

**NEED AND DEMAND ANALYSIS**  
**FOR THE BROOKGREEN COMMONS APARTMENTS**  
**IN**  
**LEXINGTON, SOUTH CAROLINA**

**Prepared for**  
**Brookgreen Commons, LP**  
**for submission to**  
**the South Carolina State Housing Finance and Development Authority**

May 2020

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## TABLE OF CONTENTS

INTRODUCTION .....	Page 1
PURPOSE.....	Page 1
ASSUMPTIONS AND CONDITIONS .....	Page 1
EXECUTIVE SUMMARY .....	Page 3
A. PROJECT DESCRIPTION .....	Page 5
B. SITE DESCRIPTION .....	Page 11
C. MARKET AREA .....	Page 18
D. MARKET AREA ECONOMY .....	Page 21
EMPLOYMENT BY INDUSTRY.....	Page 21
MAJOR EMPLOYERS.....	Page 22
LABOR FORCE AND EMPLOYMENT.....	Page 24
COMMUTING .....	Page 25
E. COMMUNITY DEMOGRAPHIC DATA .....	Page 27
POPULATION TRENDS AND PROJECTIONS.....	Page 27
AGE .....	Page 28
HOUSEHOLD TRENDS AND PROJECTIONS .....	Page 29
TENURE.....	Page 30
HOUSEHOLD SIZE.....	Page 31
HOUSEHOLD INCOME .....	Page 32
RENTER HOUSEHOLD INCOME .....	Page 33
RESIDENTIAL CONSTRUCTION SINCE 2000 .....	Page 34
F. PROJECT SPECIFIC DEMAND ANALYSIS .....	Page 35
INCOME RESTRICTIONS .....	Page 35
ABSORPTION RATES.....	Page 42
G. EXISTING RENTAL UNITS.....	Page 43
H. INTERVIEWS.....	Page 61
I. RECOMMENDATIONS.....	Page 62
J. SIGNED STATEMENT.....	Page 63
ANALYST QUALIFICATIONS .....	Page 64
MARKET STUDY TERMINOLOGY .....	Page 65

## LIST OF TABLES

Table 1 - Statistics on Race, Tract 210.22 . . . . .	Page 20
Table 2 - Employment by Industry, Market Area . . . . .	Page 21
Table 3 - Major Employers . . . . .	Page 22
Table 4 - Lexington County Labor Force and Employment . . . . .	Page 24
Table 5 - Commuting Data . . . . .	Page 25
Table 6 - Commuting Patterns . . . . .	Page 26
Table 7 - Population . . . . .	Page 27
Table 8 - Age Distribution . . . . .	Page 28
Table 9 - Household Trends . . . . .	Page 29
Table 10 - Tenure . . . . .	Page 30
Table 11 - Household Size, by Tenure . . . . .	Page 31
Table 12 - Household Income . . . . .	Page 32
Table 13 - Household Income, Renter Households. . . . .	Page 33
Table 14 - Residential Construction Since 2000. . . . .	Page 34
Table 15 - Income Limits . . . . .	Page 35
Table 16 - Rents and Income Targeting . . . . .	Page 36
Table 17 - Qualifying Income Ranges. . . . .	Page 37
Table 18 - Renter Household Income and Rent-overburdening . . . . .	Page 38
Table 19 - Demand Calculations . . . . .	Page 40
Table 20 - Capture Rates. . . . .	Page 41
Table 21- Market Rate Properties . . . . .	Page 47

## INTRODUCTION

### PURPOSE

The purpose of this report is to present the findings of an analysis of the need and demand for the Brookgreen Commons Apartments in Lexington, South Carolina. A total of 88 units are to be developed: 44 two-bedroom units, and 44 three-bedroom units. The apartments will rent to households whose incomes qualify their apartments for tax credit status.

### ASSUMPTIONS AND CONDITIONS

The findings of this study are predicated upon the assumption that the proposed development, as presented to us, will be located at the site described in the report, that it will be funded through the program under which it was prepared, and within the stated projection period.

Further, the findings are based on the assumption that once funded, the complex will be well-designed, well-marketed, and professionally managed.

The data and analysis in this study are based on information relating to conditions in the town, market area, county, and state in which the project is to be located, and has been obtained from the most pertinent and current available sources. Likewise, every effort has been made to ensure its accuracy and reliability. However, we can assume no responsibility for inaccuracies in reporting by any local, regional, state, or federal agency cited, nor for any information withheld or erroneously reported by the sources cited during the normal course of our professional research. Consequently, we reserve the right to alter our findings and conclusions, if necessary, on the basis of any discovered material inaccuracies.

It is important to stress that coverage from the 2010 Census does not equate with the coverage provided in previous decennial Censuses. Thus, other sources - notably the Census Bureau's American Community Survey - is necessarily to be relied upon. The latter is based on a relatively small sample (compared with earlier sample-based Census reports) and therefore is subject to large statistical margins of error. Thus, use of these data is subject to the *caveat* that those data may not be as rigorous or as reliable as Census data prior to 2010. In this regard, if the data suggest outcomes at variance with our observations from other sources, these will be highlighted in our findings.

The site of the proposed apartments was visited (on May 8, 2020). In addition, interviews are held with persons with particular knowledge pertinent to the study.

The report is designed to satisfy the underwriting criteria of the reviewing agency for which it was performed, and the conclusions, based on the results of our research, experience, and expertise reflect the predicted ability of the project, as presented to us, to meet or exceed that reviewing agency's guidelines. Thus, a positive conclusion does not necessarily imply that the project would be found to be feasible or successful under different underwriting standards, and this study does not necessarily incorporate generally accepted professional market study standards and elements pre-empted by the guidelines set out by the reviewing agency.

It is stated that we have no responsibility for opinions requiring expertise in other fields of expertise - these would include, for example, legal, environmental, architectural, and engineering matters.

To the best of our knowledge, this report is an accurate representation of market conditions. While due care and professional housing market study techniques were used, no guarantee is made of the findings.

It is stated that we do not have, nor will have in the future, any material interest in the proposed development, and that there is no identity of interest between us and the party for whom the project was prepared. Further, we state that the payment of the fee is not contingent upon a favorable conclusion, nor approval of the project by any agency before or after the fact. The payment of the fee does not include payment for testimony nor further consultation.

**Submitted, and attested to, by:**

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Date:: May 14, 2020

*This report was prepared between February and May, 2020, from the commencement of the implementation of guidelines and regulations pertaining to the spread and control of the novel COVID-19 virus. Consequently, the report does not address the impact of the pandemic on the housing market - either in general or on the proposed development in particular. Over this period it has become apparent that the economy will suffer severely negative impacts on employment, household incomes and apartment rental incomes, and occupancy levels. These impacts - either in scale or duration - cannot be determined, especially given that economic data are necessarily lagging indicators. Given the development time line for LIHTC applications, it is reasonably assumed that were the proposed development to be introduced within a typical time-frame, then the rental environment will be different from that described in this report. It should be noted, however, that the economic circumstances in the intervening period will likely increase the need for affordable housing of the type proposed, all things considered.*

## EXECUTIVE SUMMARY

The following provides a brief summary of each of the major sections in the market analysis.

The proposed development will comprise the development of 88 units of low income tax credit financed housing. The apartments will rent to households whose incomes qualify their apartments for tax credit status, with units to be targeted to households at 30 percent, 50 percent, and 60 percent of the local area median income.

The Brookgreen Commons Apartments are to be located on the south side of US highway 378, opposite its intersection with Caroline Springs Road, between Wise Ferry Road and Charter Oak Road, to the west of Lexington in central Lexington County.

The market area for the proposed apartments is central Lexington County, as defined by several census tracts.

Labor force and employment figures for Lexington County have shown significant increases over the last decade or so, with employment falling between 2009 and 2010. Since then, labor force and employment have increased - resulting in unemployment rates falling from a high of 8.2 percent in 2010, to only 2.9 percent in 2018. It should be noted that national data suggest that employment gains over the last decade or so have been effectively wiped-out with the onset of the economic disruption caused by the coronavirus pandemic.

The population of the Lexington market area is projected to increase from 47,533 in 2010, to 67,735 in 2020, to 75,118 in 2023. The number of households is projected to increase from 18,021 in 2010 to 26,115 in 2020, to 29,088 in 2023. There were 4,084 renter households in the market area in 2010: which is projected to increase to 8,151 by 2020, and to 9,994 by 2023.

There are several apartment complexes located throughout Lexington market area, as defined. These include both market rate and subsidized properties; there are, however, no directly comparable tax credit projects for families in the market area for the proposed development.

The occupancy at the market rate complexes reveals a 96.7 percent occupancy level. The occupancy rate for the survey sample as whole is determined to be 97.0 percent.

The total potential need for tax credit units such as is proposed in the Lexington area by 2023 is calculated to be for 1,840 units. The corresponding figure for two- and three-bedroom units is seen to be for 1,152 units. Given the calculated need, the proposed 88-unit development amounts to 4.8 percent of the total net need, and equates to 7.7 percent of the net need for two- and three--bedroom units. The capture rate for the five units targeted at 30 percent of the median is 0.6 percent, that for the 30 units targeted at 50 percent of the median is 5.8 percent, with that for the 53 units targeted at 60 percent of the median determined to be 10.5 percent. The corresponding rates for two- and three-bedroom units only are 0.9 percent, 9.2 percent, and 16.8 percent, respectively.

Based on the above, the project could expect to lease-up over a period of up to three- or four months, or so.

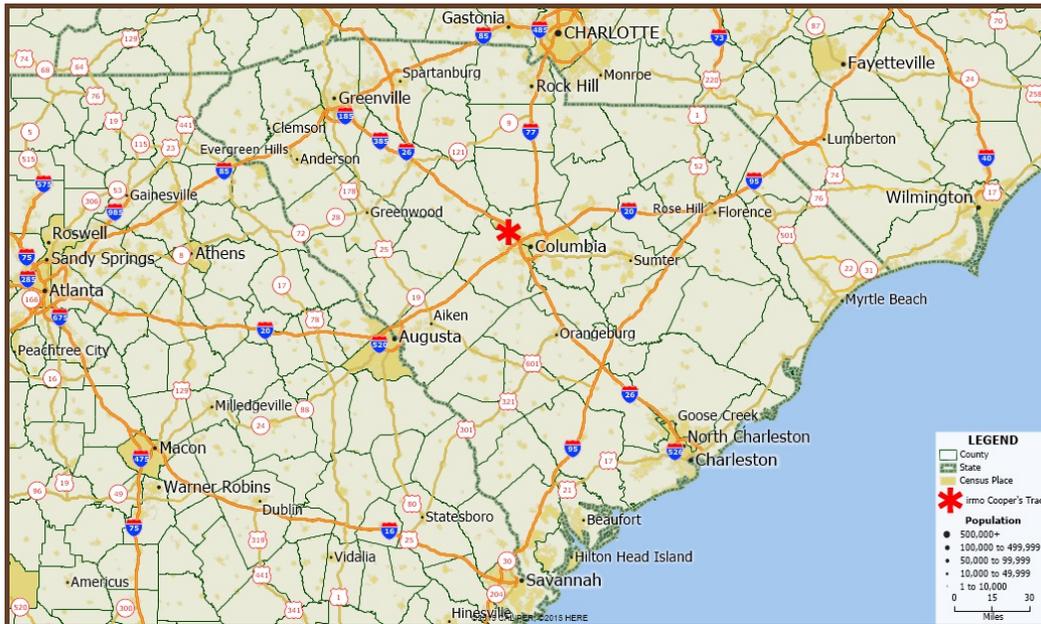
## Report for the Brookgreen Commons Apartments in Lexington, South Carolina

