted: change in location and/or project type (i.e. switching from a family proposal to senior), increase in the total number of units stated in the preliminary application. Only one request for revisions by the Applicant will be allowed.

II. Market Study Requirements

A completed market study must include the following information:

A. Executive Summary

1. A brief summary of the proposed project including the population to be served.
2. The overall occupancy/vacancy rates for all comparable properties in the PMA and the average occupancy/vacancy rate for tax credit projects among those comparable properties. See Section II(H).
3. A table outlining the capture rates determined in Section II(G)(5)(b).
4. Absorption rate and period for the proposed project to reach stabilized occupancy of 93%.
5. Conclusions about the strength/depth of the market for the project as proposed, including suggested changes.
6. Any recommendation(s) for altering the proposal to make it a better fit for the market place. Analysts must be very specific and clearly state their recommendation(s) (e.g. rent reduction, change in income targeting, etc.). Analysts should provide a table reflecting new capture and absorption rates based on the recommendation(s).
7. Any recommendation to reduce rents must be accompanied by a discussion as to how the recommended rents compare to comparable properties or tax credit communities surveyed.
8. Any requirement(s) for altering the proposal if analysts feel the project will not reach stabilized occupancy as proposed. Analysts must be very specific and clearly state the required change(s) (e.g. rent reduction, change in targeting, etc.) for the project to be feasible. Analysts should provide a table reflecting new capture and absorption rates based on the requirement(s).
9. Analysts should not recommend or require increasing rents or unit mix changes for the purpose of increasing cash flow.
10. A brief discussion of the long-term impact of the proposed project on existing or upcoming tax credit projects in the PMA.
11. Analysts must include contact information on the cover page of the report (e-mail, phone number, etc.)

B. Project Description

1. Project location
2. Construction type (new construction/rehab/adaptive reuse)
3. Occupancy type (family, senior)
4. Target income group (tax credit and market rate, if applicable)
5. Special population target (if applicable)
6. Proposed unit mix including bedrooms, bathrooms, square footage, rents, utility allowances Structure type (i.e. townhouse, garden apartment)
7. Provide a brief discussion of floor plan and site plan and how they may impact marketability
8. Existing or proposed project based rental assistance
9. Proposed project amenities (i.e. community building, playground, laundry)
10. Proposed unit amenities (i.e. washer/dryer hookups, dishwasher, etc.)
11. If project is a rehab, include current rental rates, occupancy levels, and proposed scope of

work including a dollar amount of investment, if included.

C. **Site Evaluation**

1. Analysts **must** physically visit each site and the PMA.
2. Describe physical features of the site and adjacent parcels. Negative attributes of the site must be described in relation to their possible impact on overall project feasibility. This discussion must reflect any negative curb appeal, any problematic surrounding land uses in relation to marketability, lack of transportation, poor amenities, etc., only include site related pictures from different vantage points not to include the surrounding amenities (e.g. grocery stores, etc.).
3. Include a map clearly identifying the location of the proposed project, identifying the closest shopping areas, schools (not applicable for senior projects), employment centers, medical facilities and other amenities that would be important to the targeted population. Indicate proximity in miles to the proposed project.
4. Include a map identifying existing subsidized low-income rental housing (tax credit, Rural Development, public housing, HUD 202, project-based Section 8) within the PMA. Also include projects "in the pipeline" that have received funding but are not yet complete. Indicate proximity in miles of these properties to the proposed project.

D. **Primary Market Area:** Include a map of the PMA, the description of method(s) used and other relevant information listed in Section I(D). Secondary market areas are not permitted for purposes of calculating demand.