2020 EXHIBIT S - 2 SC SHFDA PRIMARY MARKET AREA ANALYSIS SUMMARY:										
Development Name		<b>BROOKGREEN COMMONS</b>						Total units:		88
Location		US 378, Lexington						LIHTC units:		88
PMA Boundary		Central Lexington County								
Development Type		Family	✓	Older	Farthest Boundary Distance to subject:					8 miles
Rental Housing Stock (found on pages 43-60)										
Type	Properties	Total Units	Vacant Units	Average Occupancy						
All Rental Housing	11	1782	54	97.0%						
Market Rate Housing	7	1608	51	96.8%						
Assisted/Subsidized Housing, not to include LIHTC	4	222	3	98.6%						
LIHTC (all that are stabilized)*	0	0	n/a	n/a						
Subsidized comps**									n/a	
Non-stabilized comps									n/a	
* Stabilized occupancy of at least 93% (excludes projects still in lease-up)										
** comps are those comparable to the subject and those that compete at nearly the same rent levels and tenant profile, such as age, family and income										
Subject Development					HUD Area FMR			Highest Unadjusted comp rent		
Units	Bedrooms	Baths	Size (sf)	Proposed Rent	per unit	per sf	Advantage	per unit	per sf	
2	2	1	1,018	\$290	\$931	\$0.91	68.85	\$1,170	\$0.95	
15	2	1	1,018	\$600	\$931	\$0.91	35.55	\$1,170	\$0.95	
27	2	1	1,018	\$755	\$931	\$0.91	18.90	\$1,170	\$0.95	
3	3	2	1,229	\$310	\$1,204	\$0.98	74.25	\$1,445	\$1.01	
15	3	2	1,229	\$665	\$1,204	\$0.98	44.77	\$1,445	\$1.01	
26	3	2	1,229	\$845	\$1,204	\$0.98	29.82	\$1,445	\$1.01	
Gross Potential Rent Monthly*				\$62,840	\$93,940		33.11			
* market advantage is calculated using the following formula: gross adjusted market rent (minus) gross proposed rent (divided by) gross adjusted market rent The calculation should be expressed as a percentage rounded to two decimal places. The rent calculation Excel worksheet must be provided with the Exhibit S-2 form										
Demographic Data (found on pages 30,38)										
					2010		2020		2023	
Renter Households					4,084	22.7	8,151	31.2	9,994	34.4
Income-Qualified Renter Households (LIHTC)					n/a	n/a	1,983	24.3	2,431	24.3
Income qualified Renter HHs (MR) if applicable										
Targeted Income-Qualified Renter Household Demand (found on page 40)										
Type of demand					30%	50%	60%	Market Rate	other	Overall
Renter Household Growth					172	129	158			448
Existing Households (over burdened+substandard)					684	392	346			1,393
Homeowner conversion (senior)										
Other										
Less comparable/competitive supply					0	0	0			0
Net income-qualified renter hholds					856	521	504			1,840
Capture Rates (found on page 41)										
Targeted population					30%	50%	60%	Market Rate	other	Overall
Capture rate					0.6%	5.8%	10.5%			4.8%
Absorption Rate (found on page 42)										
Three-to-four months										

## A. PROJECT DESCRIPTION

### Project Location

The Brookgreen Commons Apartments are to be located on the south side of US highway 378, opposite its intersection with Caroline Springs Road, between Wise Ferry Road and Charter Oak Road, to the west of Lexington in central Lexington County.



Construction type: New construction

The property comprises four two- or three-story residential buildings, with an office/community building.

Occupancy type :Family

Target income group: 30 percent, 50 percent, and 60 percent of the local area median income

Special population target: not applicable

Proposed unit mix, etc.

	<u>Units</u>	<u>sq. ft</u>	<u>Rent</u>	<u>Targeting*</u>
2 bedroom/1 bath	1	1,018	\$290	less than 30 percent
2 bedroom/1 bath	1	1,018	\$290	less than 30 percent **
2 bedroom/1 bath	1	1,018	\$600	less than 50 percent **
2 bedroom/1 bath	14	1,018	\$600	less than 50 percent
2 bedroom/1 bath	27	1,018	\$755	less than 60 percent
3 bedroom/2 bath	3	1,229	\$310	less than 30 percent
3 bedroom/2 bath	1	1,229	\$665	less than 50 percent **
3 bedroom/2 bath	14	1,229	\$665	less than 50 percent
3 bedroom/2 bath	26	1,229	\$845	less than 60 percent

\* percent of area median income

\*\* HOME units

Rental Assistance: none

With respect to utilities, the units will be all-electric. Each tenant will be responsible for water, sewer, heating, cooling and other electricity. The owner will responsible for trash collection. The utility allowance is \$174 for a two-bedroom unit and \$227 for a three-bedroom unit.

Project amenities include a site office, laundry, and community space - which includes a kitchenette and a computer room. There will be a picnic area and playground on the property.

Unit amenities include a fully equipped kitchen, washer and dryer connections, and ceiling fans and mini-blinds. The units will be centrally-heated and air conditioned, with carpet and vinyl flooring.

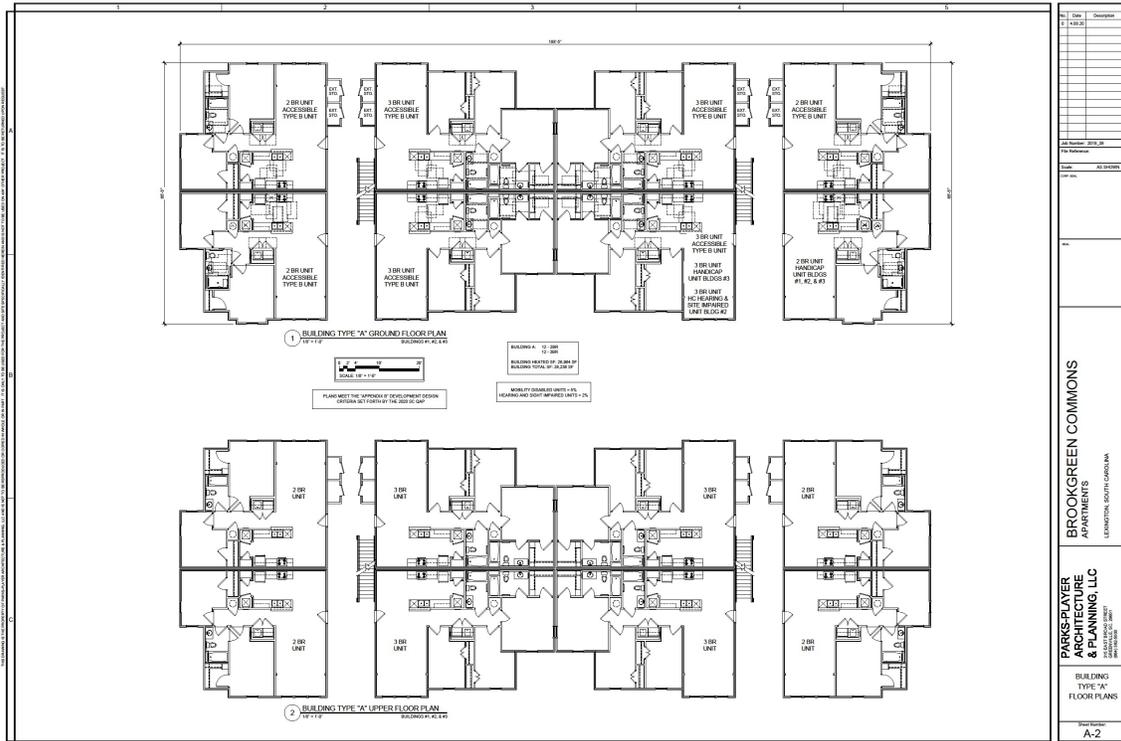
Representative architectural drawings/plans are set out on the following page.

Rehabilitation information: n/a





Floor plan



Elevations



B. SITE DESCRIPTION

The Brookgreen Commons Apartments are to be located on the south side of US highway 378, opposite its intersection with Caroline Springs Road, between Wise Ferry Road and Charter Oak Road, to the west of Lexington in central Lexington County. Adjacent properties include single family homes (typically in relatively low density neighborhoods, such as Caroline Springs), and undeveloped land. Other properties in the vicinity of the site include the Lake Murray Elementary School.



There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location.



View on property



View on property



View on property



View on site (towards US 378)



View across US 378, to site



View east on US 378, at site



View west on US 378, at site



View across US 378, from site

Access from the site to major thoroughfares, shopping, schools, and other local services is good.

The following distances from the site to various local services and amenities.

<u>Category</u>	<u>Neighborhood/Community Amenity</u>	<u>Distance (miles)</u>
Highways	US 378	<0.1
	US 1 (Augusta Highway)	1.2
	Interstate 20	4.9
Retail - Grocery	Bi Lo	0.9
	Publix	0.9
	Lowe's Foods	1.6
Retail - Other	Dollar General	1.8
	Wal Mart	4.4
Pharmacies *	CVS	1.7
	Riley's Drugs	2.3
Schools	Lake Murray Elementary School	0.6
	Beechwood Middle School	2.4
	Lexington High School	1.9
Government	Town of Lexington	3.6
Post Office	Lexington	2.6
Library	Lexington County	4.6
Hospital	Lexington Medical Center	11.5

\* excluding those in grocery stores, etc.

The site is located on US 378, a significant east-west route serving the area, and is within one and one-fourth miles of the Augusta Highway (US 1). The site is within five miles of Interstate 20 and within 12 miles of Interstate 26.

A Bi Lo grocery store and a Publix Supermarket are located at the intersection of US 378 and Charter Oak Road, just less than one mile from the site. A Lowe's Food store is at the intersection of Charter Oak Road and the Augusta Highway, one and two-thirds of a mile from the site. The site is within two-and one half miles of both a CVS drugstore and Riley's Drugs. A Wal Mart Supercenter is approximately four and one-half miles from the site of the proposed apartments.

The site of the proposed apartments is well-located with respect to local schools. The Lake Murray Elementary School is approximately one-half mile from the site, and the Beechwood Middle School is within two and one-half miles. The Lexington High School is less than two miles from the site.

The Lexington Medical Center and associated medical services are within 12 miles of the site .

The site is within of three miles, or so, of the government, shopping, and other services located in downtown Lexington.

It is understood that there are no significant road or other infrastructure projects under way or planned for this area.

Based on our observations during our site visit, there is no reason to expect that the risk of crime in this neighborhood would be greater or less than that for other parts of the market area. It is not expected that crime or the perception of crime in the area, would impact the project's marketability - nonetheless, as is prudent, security should be considered in the design and marketing of the project.

There are no apparent physical, environmental, or other constraints upon the construction and ongoing marketing of the proposed project at this location.



### C. MARKET AREA

Market areas are defined on the basis of the consideration of many inter-related factors. These include consideration of the site location, consideration of socio-demographic characteristics of the area (tenure, income, rent-levels, etc.), local commuting patterns, physical (or other) boundaries, census geographies, and especially the location of comparable and/or potentially competing communities.

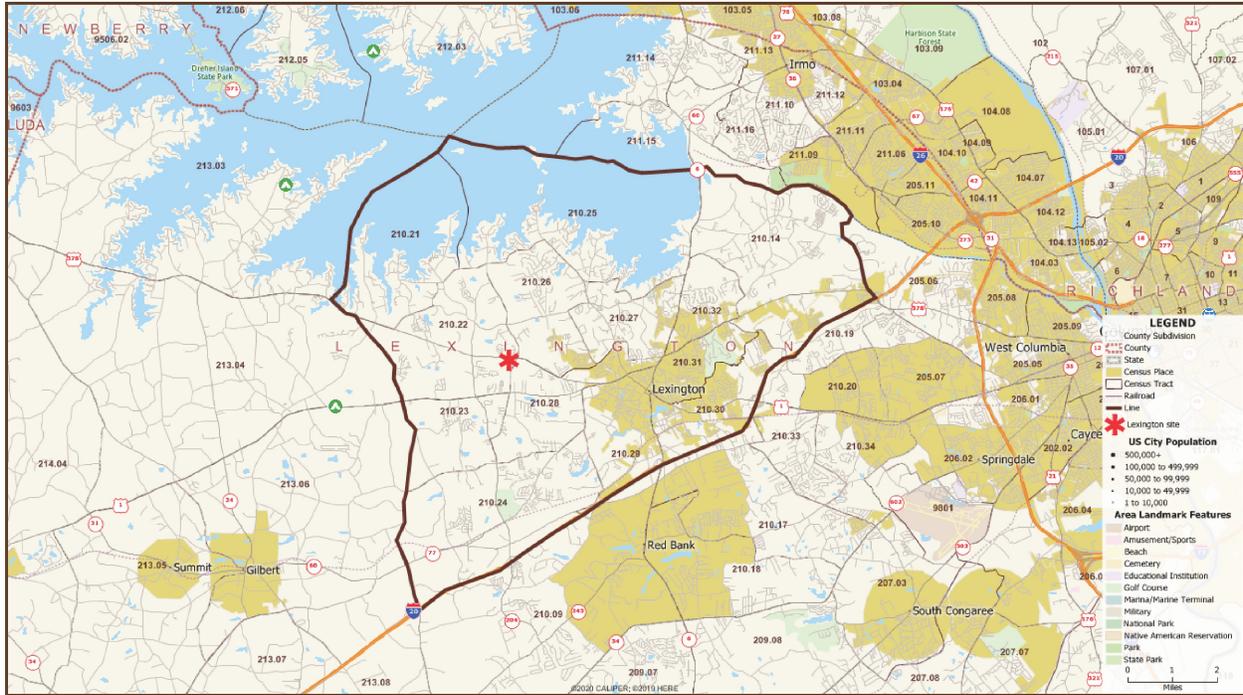
In communities such as county seats where that community is the county's largest community and is centrally located and can draw from the entire county, the county may be the market area. In circumstances where there are potentially competing communities in one county, the market area will be that part of the county (and, potentially, portions of adjacent counties) which the proposed development is most likely to draw from. Here, a combination of census tracts may be used to define the market area. In urban or suburban markets, the market area will be areas adjacent to the site and will extend to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project. Here combinations of census tracts, may be used to define the market area.