E. **Market Area Employment Trends**

1. Employment by industry - numbers and percentages (i.e. manufacturing: 150,000 (20%)).
2. Major employers and anticipated expansions, contractions in their workforces, as well as newly planned employers and their impact on employment in the market area. This should reference any notifications from the Worker Adjustment and Retraining Notification Report (WARN).
3. Labor force and unemployment trends for county and/or smallest geographic area possible (e.g. PMA, City, etc.) over the past 10 years. Trend analysis should include numbers and percentages for each segment. A narrative analysis of data provided, including discussing the cause for the trend and the overall conclusions. Relate data to the impact on rental housing demand. This analysis should not only include annual averages but also the most recent monthly data to provide the most recent economic indicators.
4. Analysts should use recent data sources (less than one year old) at the county level (or smaller) where available. Non-traditional data sources are acceptable if identified as such and linked to housing demand.

F. **Community Demographic Data:** Population and household trends from 2010 and 2020 census including annualized changes. Estimates and projections for 2025 and 2028 must be based on a reputable source such as Nielsen, ESRI, census trends, NC State Demographic Unit or the State Data Center. Compare historical census trends to projected trends. Analysts should provide the reasoning for any disagreements with these projections, along with substitute projections. Both numbers and percentages must be shown for the data below, including annualized growth figures. Please include a narrative description of the data including significant changes and overall conclusions.

1. **Population Trends**
   a. Total Population
   b. Population by age group
   c. Senior and non-senior population (senior projects only)

2. **Household Trends**
    a. Total number of households, average household size and group quarters
    b. Household by tenure; that is, the number of owner and renter households; if appropriate, breakout by senior and non-senior
    c. Households by income and by tenure (senior proposals should reflect the income distribution of senior households only)
    d. Renter households by number of persons in the household

G. **Project-Specific Demand Analysis:** Analysts must use the 2025 rent and income limits unless the 2026 rent and income limits are released by the 9% preliminary application deadline. This requirement includes the initial study and any potential revisions. This information must be obtained from Novogradac's website (http://www.novoco.com/products/rentincome.php). Applications requesting RPP funds must use current Low HOME rents for 15% of the total units (spread proportionally through all bedroom types).

1. **Income Restrictions:** Market studies must evaluate the proposed project based on the occupancy restrictions indicated in the preliminary application. Analysts should be aware of specific income restrictions in the QAP, such as 25% of qualified units affordable to and occupied by those at 30% of area median income. New construction projects and rehabilitation projects, not subject to an existing Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits, are eligible to utilize income averaging. Applicants electing to use income averaging must comply with the following:

    a. The income average for the property cannot exceed 60% of area median income,

    b. The income average for any bedroom type cannot exceed 60% of area median income, and

    c. Market rate units are prohibited

    The study must include data for each income group targeted by the proposed project as described in the application. For example, if the proposed project targets households between 40% to 50% of the median income and households between 50% to 60% of the median income, demand projections using the methodology below must be provided **for each income group and bedroom size**. Additional data deemed by the analyst to provide further explanation should be referenced in an appendix. No project can have more than four (4) income bands consisting of: 20%, 30%, 40%, 50%, 60%, 70%, 80% of median income, and market rate.

2. **Affordability:** Analysts are required to assume no family households are able to pay more than 35% of gross income towards total housing expenses and that no senior households are able to pay more than 40% of gross income towards total housing expenses. The demand analysis must clearly indicate the minimum income and maximum income range for each targeted group.

    For the maximum household income calculation, analysts must use an average of 1.5 persons per bedroom except for efficiency units (1.0 person). For two bedroom units in senior projects, analysts must use a maximum household income based on two person households.

    Applications proposing federal project-based rental assistance may only include one demand calculation. The demand analysis must be without the rental assistance. Analysts are required to use the lesser of maximum allowable tax credit rents or the proposed project rents based on income targeting designated in the application.

    For proposed projects with market rate units, analysts must make some reasonable determination of a maximum income level beyond which a household would not likely be a participant in the rental market and clearly state the assumptions used in making this determination.