Lexington is located in central Lexington County in central South Carolina. The market area for the proposed development is central Lexington County, as defined by several census tracts. This area is centered on the site of the proposed development and extends up to an approximately three- to four-mile hinterland, except to the east where it extends to up to approximately eight miles.

The market area is irregularly shaped, with Lake Murray and the Saluda River forming the northern boundary. Corley Mill Road forms the eastern boundary. The southern boundary is Interstate 20, with Calks Ferry Road as the western boundary of the area.

The area constitutes the geographic area immediately adjacent to the site and extends to all locations of relatively similar character, and with residents, or potential residents, likely to be interested in the project.

Market area map



The site is located in census tract 210.22. Market study guidelines require provision of the most recent (decennial Census) statistics on race available for the census tract in which the project is located. This information is set out in Table 1, below.

Table 1 - Statistics on Race, Tract 210.22

		<u>number</u>	<u>percent</u>
	Total	3,714	100.0
Race	One race	3,671	98.8
	White	3,297	88.8
	Black or African American	234	6.3
	American Indian and Alaska Native	11	0.3
	Asian	67	1.8
	Native Hawaiian/other Pacific	0	0.0
	Some other race	62	1.7
	Two or more races	43	1.2
	Two races, with some other race	6	0.2
	Two races without some other race	37	1.0
	Three races, with some other race	0	0.0
	Three races without some other race	0	0.0
	Hispanic or Latino		
	Total population	3,714	100.0
	Hispanic or Latino (any race)	144	3.9
	Mexican	62	1.7
	Puerto Rican	27	0.7
	Cuban	11	0.3
	Other Hispanic or Latino	44	1.2
	Not Hispanic or Latino	3,570	96.1
	Race and Hispanic or Latino		
	Total population	3,714	100.0
	One race	3,671	98.8
	Hispanic or Latino	138	3.7
	Not Hispanic or Latino	3,533	95.1
	Two or more races	43	1.2
	Hispanic or Latino	6	0.2
	Not Hispanic or Latino	37	1.0

Source: 2010 Census; T Ronald Brown: Research & Analysis

D. MARKET AREA ECONOMY

EMPLOYMENT BY INDUSTRY

This distribution of employment, by industry, for the Lexington market area is set out in Table 2, below. This information is from the 2014 to 2018 American Community Survey (and as such is subject to the limitations of those data). Based on those data, the largest source of employment is health care which accounts for 13.7 percent of the total. Education is also an important sub-sector (11.7 percent).

Table 2 - Employment by Industry, Market Area

	<u>number</u>	<u>percent</u>
Agriculture, etc	67	0.2
Construction	1,870	7.0
Manufacturing	2,275	8.5
Wholesale Trade	931	3.5
Retail Trade	2,510	9.3
Transp, Warehousing	1,165	4.3
Utilities	266	1.0
Information	416	1.5
Finance, Insurance, Real Estate	2,353	8.8
Professional, scientific, management	2,603	9.7
Educational Services	3,143	11.7
Health care	3,686	13.7
Arts, entertainment, recreation	417	1.6
Accommodation and food services	1,707	6.4
Other services	1,604	6.0
Public Administration	1,854	6.9

Source: 2014 to 2018 American Community Survey; T Ronald Brown: Research & Analysis

MAJOR EMPLOYERS

The major employers in Lexington County are listed in Table 3, below. From this table it is seen that the largest employer in the area is the Lexington Medical Center. Other significant employers include Amazon.com, SC Electric and Gas, and Michelin, in addition to the local school systems, and City and County Governments.

Table 3 - Major Employers

<u>Employer Name</u>	<u>Employees</u>
Lexington Medical Ctr	1,000 to 4,999
Women's Imaging Mammography	1,000 to 4,999
Amazon.com Inc	1,000 to 4,999
Michelin North America Inc	1,000 to 4,999
Nephron Pharmaceuticals	1,000 to 4,999
General Information Svc Inc	500 to 999
Midlands Technical College	500 to 999
Walmart Supercenter	500 to 999
Lexington County Admin Bldg	500 to 999
Walmart Supercenter	500 to 999
Lexington Medical Ctr Extended	500 to 999
Walmart Supercenter	250 to 499
Harsco Rail	250 to 499
Apex Tool Group	250 to 499
Southeastern Freight Lines Inc	250 to 499
CMC Steel	250 to 499
House of Raeford Farms Inc	250 to 499
Lexington Cnty Sheriff's Dept	250 to 499
Prismian Cable & Systems USA	250 to 499
Heritage At Lowman	250 to 499
Walmart Supercenter	250 to 499
Flextronics International	250 to 499
Jerman Personnel Svc Inc	250 to 499
Southeastern Freight Lines	250 to 499
Revenue Department	250 to 499
Ansaldo STS USA	250 to 499
Nucor Building Systems	250 to 499
United Sporting Co	250 to 499
White Knoll High	250 to 499
Hardy Corp	250 to 499

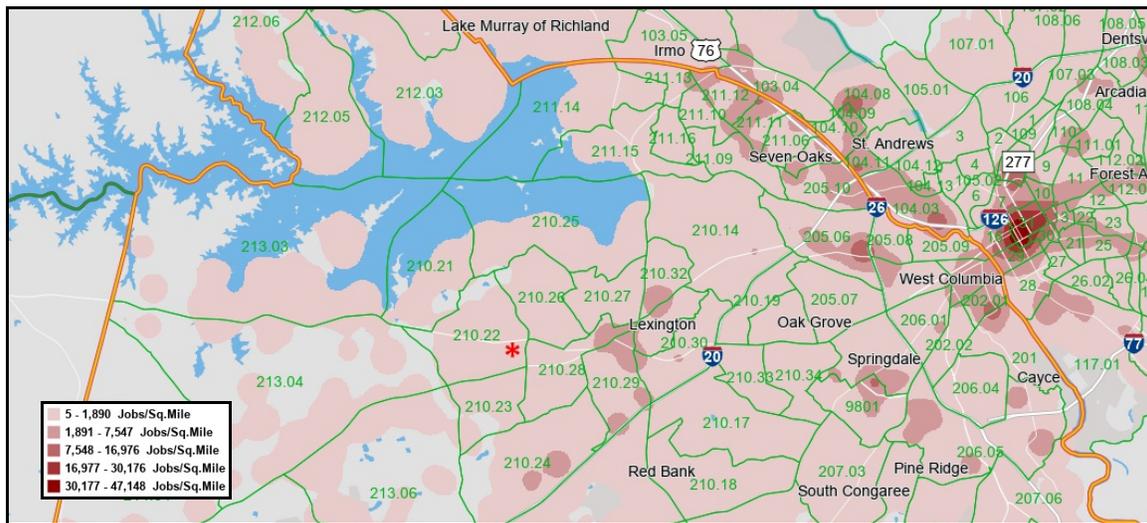
Source: SC Works

Some information is available from the South Carolina Department of Commerce as to new and expanding industries in Lexington County. For example, over the last few years it is reported Nucor were planing to add 60 new jobs, Tidewater Boats were to add 100 new jobs, and Nephron Pharmaceuticals were to add 125 jobs.

With respect to job losses, the SC WARN system reports no job losses from layoffs or closures in Lexington County for 2020 (as of April 1), or for 2019.

It should be noted that significant layoffs and/or closings can be expected in this area from April 2020 as a consequence of the impact of the coronavirus pandemic. These losses may be temporary or permanent.

Based on information from the Census, the location of the site relative to the distribution of employment in the wider Lexington County area is illustrated in the map, below.



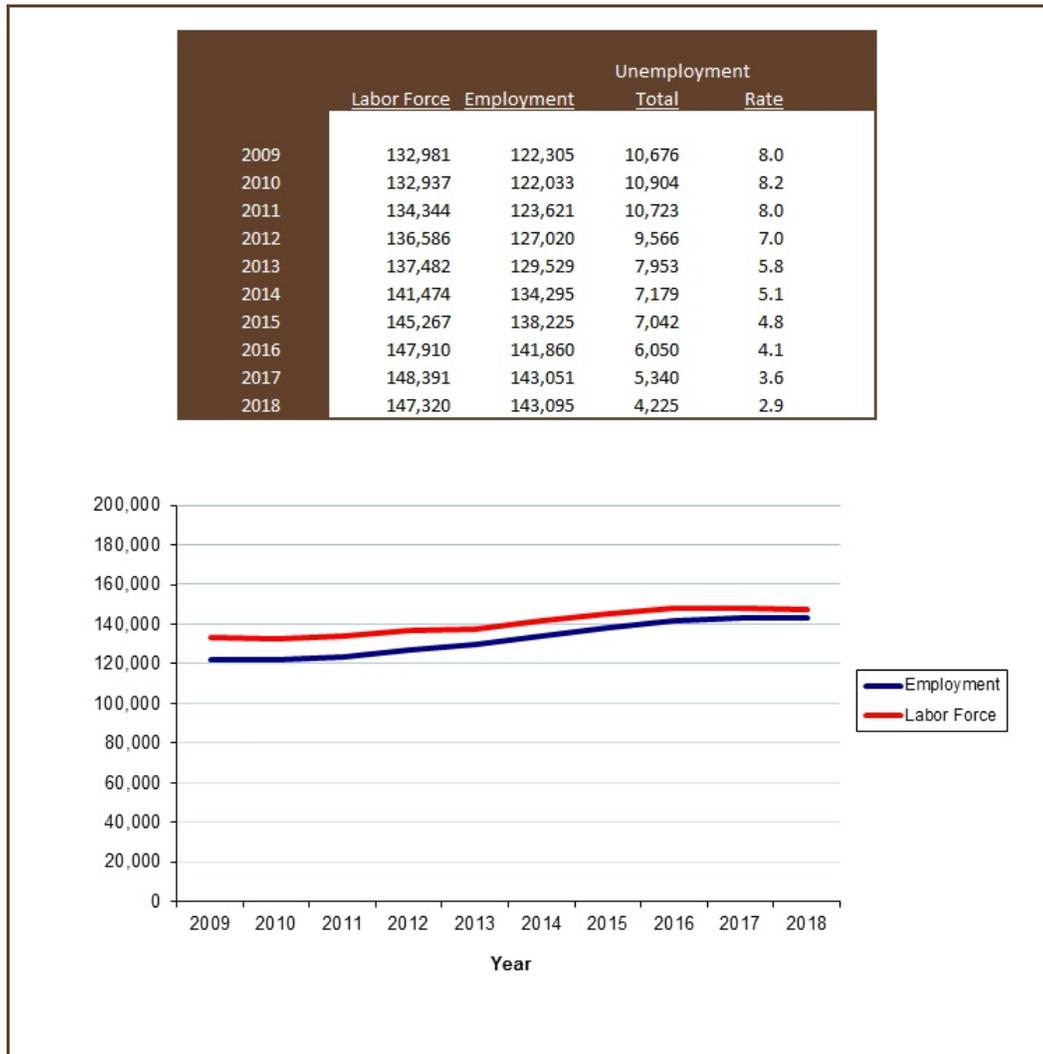
LABOR FORCE AND EMPLOYMENT

The makeup and trends of the labor force and employment have a strong influence on the growth and stability of the local housing market in general. In 2018, the most recent year for which annualized data are available, the Lexington County labor force comprised an estimated 147,320 persons. Of this total, 143,095 were employed and 4,225 or 2.9 percent were unemployed.

Labor force and employment figures show significant increases over the last decade or so, with employment falling between 2009 and 2010. Since then, labor force and employment have increased - resulting in unemployment rates falling from a high of 8.2 percent in 2010, to only 2.9 percent in 2018. It should be noted that national data suggest that employment gains over the last decade or so have been effectively wiped-out with the onset of the economic disruption caused by the coronavirus pandemic.

Between 2009 and 2018, the labor force showed a net increase of 14,399, or 1,593, annually, on average. Employment grew by an average of 2,310 jobs annually.

Table 4 - Lexington County Labor Force and Employment



Source: US Department of Labor

COMMUTING

Based on data from the American Community Survey, 23.5 percent of workers resident in Lexington were employed in Lexington, with 58.8 percent employed in Lexington County as a whole. The average driving time to work for residents of Lexington was 25.2 minutes.

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Table 5 - Commuting Data

---

	<u>number</u>	<u>percent</u>
Total Workers	9,648	100.0
Worked in Place of residence	2,267	23.5
Worked in County of residence	5,673	58.8
Worked outside Place of residence	7,381	76.5
Worked outside County of residence	3,975	41.2
Mean travel time to work (minutes)	25.2	

Source: 2014 to 2018 American Community Survey; T Ronald Brown: Research & Analysis

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The most recent Census data for commuting patterns for persons who live and/or work in Lexington County area are illustrated, below.

Here it is seen that very many persons who work in Lexington County commute into the County from Richland County. Significant numbers also commute from, for example, Aiken, Newberry, Saluda, Orangeburg, and Calhoun Counties. Likewise, many residents of Lexington County commute to work in Richland County.

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Table 6 - Commuting Patterns

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<u>Place of work</u>	<u>Place of Residence</u>	<u>Workers</u>
Lexington County	Lexington County	71,890
Lexington County	Richland County	25,003
Lexington County	Aiken County	1,997
Lexington County	Newberry County	1,868
Lexington County	Saluda County	1,667
Lexington County	Orangeburg County	1,329
Lexington County	Calhoun County	1,049
Richland County	Lexington County	45,809
Orangeburg County	Lexington County	982
Saluda County	Lexington County	667
Fairfield County	Lexington County	546

Source: US County to County Commuting Flows; T.Ronald Brown: Research & Analysis

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**E. COMMUNITY DEMOGRAPHIC DATA**

POPULATION TRENDS AND PROJECTIONS

In 2000, the population of Lexington County was 216,014, and in 2010 the population was recorded as 262,391. Population projections for Lexington County are based on South Carolina State Data Center projections. Based on these data, the population of the county is projected to be 303,605 by 2020, and to be 316,465 by 2023.

Population projections for the project market area are based on the average of several small area population projection techniques using census tract level trends for 2000 to 2010, corrected for the county projections. The projection is that in 2020 the project market area will have a population of around 67,735 and around 75,118 in 2023.

Information on population trends and changes between 2000 and 2023 are set out in Table 7, below.

Table 7 - Population Trends

	Lexington	Market Area	Lexington County
2000	9,793	29,715	216,014
2010	17,870	47,533	262,391
2020	n/a	67,735	303,605
2023	n/a	75,118	316,465
absolute change			
2000-2010	8,077	17,818	46,377
2010-2020	n/a	20,202	41,214
2020-2023	n/a	7,383	12,860
annual change			
2000-2010	808	1,782	4,638
2010-2020	n/a	2,020	4,121
2020-2023	n/a	2,461	4,287

Source: 2000 Census and 2010 Census; SC State Data Center; T Ronald Brown: Research & Analysis

AGE

The distribution of the population, by age, for Lexington, the Lexington market area, and for Lexington County are set out in Table 8, below. These data are from the 2010 Census. Here it is seen that the median age of the population of Lexington was recorded as 34.8 years, with that for Lexington County being 37.9 years. The median income of the market area is estimated to be around 36.7 years.

Table 8 - Age Distribution

	Lexington		Market Area		Lexington County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Under 5 years	1,232	6.9	3,218	6.8	17,472	6.7
5 to 9 years	1,288	7.2	3,727	7.8	17,684	6.7
10 to 14 years	1,227	6.9	3,713	7.8	17,987	6.9
15 to 19 years	1,010	5.7	2,927	6.2	17,581	6.7
20 to 24 years	1,257	7.0	2,333	4.9	16,313	6.2
25 to 29 years	1,516	8.5	2,968	6.2	17,570	6.7
30 to 34 years	1,462	8.2	3,291	6.9	16,750	6.4
35 to 39 years	1,459	8.2	3,769	7.9	18,023	6.9
40 to 44 years	1,425	8.0	3,826	8.0	18,534	7.1
45 to 49 years	1,335	7.5	3,803	8.0	20,242	7.7
50 to 54 years	1,150	6.4	3,447	7.3	19,604	7.5
55 to 59 years	892	5.0	2,844	6.0	17,214	6.6
60 to 64 years	782	4.4	2,460	5.2	15,306	5.8
65 to 69 years	556	3.1	1,748	3.7	11,293	4.3
70 to 74 years	399	2.2	1,195	2.5	7,554	2.9
75 to 79 years	307	1.7	890	1.9	5,593	2.1
80 to 84 years	272	1.5	680	1.4	3,947	1.5
85 years and over	301	1.7	694	1.5	3,724	1.4
55 and older	3,509	19.6	10,511	22.1	64,631	24.6
65 and older	1,835	10.3	5,207	11.0	32,111	12.2
median	34.8		36.7 *		37.9	

\* estimate

Source: 2010 Census; T Ronald Brown: Research & Analysis

HOUSEHOLD TRENDS AND PROJECTIONS

Projections of the number of households for Lexington, the project market area, and for Lexington County are out in Table 9, below. These projections are based on the population projections set out, above.

The projection is that in 2020 the project market area will have around 26,115 households, and around 29,088 in 2023. In 2000, there were 18,021 households in the market area.

Table 9 - Household Trends

	Lexington	Market Area	Lexington County
2000	3,644	10,769	83,240
2010	7,345	18,021	102,733
2020	n/a	26,115	120,373
2023	n/a	29,088	125,939
absolute change			
2000-2010	3,701	7,252	19,493
2010-2020	n/a	8,094	17,640
2020-2023	n/a	2,973	5,566
annual change			
2000-2010	370	725	1,949
2010-2020	n/a	809	1,764
2020-2023	n/a	991	1,855

Source: 2000 Census and 2010 Census; T Ronald Brown: Research & Analysis

TENURE

Table 10, below, sets out the number and proportion of owner and renter households for Lexington, the Lexington market area, and for Lexington County. In the years beyond 2010, the tenure proportions are based on 2000 to 2010 trends. In 2010, 22.7 percent of households in the market area were renters, compared with 39.9 percent in Lexington, and 26.2 percent in the county.

Table 10 - Tenure

<b>Lexington</b>							
	<u>population</u>	<u>households</u>	<u>persons per household</u>	<u>Owner-occupied</u>		<u>Renter-occupied</u>	
				<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	9,793	3,644	2.69	2,591	71.1	1,053	28.9
2010	17,870	7,345	2.43	4,418	60.1	2,927	39.9
2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2023	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Market Area</b>							
	<u>population</u>	<u>households</u>	<u>persons per household</u>	<u>Owner-occupied</u>		<u>Renter-occupied</u>	
				<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	29,715	10,769	2.76	8,997	83.5	1,772	16.5
2010	47,533	18,021	2.64	13,937	77.3	4,084	22.7
2020	67,735	26,115	2.59	17,964	68.8	8,151	31.2
2023	75,118	29,088	2.58	19,094	65.6	9,994	34.4
<b>Lexington County</b>							
	<u>population</u>	<u>households</u>	<u>persons per household</u>	<u>Owner-occupied</u>		<u>Renter-occupied</u>	
				<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	216,014	83,240	2.60	64,265	77.2	18,975	22.8
2010	262,391	102,733	2.55	75,791	73.8	26,942	26.2
2020	303,605	120,373	2.52	84,055	69.8	36,318	30.2
2023	316,465	125,939	2.51	86,310	68.5	39,629	31.5

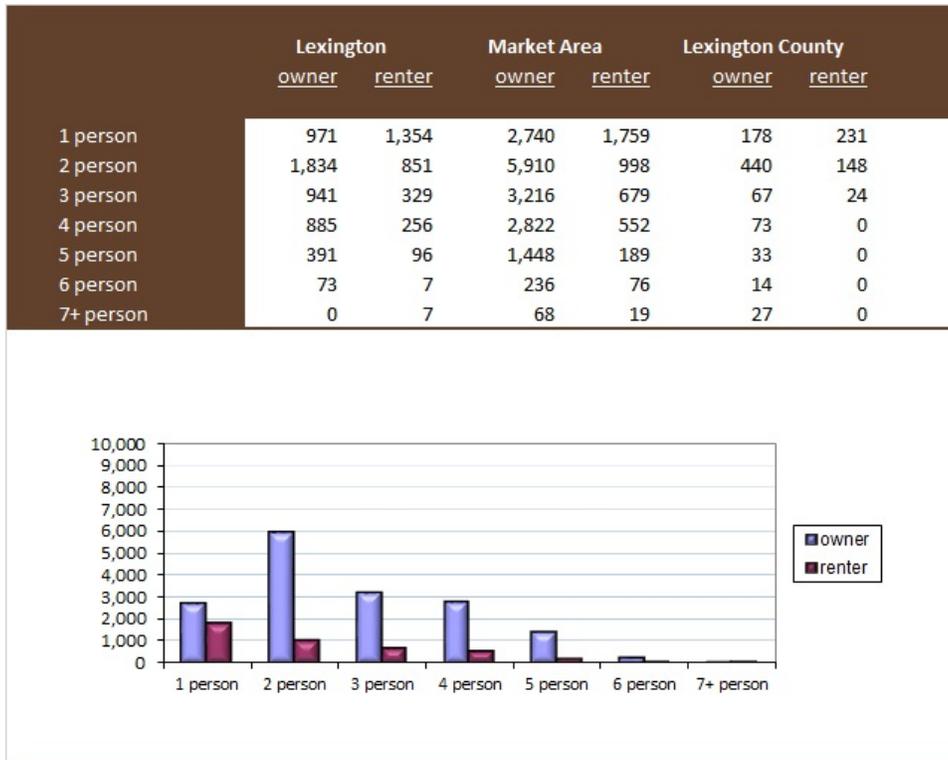
Source: 2000 Census and 2010 Census; T Ronald Brown: Research & Analysis

HOUSEHOLD SIZE

Table 11 below, sets out household size, by tenure, for households in Lexington, the project market area, and Lexington County.

The distribution of household sizes, by tenure, for the market area is also illustrated.

Table 11 - Household Size, by Tenure



Source: 2010 Census; T Ronald Brown: Research & Analysis

HOUSEHOLD INCOME

The distribution of household incomes for Lexington, the market area, and for Lexington County are set out in Table 12, below. These figures are taken from the 2014 to 2018 American Community Survey, and as such are subject to the limitations imposed by this source.

Here, it is seen that the median household income in Lexington was \$68,219, and that for Lexington County as a whole was seen to be \$59,593. The median income for the market area is estimated to be around \$77,760.

Table 12 - Household Income

	Lexington		Market area		Lexington County	
	number	percent	number	percent	number	percent
less than \$10,000	353	4.6	638	3.2	-	0.0
\$10,000 to \$14,999	262	3.4	544	2.8	25	2.0
\$15,000 to \$19,999	269	3.5	677	3.4	16	1.3
\$20,000 to \$24,999	168	2.2	476	2.4	67	5.3
\$25,000 to \$29,999	360	4.7	654	3.3	32	2.5
\$30,000 to \$34,999	230	3.0	475	2.4	138	11.0
\$35,000 to \$39,999	280	3.7	583	2.9	34	2.7
\$40,000 to \$44,999	432	5.6	786	4.0	65	5.2
\$45,000 to \$49,999	285	3.7	735	3.7	53	4.2
\$50,000 to \$59,999	834	10.9	1,634	8.3	96	7.6
\$60,000 to \$74,999	1069	14.0	2,345	11.9	144	11.4
\$75,000 to \$99,999	1047	13.7	3,051	15.4	174	13.8
\$100,000 to \$124,999	886	11.6	2,456	12.4	173	13.8
\$125,000 to \$149,999	170	2.2	946	4.8	69	5.5
\$150,000 to \$199,999	566	7.4	1,735	8.8	106	8.4
\$200,000 or more	438	5.7	2,031	10.3	66	5.2
median income	\$68,219		\$77,760 *		\$59,593	

Source: 2014 to 2018 American Community Survey; T Ronald Brown: Research & Analysis

RENTER HOUSEHOLD INCOME

The distribution of household incomes for renter households for Lexington, the market area, and Lexington County set out in Table 13, below. These figures are also taken from the 2014 to 2018 American Community Survey.