3. **Demand:** Demand must be derived from the following sources using data from a reputable source such as Nielsen, ESRI, NC State Demographic Unit or the State Data Center.

   a. **Demand from New Renter Households: Calculate demand from new income qualified renter households in the PMA.** This must be determined by using the current base year of 2025 projected to 2028**.**

      Households projected must be limited to the age and income cohort. The demand for each income group targeted (e.g. 50% of median income) must be shown separately.

      - Proposed projects targeting senior households age 55+ must pull data for age 55 and older. Proposed projects targeting senior households age 62+ or utilizing the RD/HUD senior designation must pull data for age 65 and older. (The latter corresponds to Census data breaks; interpolation to age 62 is not acceptable).
      - In instances where a significant number (more than 20%) of proposed units are comprised of three-or four-bedroom units, analysts must refine the demand analysis for those units by factoring in the number of large households (generally 4+ persons).

   b. **Demand from Existing Households:** This source of demand must be derived from the 2020 census or the most recent American Community Survey (ACS).

      - **Rent over-burdened households,** if any, within the age group, income cohorts and tenure (renters) targeted for the proposed project. In order to achieve consistency in methodology, analysts must assume that rent-overburdened analysis includes households paying greater than 35% (general occupancy) or 40% (senior) of their incomes toward gross rent.
      - **Households living in substandard housing** (units lacking complete plumbing or are overcrowded) must be adjusted for applicable age, income bands and tenure. Analysts must use a conservative, market supported estimate of demand from both households that are rent-overburdened or living in substandard housing.
      - **Income eligible senior homeowners likely to convert to renting** must not add more than 20% of total demand. For migration purposes in urban markets, analysts may add up to 2% of income eligible senior homeowners in demand calculations and up to 5% for rural markets. Data from the American Housing Survey and interviews with property managers of active projects regarding renters who have come from homeownership must be used to refine the analysis. Include a narrative of the steps taken in arriving at this demand figure. Analysts may not use household turnover rates other than for senior projects.

4. **Method**

   a**.** **Demand:** The two overall demand components added together (II(G)(3)(a) and II(G)(3)(b)) represent demand for the project.

   b**.** **Supply:** Comparable units (vacant or occupied) funded, under construction or placed in service in 2025 must be subtracted to calculate net demand. Vacancies in projects placed in service prior to 2025 which have not reached stabilized occupancy (i.e. at least 93% occupied) must also be considered as part of the supply. Do not subtract units in existing, stabilized tax credit properties unless the existing project is a tax credit rehab awarded or placed in service in 2025 or later.

   c**.** **Capture rate:** Calculated by dividing the number of units in the proposed project by net demand. Capture rate analysis must be completed for each targeted income group and bedroom size proposed. Analysts must include a narrative on what the capture rate means for the project proposal (e.g. given the market area, is this the average capture rate or is it one that should cause concern?).

5. **Example of Method**

a. **Demand and Net Demand**

	HH at 50% Median Income (min. income to max. income)	**HH at 60% of Median Income** (min. income to max. income)	**Overall Demand**
Demand from New Households (age and income appropriate)			
+			
Demand from Existing Households Rent-Overburdened			
+			
Demand from Existing Households Renters in Substandard Housing			
+			
Demand from Existing Households Senior Homeowner Turnover (if applicable)			
=			
Total Demand			
-			
Supply (As indicated in Section II(G)(4)(b))			
=			
Net Demand			

b. **Net Demand and Capture Rates**

Bedrooms	**Total Demand**	**Supply**	**Net Demand**	**Units Proposed**	**Capture Rate**
1 Bedroom at ___% AMI					
2 Bedroom at ___% AMI					
3 Bedroom at ___% AMI					
4 Bedroom at ___ % AMI					
Market Rate					
Overall					

6. **Absorption rate** is the estimated time needed to reach 93% occupancy. The absorption rate determination should take into consideration the overall estimate of new household growth, the available supply of competitive units, observed trends in absorption of comparable units and the availability of subsidies and rent specials. Must include the absorption period that starts as soon as the first units are released for occupancy. If a comparable project's absorption rate is unusually rapid, analysts must research and state the reason.