Here, it is seen that the median renter household income in Lexington was \$37,492, and that for Lexington County as a whole was seen to be \$46,445. The median income for renters in the market area is estimated to be around \$46,406.

Table 13 - Household Income, Renter Households

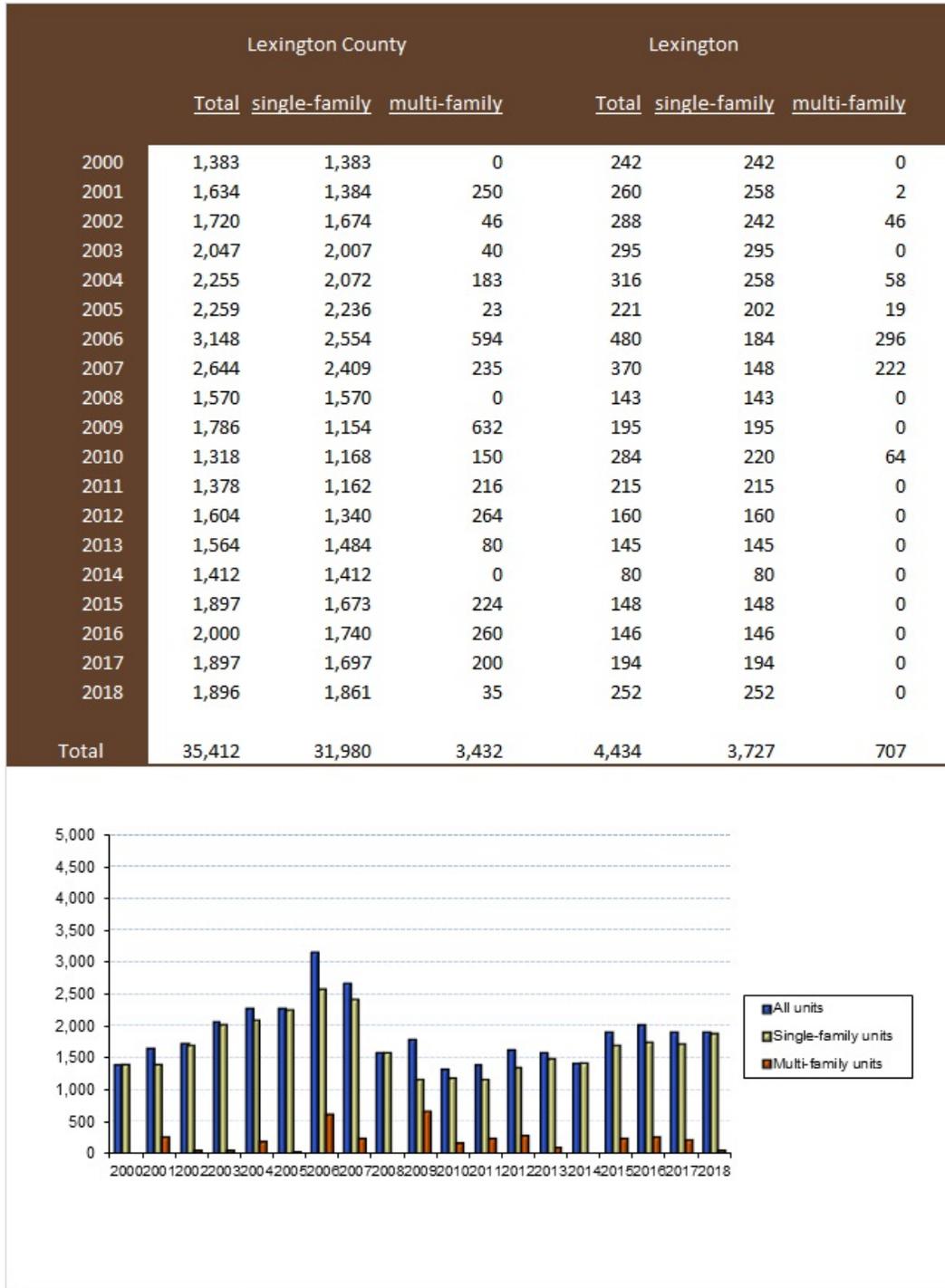
	Lexington		Market area		Lexington County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
less than \$10,000	268	9.2	360	8.4	3,066	10.6
\$10,000 to \$19,999	327	11.3	575	13.5	4,339	15.0
\$20,000 to \$34,999	431	14.9	659	15.4	6,199	21.4
\$35,000 to \$49,999	512	17.7	712	16.7	4,698	16.2
\$50,000 to \$74,999	846	29.2	997	23.3	5,366	18.5
\$75,000 to \$99,999	277	9.6	474	11.1	2,799	9.7
\$100,000 or more	239	8.2	495	11.6	2,509	8.7
median income	\$37,492		\$46,406 *		\$46,445	

Source: 2014 to 2018 American Community Survey; T Ronald Brown: Research & Analysis

RESIDENTIAL CONSTRUCTION SINCE 2000

Table 14 below gives details of residential construction in Lexington County since 2000. Where the data exist, it can be seen that a total of 35,512 units were added in Lexington County, with 4,434 units added in the City of Lexington. No data are available for the market area.

Table 14 - Residential Construction Since 2000



Source: Current Construction Reports, C-40; Bureau of the Census; T Ronald Brown: Research & Analysis

**F. PROJECT SPECIFIC DEMAND ANALYSIS**

The market for the proposed apartments is derived from two principal sources: the population and household growth market, and from existing households currently living in the area who could move to the project were it to be made available.

**INCOME RESTRICTIONS**

Income is a key variable in the analysis of housing markets. Of the 88 units proposed, five will be targeted to households with incomes up to 30 percent of the median, with 30 units targeted at 50 percent, and 53 units targeted at 60 percent of the median, and therefore qualify the apartments for low income housing tax credit status. There will be a mix of two- and three- bedroom units.

The income limits for Lexington County (the Columbia, MSA) are set out below, along with maximum housing expenses. The maximum housing expenses for the proposed units are based on these income limits and assume an average 1.5 persons per household and that renters will pay no more than 30 percent of their incomes on housing expenses (rent plus utilities).

Table 15 - Income Limits and Maximum Housing Costs

Income Limits			
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>
1 person	\$15,050	\$25,450	\$30,540
2 person	\$17,200	\$29,050	\$34,860
3 person	\$21,330	\$32,700	\$39,240
4 person	\$25,750	\$36,300	\$43,560
5 person	\$30,170	\$39,250	\$47,100
6 person	\$34,590	\$42,150	\$50,580
Maximum Housing Costs			
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>
2 bedroom	\$533	\$817	\$981
3 bedroom	\$699	\$944	\$1,133

Source: SC State Housing

Information as to rents and income targeting, and qualifying income ranges are set out in Table 16, below

Table 16 - Rents and Income Targeting

income targeting				
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>Total</u>
2 bedroom	2	15	27	44
3 bedroom	3	15	26	44
Total	5	30	53	88

proposed rents			
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>
2 bedroom	\$290	\$600	\$755
3 bedroom	\$310	\$665	\$845

proposed rents as a proportion (%) of maximum			
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>
2 bedroom	80.8	93.3	93.6
3 bedroom	65.7	92.7	93.2

Source: Applicant; T Ronald Brown: Research & Analysis

The utility allowances for the proposed development are \$174 and \$227 for the two- and three-bedroom units, respectively

From the table above, it can be seen that housing expenses at the proposed apartments fall effectively at 66 to 81 percent of the maximum for the units targeted at 30 percent of the median, and at 93 to 94 percent of the maximum allowable for those at the 50 and 60 percent levels. This will provide an attractive and relatively affordable property, given that rents are reasonably below the maximum allowable.

Qualifying income ranges are a function of the income needed to afford the proposed units and the mandated upper income limits. There is no official lower income limit for the proposed apartments. However, for the purposes of this report it is assumed that tenants will pay no more than 35 percent of their income on housing costs (rent and utilities). The upper limits are a function of household size - based on a standard of one and one-half persons per bedroom.

**Table 17 - Qualifying Income Ranges**

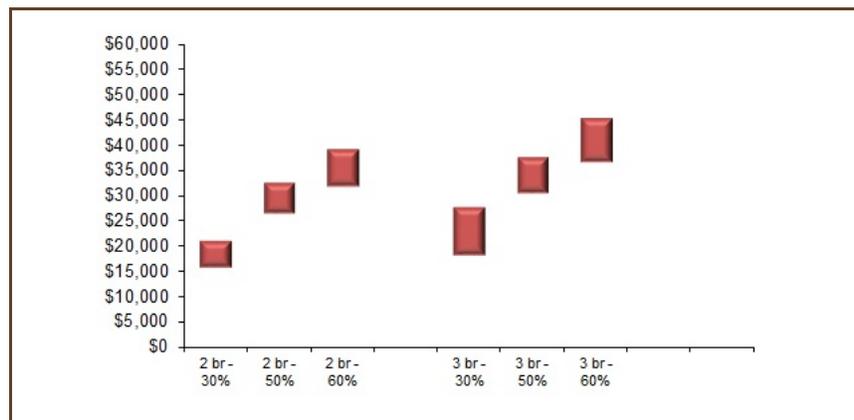
	30 percent	
	lower	upper
2 bedroom	\$15,909	\$21,330
3 bedroom	\$18,411	\$27,960
	50 percent	
	lower	upper
2 bedroom	\$26,537	\$32,700
3 bedroom	\$30,583	\$37,775
	60 percent	
	lower	upper
2 bedroom	\$31,851	\$39,240
3 bedroom	\$36,754	\$45,330

Source: SC State Housing; T Ronald Brown: Research & Analysis

Incomes for households qualifying for the proposed project are seen to range from \$15,909 to \$45,330.

This table, and the graph below, show that the qualifying income ranges are relatively narrow, but not as narrow as would be the case if the rents were set at the maximum allowable.

Any overlap between the target income ranges (and any gaps between them) will be taken into consideration in our calculations.



The major variables to be examined are age, tenure, and income. These data are no longer available from the Decennial Census. Nonetheless, data can be extrapolated from the most recent American Community Survey - again, subject the limitations of those data. These data, for the market area for the proposed complex, are set out below.

**Table 18 - Renter Household Income and Rent-overburdening**

Income	Overburdened Renters			
	Number	Percent	Number	Percent
Up to \$10,000	360	8.4	191	14.5
\$10,000 - \$19,999	575	13.5	422	32.0
\$20,000 - \$34,999	659	15.4	459	34.8
\$35,000 - \$50,000	712	16.7	156	11.8
\$50,000 - \$75,000	997	23.3	0	5.8
\$75,000 - \$100,000	474	11.1	14	1.1
\$100,000 and over	495	11.6	0	0.0
<b>Total</b>	<b>4,272</b>		<b>1,319</b>	

Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis

As noted, these data are necessarily from the American Community Survey and are based on the 5-year average for the period from 2014 to 2018 - and not for a specific year.

From this table it can be seen that 8.4 percent of the market area renter households have incomes less than \$10,000 and a further 13.5 percent have incomes between \$10,000 and \$20,000. Around 15.4 percent of renters are seen to be in the \$25,000 to \$35,000 income range. Around 31 percent of all renters are rent-overburdened. This table also illustrates how rent-overburdened households are concentrated in the lower income groups - those below \$35,000.

Based on the income ranges set out in Table 16 and the income distribution set out in Table 17, it is found that around 9.3 percent of market area renter households qualify for units at 30 percent of the median. The corresponding figures for the units at 50 and 60 percent are 7.0 percent and 8.6 percent, respectively (and 24.3 percent, overall).

Projections of need and demand are based upon a 2020 to 2023 projection period and the resulting calculations are corrected to account for any construction of comparable projects and/or planned comparable units.

Based on the projections set out in Table 10, a total of 1,843 new rental units are needed between 2020 and 2023. A total of 448 units will be for households eligible for the proposed project: 172 households at the 30 percent level, 129 households at the 50 percent level, and 158 households at the 60 percent level.

Again, the market for the proposed apartments comprises not only demand from population and household growth, but also from existing renter households who would move to the new apartments were they made available. The extent to which any new development is able to attract a certain share of this market is largely a factor of several interrelated factors. These include the location of the development, the amenities it offers, the quality of design and the effectiveness of the development's marketing and management. That is, the perceived value of the community in terms of price, convenience, and life-style.

Our calculations show that there will be a total of 2,431 renter households in the qualifying income ranges in the project market area. This figure has to be adjusted to reflect the proportion that are likely to move to a new complex. With respect to existing households in the project market area it is found that, based on the most recent American Community Survey data, 71.5 percent of renters qualifying for units at the 30 percent level are rent overburdened, with 54.1 percent and 38.5 percent of those at the 50 and 60 percent levels being rent overburdened. Here, these proportions are applied to the number of income eligible existing renter households to estimate how many of those households are likely to consider moving to the proposed apartments.

State Agency market study guidelines allow for the replacement of rental units due to demolition, abandonment, obsolescence and the like. This based on an annual average rate of 0.6 percent of the rental housing stock. The proportion is based on a two-year loss of 1.2 percent of rental units detailed in the 2016 Edition of "Components of Inventory Change" published by HUD. Based on the number of rental units in the project market area this translates to a need for an additional 45 units.

Total demand is therefore seen to amount to 1,840 units: 856 qualifying for units at 30 percent of the median, 521 at 50 percent, and 504 qualifying at 60 percent of the median.

These figures are based on a 2020 to 2023 projection period and therefore have been corrected to account for the funding and/or construction of any directly comparable projects in the market area. No directly comparable projects have been added in the project market area over the projection period, nor have any been funded or are under construction. The net need is therefore for 1,840 units

The preceding calculations are summarized in the table on the following page.

Table 19 - Demand Calculations

	30 percent	50 percent	60 percent	Total *
(i) income eligible new renter households	172	129	158	448
(ii) income eligible existing renter households	932	701	857	2,431
(iii) existing households, likely to move	667	379	330	1,347
(iv) need from obsolete housing	17	13	16	45
Total demand (i)+(iii)+(iv)	856	521	504	1,840
Supply	0	0	0	0
Net demand	856	521	504	1,840

Source: T. Ronald Brown: Research & Analysis

Demand has to be segmented to determine demand by number of bedrooms per unit. Based on the distribution of household size in the market area and given data from the American Housing Survey correlating typical household size and number of bedrooms, we have determined that one-bedroom units should account for 34 percent of the total, two-bedroom units should account for 41 percent of the total, and three-bedroom units should account for 21 percent of the total with four- or more bedroom units accounting for 4 percent. Here, it is important to note that the need and demand for three- bedroom units (which account for 50.0 percent of the 88-unit total) is based on renter households size - with a focus on four-or-more person households for the three-bedroom units.

Capture rates are illustrated in the table on the following page.

Table 20 - Capture Rates

	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>Total*</u>
<b>Total demand</b>				
1 bedroom	289	176	170	621
2 bedroom	355	216	209	762
3 bedroom	181	110	107	390
4 bedroom	31	19	18	66
<b>Total</b>	<b>856</b>	<b>521</b>	<b>504</b>	<b>1,840</b>
<b>Supply</b>				
1 bedroom	0	0	0	0
2 bedroom	0	0	0	0
3 bedroom	0	0	0	0
4 bedroom	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net demand</b>				
1 bedroom	289	176	170	621
2 bedroom	355	216	209	762
3 bedroom	181	110	107	390
4 bedroom	31	19	18	66
<b>Total</b>	<b>856</b>	<b>521</b>	<b>504</b>	<b>1,840</b>
<b>Units proposed</b>				
1 bedroom	0	0	0	0
2 bedroom	2	15	27	44
3 bedroom	3	15	26	44
4 bedroom	0	0	0	0
<b>Total</b>	<b>5</b>	<b>30</b>	<b>53</b>	<b>88</b>
<b>Capture rates</b>				
1 bedroom	0.0%	0.0%	0.0%	0.0%
2 bedroom	0.6%	6.9%	12.9%	5.8%
3 bedroom	1.7%	13.6%	24.4%	11.3%
4 bedroom	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>0.6%</b>	<b>5.8%</b>	<b>10.5%</b>	<b>4.8%</b>

Source: T. Ronald Brown: Research & Analysis

Given the calculated need, the proposed 88-unit development amounts to 4.8 percent of the total net need. The development equates to 7.6 percent of the net need for 1,152 two- and three- bedroom units.

The capture rate for the five units targeted at 30 percent of the median is 0.6 percent, that for the 30 units targeted at 50 percent of the median is 5.8 percent, with that for the 53 units targeted at 60 percent of the median determined to be 10.5 percent. The corresponding rates for two- and three-bedroom units only are 0.9 percent, 9.2 percent, and 16.8 percent, respectively.

The capture rates, by bedroom, are determined to be 5.8 percent for the 44 two-bedroom units, and 11.3 percent for the 44 three-bedroom units.

These capture rates are considered to be very realistic - and the proposed development is considered very marketable, all things considered.

#### ABSORPTION RATES

As noted, the capture rates presented above are considered realistic - and reflect the impact of the size of the project, bedroom mix, different target income ranges, and the relative affordability of the proposed rents. Were the project to be developed as proposed it would expect to lease up over a period of three- to four- months, or so.

### G. EXISTING RENTAL UNITS

There are several apartment complexes located in the Lexington area. Tax credits have been awarded for several properties in that area. The most recent award was for the Villas at North Lake - a 43-unit project for seniors. This, and other senior projects, are not comparable to the proposed development. Two family tax credit projects - Fern Hall and Fern Hall Crossing are located south of Red Bank, outside the market area for the proposed apartments. One other property that was awarded tax credits is in the market but is not directly comparable in that it is the USDA/Rural Development rehabilitation of a subsidized property that caters to low and very low income households (Town and Country). The Chimney Ridge Apartments were awarded credits in 1994 and 1995 - but are no longer under tax credit guidelines (the River Bluff Apartments).

Under these circumstances, it is seen that there are no directly comparable tax credit financed apartments for families in the market area for the proposed development.

Other properties in the area include four subsidized complexes (one HUD Section 8 project and three USDA properties), in addition to several market rate complexes. The various properties throughout the market area were identified and surveyed, and where useful information was provided to us, this is presented, below.

As noted, there are several market rate properties in the Lexington area. These represent properties built between 1981 and 2017. The amenities offered, project features provided, their physical condition, and the rents offered, largely reflect their age.

The newest market rate property to be introduced into this market is the Lauren Ridge Apartments. This is a 216-unit complex. The one-bedroom units at this location rent from \$1,040 to \$1,116, and two-bedroom units are available for \$1,110 to \$1,150. The three-bedroom units rent from \$1,333 to \$1,343. These rents are above those for the rest of the conventional properties in the market area. As of the date of our survey, 18 units were reported to be vacant - 92 percent occupancy. Typical occupancy is understood to be around 95 to 96 percent. Lauren Ridge was built in 2009, with the Cedarcrest and Lullwater projects being developed in 2007 and 2008.

The occupancy rate for the survey sample as whole is determined to be 97.0 percent. The occupancy at the 1,608 units in market rate complexes reveals a 96.7 percent occupancy level. The occupancy rate for the four subsidized properties is 98.6 percent.

The Park North complex is a HUD Section 8 property which dates from the 1975. There are 80 units at this property. The complex is reported to be fully occupied, and to remain so on an ongoing basis. The other subsidized complexes in the market area are three USDA/RD complexes. These date from 1986 and 1987 and comprise a combined total of 142 units.

The potentially comparable developments are summarized as follows:

Complex name	Financing	Year built	Total units	Vacant units	Occupancy (%)
Cedarcrest Village	conventional	2008	300	2	99.3
Churchwood	USDA/RD	1986	48	0	100.0
Lauren Ridge	conventional	2009	216	18	91.7
Lullwater at Saluda Pointe	conventional	2007	280	n/a	n/a
Overlook at Golden Hills	conventional	2007	204	12	94.1
Park North	HUD §8	1975	80	0	100.0
Reserve at Mill Landing	conventional	2000	260	8	96.9
River Bluff of Lexington	conventional	1996	200	0	100.0
Sweetbriar	USDA/RD	1988	48	3	93.8
Thornhill	conventional	1999	180	2	98.9
Town and Country	USDA/RD	1987	46	0	100.0
Waterway	conventional	2000	200	9	95.5

**Report for the Brookgreen Commons Apartments in Lexington, South Carolina**

Subject	0 br/1ba			1 br/1ba		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Cedarcrest Village				60	685-771	\$880-1,100
Churchwood				16	540	boi
Lauren Ridge				60	916	\$1,041-1,116
Lullwater at Saluda Pointe				86	801--907	\$1,000
Overlook at Golden Hills				n/a	788	\$970-1,061
Park North				12	n/a	boi
Reserve at Mill Landing				86	716-780	\$890-919
River Bluff of Lexington				88	800	\$1,069
Sweetbriar				16	550	boi
Thornhill				40	841	\$850
Town and Country				12	692	boi
Waterway				72	798	\$1,035

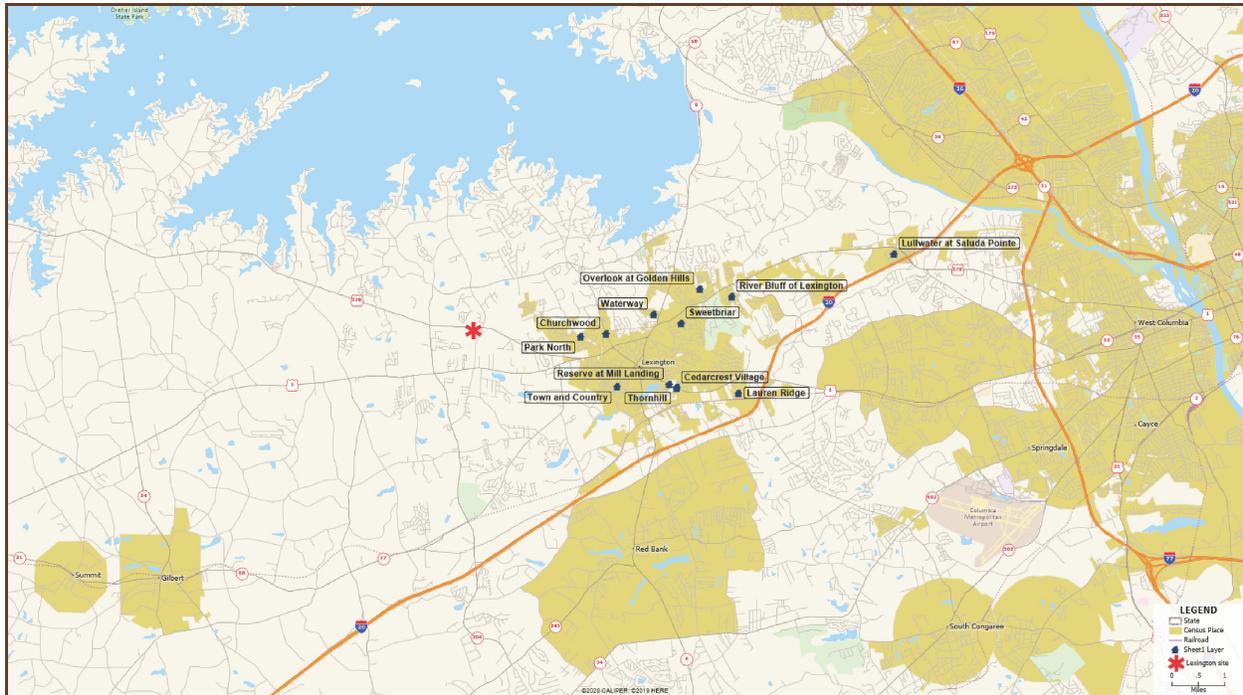
  

Subject	2 br/1 or 1½ ba			2 br/2 ba		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Cedarcrest Village	44	1,018	\$290-775			
Churchwood	32	817	boi	180	950-1,035	\$1,000-1,200
Lauren Ridge				108	1,086	\$1,110-1,150
Lullwater at Saluda Pointe				166	1,136-1,234	\$1,165-1,170
Overlook at Golden Hills	n/a	922	\$1,018-1,110	n/a	1,058	\$1,093-1,104
Park North				38	n/a	boi
Reserve at Mill Landing				141	1,058-1,1415	\$999-1,059
River Bluff of Lexington				80	1,000	\$1,224
Sweetbriar	32	650	boi			
Thornhill	30	1,022	\$920	80	1,177	\$965
Town and Country	34	908	boi			
Waterway				120	1,042-1,149	\$1,040-1,085

Subject	3 br/1-1½ ba			3 br/2+ ba		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Cedarcrest Village				44	1,229	\$310-845
Churchwood				60	1,456	\$1,155-1,295
Lauren Ridge				48	1,280	\$1,333-1,343
Lullwater at Saluda Pointe				28	1,436	\$1,445
Overlook at Golden Hills				n/a	1,206	\$1,250
Park North				26	n/a	boi
Reserve at Mill Landing				33	1,337	\$1,341
River Bluff of Lexington				32	1,200	\$1,344
Sweetbriar						
Thornhill				30	1,402	\$1,085
Town and Country						
Waterway				8	1,345	\$1,210

A map showing the locations of these properties, relative to the site of the proposed apartments is provided, below.