H. **Supply Analysis (Comparable Rental Projects)**

1. Analysts must determine which properties in the PMA are most comparable to the proposed project (Comps - defined as existing properties similar to the proposed in terms of rents, unit size and amenities in the PMA which can include both market rate and tax credit properties). Analysts must list potential comparable properties, particularly LIHTC projects, that were identified in the market but that the analyst was unable to survey. Senior projects cannot be included as Comps for family projects. Representative sample/survey of the PMA rental stock should be included in an appendix. Provide the overall vacancy rates for all Comps in the PMA. In the case of proposed rural projects where a sufficient number of Comps do not exist, include data on at least three (3) projects in adjacent markets with similar characteristics.

   Separate out tax credit properties among the Comps in the PMA and provide the overall vacancy rates for such properties. Do not include vacancy data for assisted properties (RHS, Section 8) if the proposed project is not receiving rental assistance.

   Analysts should provide an explanation of vacancy rates that he or she feels are not indicative of the market. For example, a Comp may have occupancy problems due to poor management. Conversely, analysts should discuss any concerns they have with vacancies in the market that may be reflective of a lack of demand.

   Analysts must contact all Comps and indicate the date, the person they made contact with and how contact was made. Indicate all Comps on a map of the PMA.

2. Specifically describe the proposed project's long-term impact on existing or awarded tax credit properties. For example, analysts may conclude that lower rents and/or better amenities will likely lead some tenants to relocate to the proposed project. Vague comments such as "may have a limited effect" do not meet this requirement.

3. The following information must be included for each Comp:
   a. Name, address and phone number of the comparable property
   b. Photograph
   c. Breakdown of unit sizes by bedroom count
   d. Square footage for each unit type
   e. Monthly rents and what utilities are included in the rent
   f. Concessions given, if any
   g. Year built
   h. Description of amenities
   i. Current vacancy rates by bedroom size
   j. Type of affordable housing program, if applicable (i.e. tax credit, Rural Development, etc.)
   k. Number of units receiving project based rental assistance
   l. If applicable, in rural areas lacking sufficient three or four bedroom rental comparable, provide data on three and four bedroom single-family rentals or provide information on rental trailer homes and single family homes in an attempt to identify where potential tenants are currently living.

   This information must be provided in a comparative framework with the proposed project. For example, in addition to providing a page of information along with a picture for each comparable, analysts must also provide comparative charts or tables that show such factors as the proposed project's rents, square footages, amenities, etc. as compared to the other projects. A narrative of how the proposed project's rents, amenities, and features compare (both positively and negatively) with the comparable supply and describe how this may impact the proposed project's marketability.

4. If the proposed project represents an additional phase of an existing project, include a tenant profile as well as additional information related to households on a waiting list of the existing phase.

5. Analysts must also provide a description of any competitive multi-family projects in the PMA (not just tax credit projects) currently under construction or scheduled to begin construction within the year. The following information must be included as available:
   a. Address/location
   b. Name of owner
   c. Number of units
   d. Unit configuration
   e. Rent structure
   f. Estimated date of market entry
   g. Target market (family or senior, tax credit or market-rate, etc.)
   h. Any other relevant market analysis information

I. **Interviews**

Analysts must interview property managers, town planning officials and others with information relating to the demand for the proposed project that include comments or feedback on the specific state of the local rental market. The results of these interviews should appear in an appendix or other appropriate section of the study.

J. **Signed Statement Requirements**

Each study must contain a signed statement which includes the following language:

I affirm the following:

- I have made a physical inspection of the site and market area and that information has been used in the study.
- I have followed the Agency's market study requirements.
- The information included is accurate and the study can be relied upon by the Agency to present a true assessment of the market.
- I understand any misrepresentation of this statement may result in the denial of further participation in the Agency's rental housing programs.
- I have no interest in the project or relationship with the Applicant, developer, ownership entity or application preparer.