Several market rate apartment developments in the Lexington market area can be used in the determination of market rents. Information for the two- and three--bedroom units at these properties are summarized below.

Table 21- Market Rate Properties

<u>Property</u>	<u>Year built</u>	<u>Two-bedroom rents</u>	<u>Three-bedroom rents</u>
Cedarcrest Village	2008	\$1,000-1,200	\$1,155-1,295
Lauren Ridge	2009	\$1,100-1,150	\$1,333-1,343
Lullwater at Saluda Pointe	2007	\$1,165-1,170	\$1,445
Overlook at Golden Hills	2007	\$1,018-1,104	\$1,250

Source: Apartment Managers; T Ronald Brown: Research & Analysis

The location, rent levels, unit size, age, features, and amenities at these properties were analyzed in order to try to establish an estimate of market rent levels for the subject property. Following this approach we have determined that, all things being equal, these market properties suggest a rent of around \$990 for a two-bedroom unit, and \$1,304 for a three-bedroom unit.

Based on the proposed rents at the proposed development, this rent is found to be significantly below the gross adjusted market rent (37.74 percent less).

Units	Bedroom Type	Gross		Gross		Tax Credit Gross Rent Advantage
		Proposed Tenant Paid Rent	Proposed Tenant Rent	Adjusted Market Rent	Adjusted Market Rent	
	0 BR					
	0 BR					
	0 BR					
	1 BR					
	1 BR					
	1 BR					
2	2 BR	\$290	\$580	\$990	\$1,980	
15	2 BR	\$600	\$9,000	\$990	\$14,852	
27	2 BR	\$755	\$20,385	\$990	\$26,733	
3	3 BR	\$310	\$930	\$1,304	\$3,912	
15	3 BR	\$665	\$9,975	\$1,304	\$19,559	
26	3 BR	\$845	\$21,970	\$1,304	\$33,903	
	4 BR					
	4 BR					
	4 BR					
Totals	88		\$62,840		\$100,938	37.74%

The South Carolina State Housing Finance and Development Authority requires that the proposed rents fall at or below 90 percent of the HUD Fair Market Rents (FMRs). Following the S-2 Exhibit, the rents at the proposed development meet this requirement, as set out - for reference - below.

Units	Bedroom Type	Gross		Gross HUD FMR	Gross HUD FMR Total	Tax Credit Gross Rent Advantage
		Proposed Tenant Paid Rent	Proposed Tenant Rent			
	0 BR					
	0 BR					
	0 BR					
	1 BR					
0	1 BR					
0	1 BR					
2	2 BR	\$290	\$580	\$931	\$1,862	
15	2 BR	\$600	\$9,000	\$931	\$13,965	
27	2 BR	\$755	\$20,385	\$931	\$25,137	
3	3 BR	\$310	\$930	\$1,204	\$3,612	
15	3 BR	\$665	\$9,975	\$1,204	\$18,060	
26	3 BR	\$845	\$21,970	\$1,204	\$31,304	
	4 BR					
	4 BR					
	4 BR					
Totals	88		\$62,840		\$93,940	33.11%



**Cedarcrest Village**

Location: 959 East Main Street, Lexington

Telephone: 803.957.2555

Financing: conventional

Year built: 2008

Total units: 300

Vacant units: 2 (99 percent occupied)

	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	60	180	60
Unit size (sq. ft.):	685-771	950-1,035	1,456
Rent:	\$880-1,100	\$1,000-1,200	\$1,155-1,295
Rent/sq. ft.:	\$1.36	\$1.11	\$0.84

Management: Carroll Company (Heather [3/16])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Churchwood**

Location: 164 Old Chapin Road, Lexington

Telephone: 803.957.4908

Financing: USDA/RD

Year built: 1986

Total units: 48 (47 rent-assisted)

Vacant units: 0 (100 percent occupied, waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	16	32
Unit size (sq. ft.):	540	817
Basic rent:	\$791	\$967
Market rent.:	\$855	\$1,086

Management: Partnership Property Management (5/12)

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Lauren Ridge**

Location: 500 Carden Avenue, Lexington

Telephone: 833.268.6257

Financing: conventional

Year built: 2009

Total units: 216

Vacant units: 18 (92 percent occupied, typically 95-96 percent)

	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	60	108	48
Unit size (sq. ft.):	916	1,086	1,280
Rent:	\$1,041-1,116	\$1,110-1,150	\$1,333-1,343
Rent/sq. ft.:	\$1.18	\$1.04	\$1.05

Management: Graystar (Rachelle [3/16])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'(+)  
 ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies

Utility fee: \$102/\$107/\$122



**Lullwater at Saluda Pointe**

Location: 101 Saluda Pointe Drive, Lexington

Telephone: 803.470.0519

Financing: conventional

Year built: 2007

Total units: 280

Vacant units: n/a

	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	86	166	28
Unit size (sq. ft.):	801-907	1,136-1,234	1,436
Rent:	\$1,000	\$1,165-1,170	\$1,445
Rent/sq. ft.:	\$1.17	\$0.98	\$1.01

Management: Stonemark (Amber [3/16])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Overlook at Golden Hills**

Location: 300 Caughmon Farm Lane, Lexington

Telephone: 803.359.2009

Financing: conventional

Year built: 2007

Total units: 204

Vacant units: 12 (94 percent occupied)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	n/a	n/a	n/a	n/a
Unit size (sq. ft.):	788	922	1,058	1,206
Contract rent:	\$907-1,061	\$1,018-1,110	\$1,093-1,104	\$1,250
Rent/sq. ft.:	\$1.29	\$1.15	\$1.04	\$1.04

Management: Morgan Properties (Amanda [3/20])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies

Utility fee: \$70/\$75/\$80



**Park North**

Location: 200 Brookhill Road, West, Lexington

Telephone: 803.359.9083

Financing: HUD § 8

Year built: 1975

Total units: 80

Vacant unit: 0 (100 percent occupied, typically 100 percent, with waiting list)

	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>	<u>4 br/2 ba</u>
Units:	12	38	26	4
Unit size (sq. ft.):	n/a	n/an	n/a	n/a
Contract rent:	\$784	\$833	\$1,057	\$1,181

Management: Southern Development Managements (Susan [3/17])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'(+ ) ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Reserve at Mill Landing**

Location: 809 East Main Street, Lexington

Telephone: 803.302.3559

Financing: conventional

Year built: 2000

Total units: 260

Vacant units: 8 (97 percent occupied)

	<u>1 br/1 ba</u>	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	44	42	64	77	33
Unit size (sq. ft.):	716	780	1,058	1,145	1,337
Rent:	\$919	\$890	\$1,059	\$999	\$1,341
Rent/sq. ft.:	\$1.28	\$1.14	\$1.00	\$0.87	\$1.00

Management: West Stone Management (Kelsey [3/16])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**River Bluff of Lexington**

Location: 300 Palmetto Park Boulevard, Lexington

Telephone: 803.590.9396

Financing: conventional (previously LIHTC)

Year built: 1996

Total units: 200

Vacant units: 0 (100 percent occupied)

	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	88	80	32
Unit size (sq. ft.):	800	1,000	1,200
Rent:	\$1,069	\$1,224	\$1,344
Rent/sq. ft.:	\$1.34	\$1.22	\$1.12

Management: Aspen Square (Sarah [3/16])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'(+)  
 ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Sweetbriar**

Location: 200 Libby Lane, Lexington

Telephone: 803.359.2006

Financing: USDA/RD

Year built: 1988

Total units: 48 ( 0 rent-assisted)

Vacant units: 3 (94 percent occupied, typically 100 percent, with small waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	16	32
Unit size (sq. ft.):	550	650
Basic rent:	\$505	\$560
Market rent:	\$658	\$767

Management: Landmark Management (Mary [3/24])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Thornhill**

Location: 930 East Main Street, Lexington

Telephone: 803.356.0542

Financing: conventional

Year built: 1999

Total units: 180

Vacant unit: 2 (99 percent occupied)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	40	30	80	30
Unit size (sq. ft.):	841	1,022	1,177	1,402
Rent:	\$850	\$920	\$965	\$1,085
Rent/sq. ft.:	\$1.01	\$0.90	\$0.82	\$0.77

Management: Companion Associates (Maureen [3/16])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Town and Country**

Location: 300 Roberts Road, Lexington

Telephone: 803.951.7396

Financing: USDA/RD

Year built: 1987

Total units: 46 (0 units rent-assisted)

Vacant units: 0 (100 percent occupied)

	<u>1 br/1 ba</u>	<u>2 br/1½ ba</u>
Units:	12	34
Unit size (sq. ft.):	692	908
Basic rent:	\$595	\$646
Market rent.:	\$635	\$686

Management: Boyd Management (5/12)

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Waterway**

Location: 121 Northpoint Drive, Lexington

Telephone: 803.951.2025

Financing: conventional

Year built: 2000

Total units: 200

Vacant units: 9 (96 percent occupied)

	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2ba</u>
Units:	72	48	72	8
Unit size (sq. ft.):	798	1,042	1,149	1,345
Rent:	\$1,035	\$1,040	\$1,085	\$1,210
Rent/sq. ft.:	\$1.30	\$1.00	\$0.94	\$0.90

Management: Morgan Properties (Keith [3/17])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
 Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
 Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies

#### H. INTERVIEWS

As part of the research for this market study, interviews were held with property managers, local government officials, and others with particular knowledge of the local housing market. The proposed development will offer an attractive, new, apartment complex - to be leased subject to the provisions of the Low Income Housing Tax Credit program. Property managers of existing complexes and/or other representatives of management companies were a potential source of information.

As noted, property managers are a major source of information for a project such as that proposed (their contact details are provided as part of the rental survey set out in the previous pages). As noted, however, there are no potentially comparable tax credit projects in the market area for the proposed development. Thus, there are no management companies exposed to that market at present.

## I. RECOMMENDATIONS

It is our recommendation that, based upon our analysis, the proposed apartments should be developed as proposed, and that the project should be awarded low income housing tax credits. This conclusion is based on our analysis of the economic and demographic criteria of the project market area as defined and on our project specific demand analysis and survey of the supply of rental housing in the market--as set out in the foregoing report and summarized in the Executive Summary.

J. SIGNED STATEMENT

*I affirm that I have made a physical inspection of the market and surrounding area and the information obtained in the field has been used to determine the need and demand for Low Income Housing Tax Credit units. I understand that any misrepresentation of this statement may result in the denial of further participation in the South Carolina Housing Finance and Development Authority's programs. I also affirm that I have no financial interest in the project or current business relationship with the ownership entity and my compensation is not contingent on this project being funded. This report was written according to the SCSHFDA's market study requirements. The information included is accurate and can be relied upon by SCSHFDA to present a true assessment of the low income housing rental market.*



Market Analyst

Date: May 14, 2020

### ANALYST QUALIFICATIONS

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis.

The President of the firm is T. Ronald Brown. He has more 30 experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last two decades or so, Mr. Brown has produced around 2,500 studies in at least 20 states, predominantly in the Southeast.

The firm was established in Cary, North Carolina, and relocated to Asheville, North Carolina in 2018.

Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland.

The firm has primary experience in market analysis for residential projects including both single-family homes and multi-family units (for sale and for rent). A significant proportion of the firm's business focuses on apartment market studies—for family renters and for elderly persons. These reports include conventionally financed projects (including HUD 221 (d) (4) projects), affordable housing (including low income tax credit financed projects) and subsidized housing.

Clients include for-profit developers, non-profit developers and community development corporations, state housing finance agencies, syndicators, and municipalities.

## MARKET STUDY TERMINOLOGY

The following presents the accepted definitions of various terms typically found in real estate market studies. These definitions are typically followed unless reviewing agency requirements differ.

**Absorption period** - the period of time necessary for a newly constructed or renovated property to achieve the *stabilized level of occupancy*. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the *stabilized level of occupancy* has a signed lease. Assumes a typical premarketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is assumed to begin should accompany all absorption estimates.

**Absorption rate** - the average number of unites rented each month during the *absorption period*.

**Acceptable rent burden** - the rent-to-income ratio used to qualify tenants for both income-restricted and non-income restricted units. The acceptable rent burden varies depending on the requirements of funding sources, government funding sources, target markets, and local conditions.

**Achievable rents** - See *Market Rent, Achievable Restricted Rent*.

**Affordable housing** - housing affordable to low or very low-income tenants.

**Amenity** - tangible or intangible benefits offered to a tenant. Typical amenities include on-site recreational facilities, planned programs, services and activities.

**Annual demand** - the total estimated demand present to the market in any one year for the type of units proposed.

**Assisted housing** - housing where federal, state or other programs *subsidize* the monthly costs to the tenants.

**Bias** - a proclivity or preference, particularly one that inhibits or entirely prevents an impartial judgment.

**Capture rate** - the percentage of age, size, and income qualified renter households in the *primary market area* that the property must capture to fill the units. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover-ship and other comparable factors. The *Capture Rate* is calculated by dividing the total number of units at the property by the total number of age, size and income qualified renter households in the *primary market area*. See also: penetration rate.

**Comparable property** - a property that is representative of the rental housing choices of the subject's *primary market area* and that is similar in construction, size, amenities, location, and/or age. Comparable and *competitive* properties are generally used to derive market rent and to evaluate the subject's position in the market.

**Competitive property** - a property that is comparable to the subject and that competes at nearly the same rent levels and tenant profile, such as age, family or income.

**Comprehensive market study** - NCHMA (the National Council of Housing Market Analysts) defines a comprehensive market study for the purposes of IRC Section 42 as a market study compliant with its Model Content Standards for Market Studies for Rental Housing. Additionally, use of the suggested wording in the NCHMA certification without limitations regarding the comprehensive nature of the study, shows compliance with the IRC Section 42 request for completion of a market study by a 'disinterested party.'

**Concession** - discount given to a prospective tenant to induce the tenant to sign a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or for free amenities, which are normally charged separately (i.e. washer/dryer, parking).

**Demand** - the total number of households in a defined market area that would potentially move into the proposed new or renovated housing units. These households must be the appropriate age, income, tenure and size for a specific proposed development. Components of demand vary and can include household growth; turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

**Effective rents** - contract rent less concessions.

**Household trends** - changes in the number of households for a particular area over a specific period of time, which is a function of new household formations (e.e. at marriage or separation), changes in average household size, and net *migration*.

**Income band** - the range of incomes of households that can afford to pay a specific rent but do not have below any applicable program-specific maximum income limits. The minimum household income typically is based on a defined *acceptable rent burden* percentage and the maximum typically<sup>7</sup> is pre-defined by specific program requirements or by general market parameters.

**Infrastructure** - services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure includes both public and private facilities.

**Market advantage** - the difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property.  $(\text{market rent} - \text{proposed rent}) / \text{market rent} * 100$

**Market analysis** - a study of real estate market conditions for a specific type of property.

**Market area** - See *primary market area*.

**Market demand** - the total number of households in a defined market area that would potentially move into any new or renovated housing units. Market demand is not project specific and refers to the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining project-specific demand. A common example of market demand used by HUD's MAP program, which is based on three years of renter household growth, loss of existing units due to demolition, and market conditions.

**Market rent** - the rent that an apartment, without rent or income restrictions or rent subsidies, would command in the *primary market area* considering its location, features and amenities. Market rent should be adjusted for *concessions* and owner paid utilities included in the rent.

**Market study** - a comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography.

**Marketability** - the manner in which the subject fits into the market; the relative desirability of a property (for sale or lease) in comparison with similar or competing properties in the area.

**Market vacancy rate, economic** - percentage of rent loss due to concessions, vacancies, and non-payment of rent on occupied units.

**Market vacancy rate, physical** - average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same market, excluding units in properties which are in the lease-up stage.

**Migration** - the movement of households into or out of an area, especially a *primary market area*.

**Mixed income property** - an apartment property containing (1) both income restricted and unrestricted units or (2) units restricted at two or more income limits (i.e. low income tax credit property with income limits of 30%, 50%, and 60%).

**Mobility** - the ease with which people move from one location to another.

**Move-up demand** - an estimate of how many consumers are able and willing to relocate to more expensive or desirable units. Examples: tenants who move from class-C properties to class-B properties, or tenants who move from older tax credit properties to new tax credit properties.

**Multi-family** - structures that contain more than two housing units.

**Neighborhood** - an area of a city or town with common demographic and economic features that distinguish it from adjoining areas.

**Net rent (also referred to as contract rent or lease rent)** - Gross rent less tenant paid utilities.

**Penetration rate** - The percentage of age and income qualified renter households in the *primary market area* that all existing and proposed properties, to be completed with six months of the subject, and which are competitively priced to the subject that must be captured to achieve the *stabilized level of occupancy*. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover ship and other comparable factors. Units in all proposals / households in market \* 100, see also: capture rate.

**Pent-up demand** - a market in which there is a scarcity of supply and vacancy rates are very low.

**Population trends** - changes in population levels for a particular area over a specific period of time – which is a function of the level of births, deaths, and net *migration*.

**Primary market area** - a geographic area from which a property is expected to draw the majority of its residents.

**Programmatic rents** - See *restricted rents*.

**Project based rent assistance** - rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.

**Redevelopment** - the redesign or rehabilitation of existing properties.

**Rent burden** - gross rent divided by adjusted monthly household income.

**Rent burdened households** - households with *rent burden* above the level determined by the lender, investor, or public program to be an acceptable rent-to-income.

**Restricted rent** - the rent charged under the restrictions of a specific housing program or subsidy.

**Restricted rent, achievable** - the rents that the project can attain taking into account both market conditions and rent in the *primary market area* and income restrictions.

**Saturation** - the point at which there is no longer demand to support additional unit. Saturation usually refers to a particular segment of a specific market.

**Secondary market area** - the portion of a market that supplies additional support to an apartment property beyond that provided by the primary market area.

**Special needs population** - specific market niche that is typically not catered to in a conventional apartment property. Examples of special needs population include: substance abusers, visually impaired person or persons with mobility limitations.

**Stabilized level of occupancy** - the underwritten or actual number of occupied units that a property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.

**Subsidy** - monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's *contract rent* and the amount paid by the tenant toward rent.

**Substandard conditions** - housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.

**Target income band** - the *income band* from which the subject property will draw tenants.

**Target population** - the market segment or segments a development will appeal or cater to. State agencies often use target population to refer to various income set asides, elderly v. family, etc.

**Tenant paid utilities** - the cost of utilities (not including cable, telephone, or internet) necessary for the habitation of a dwelling unit, which are paid by the tenant.

**Turnover period** - 1. An estimate of the number of housing units in a market area as a percentage of total housing units in the market area that will likely change occupants in any one year. See also: vacancy period. Housing units with new occupants / housing units \* 100 2. The percent of occupants in a given apartment complex that move in one year.

**Unmet housing need** - new units required in the market area to accommodate household growth, homeless people, and housing in substandard conditions.

**Unrestricted rents** - rents that are not subject to *restriction*.

**Unrestricted units** - units that are not subject to any income or rent restrictions.

**Vacancy period** - the amount of time that an apartment remains vacant and available for rent.

**Vacancy rate-economic vacancy rate - physical** - maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The number of total habitable units that are vacant divided by the total number of units in the property.

## Other Terms

The following terms are also to be found in professional market studies - here, this information is drawn from various sources including HUD, the Census Bureau, and the Urban Land Institute.

**Area Median Income (AMI)** - 100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.

**Attached housing** - two or more dwelling units connected with party walls (e.g. townhouses or flats).

**Basic rent** - the maximum monthly rent that tenants who do not have rental assistance pay to lease units developed through the USDA-RD Section 515 Program, the HUD Section 236 Program and HUD Section 223(d)(3) Below Market Interest Rate Program. The Basic Rent is calculated as the amount of rent required to operate the property, maintain debt service on a subsidized mortgage with a below-market interest rate, and provide a return on equity to the developer in accordance with the regulatory documents governing the property.

**Below Market Interest Rate program (BMIR)** - Program targeted to renters with income not exceeding 80% or area median income by limiting rents based on HUD's BMIR Program requirements and through the provision of an interest reduction contract subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.

**Census tract** - a small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting data. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census tracts average about 4,000 inhabitants.

**Central Business District (CBD)** - the center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.

**Community Development Corporation (CDC)** - entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.

**Condominium** - a form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.

**Contract rent** - 1. The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease. (HUD & RD) 2. The monthly rent agreed to between a tenant and a landlord (Census).

**Difficult Development Area (DDA)** - an area designated by HUD as an area that has high construction, land, and utility costs relative to the Area Median Gross Income. A project located in a DDA and utilizing the Low Income Housing Tax Credit may qualify for up to 130% of eligible basis for the purpose of calculating the Tax Credit allocation.

**Detached housing** - a freestanding dwelling unit, typically single-family, situated on its own lot.

**Elder or senior housing** - housing where (1) all units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.

**Extremely low income** - person or household with income below 30% of the Area Median Income adjusted for household size.

**Fair Market Rent (FMR)** - the estimates established by HUD of the Gross rents (Contract rent plus Tenant Paid Utilities) needed to obtain modest rental units in acceptable condition in a specific county or metropolitan statistical area. HUD generally set FMR so that 40% of the rental units have rents below FMR. In rental markets with a shortage of lower priced rental units HUD may approve the use of Fair Market Rents that are as high as the 50<sup>th</sup> percentile of rents.

**Garden apartments** - apartments in low-rise buildings (typically two or four stories) that feature low density, ample open-space around buildings, and on-site parking.

**Gross rent** - the monthly housing cost to a tenant which equals the Contract rent provided for in the lease plus the estimated cost of all Tenant Paid Utilities.

**High-rise** - a residential building having more than ten stories.

**Household** - one or more people who occupy a housing unit as their usual place of residence.

**Housing unit** - house, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

**Housing Choice Voucher (Section 8 Program)** - federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households in the use of the housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

**Housing Finance Agency (FHA)** - state or local agencies responsible for financing housing and administering assisted housing programs.

**HUD Section 8 Program** - federal program that provides project based rental assistance. Under the program HUD contracts directly with the owner for the payment of the difference between the contract rent and a specified percentage of tenants' adjusted income.

**HUD Section 202 Program** - federal program which provides direct capital assistance (i.e. grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

**HUD Section 811 Program** - federal program which provides direct capital assistance and operating of rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 510(c)(3) nonprofit organization.

**HUD Section 236 Program** - federal program which provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80% of area median income who pay rent equal to the greater of Basic Rent or 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.

**Income limits** - maximum household income by county or Metropolitan Statistical Area, adjusted for household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes income limits each year for 30% median. Very low income (50%), and low income (80%), for households with 1 through 8 people.

**Low income** - person or household with gross household income below 80% of Area Median Income adjusted for household size.

**Low income housing tax credit** - a program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and that the rents on those units be restricted accordingly.

**Low rise building** - a building with one to three stories.

**Metropolitan Statistical Area (MSA)** - a geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities have a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

**Mid-rise** - a building with four to ten stories.

**Moderate income** - person or household with gross household income between 80 and 120 percent of area median income adjusted for household size.

**Public Housing or Low Income Conventional Public Housing** - HUD program administered by local (or regional) Housing Authorities which serves low- and very-low income households with rent based on the same formula used for HUD Section 8 assistance.

**Qualified Census Tract (QCT)** - any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of households have an income less than 60% of the area median income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credit may qualify for up to 130% of the eligible basis for the purpose of calculating the Tax Credit allocation.

**Rural Development (RD) market rent** - a monthly rent that can be charged for an apartment under a specific USDA-RD housing program, that reflects the agency's estimate of the rent required to operate the property, maintain debt service on an unsubsidized mortgage and provide an adequate return to the property owner. The rent is the maximum rent that a tenant can pay at an RD Property.

**Rural Development (RD) Program (Formerly the Farmers Home Administration Section 515 Rural Rental Housing Program)** - federal program which provides the low interest loans to finance housing which serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, which is the higher (but not exceeding the market rent). The program may include property based rental assistance and interest reduction contracts to write down the interest on the loan to as low as one percent.

**Single-family housing** - a dwelling unit, either attached or detached, designed for use by one household and with the direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.

**State Data Center (SDC)** - a state agency or university facility identified by the governor of each state to participate in the Census Bureau's cooperative network for the dissemination of the census data.

**Tenant** - one who rents real property from another.

**Tenure** - the distinction between owner-occupied and renter-occupied housing units.

**Townhouse (or Row House)** - single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called row house.

**Very low income** - person or household whose gross household income does not exceed 50% of Area Median Income adjusted for household size.

**Zoning** - classification and regulation of land by local governments according to use categories (zones); often also includes density designations.