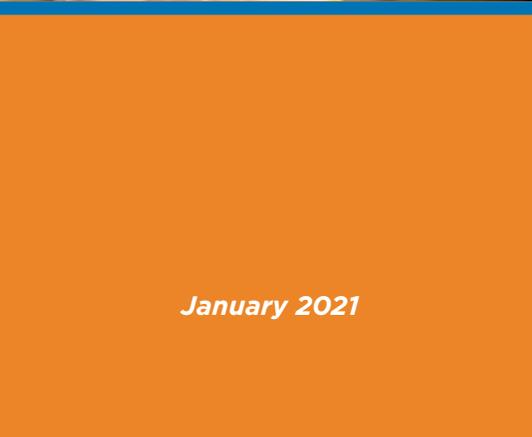


#7 MARKET ANALYSIS FOR LEASING PROFESSIONALS

Participant Guide



January 2021

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SUBJECT MATTER EXPERTS

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The National Apartment Association Education Institute acknowledges the contributions of countless volunteers who made this program possible. We extend our thanks to all and pledge to maintain the CALP credential as the premier standard apartment industry training program for all Leasing Professionals.

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Message to Apartment Leasing Professionals

The Certified Apartment Leasing Professional (CALP) program is designed to teach leasing skills to multifamily residential management professionals. It has been recently enhanced to reflect the changing dynamic of techniques, technology and sales demanded by the responsibilities of this position. Your managers, supervisors and executives understand your importance to the industry. They recognize you as the key to leasing, renewing and serving future and current residents of your communities.

Market Analysis for Leasing Professionals is one course in the CALP series.

The complete set of CALP courses is:

- 1. Bringing in New Residents: Be Prepared**
- 2. Marketing and Maintaining your Community**
- 3. Why Your Competition Matters**
- 4. Relevant Laws and How to Apply Them**
- 5. The Sales Process and Building Relationships**
- 6. Effectively Meeting the Needs of Current Residents**
- 7. Market Analysis for Leasing Professionals**

For more information about this program or any of NAAEI's education programs, ask your instructor, contact your local apartment association, or contact **NAAEI** at **833-86-MYNAA** or **education@naahq.org**.

Course Schedule

The time structure of the course will be:

Component	Time
Module 1 - Market Analysis	1 hour
Module 2 - Market Analysis Math	90 minutes

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Introductions

Welcome to **Market Analysis for Leasing Professionals**, part of the National Apartment Association Education Institute's Certified Apartment Leasing Professional program!

Learning Goals

By the end of this course, you will:

- **Understand market analysis and the role it plays in leasing a community**
- **Apply market knowledge to maximize leasing and retention results**
- **Calculate the key ratios and formulas that define market performance**
- **Analyze market data and make recommendations for community response**

In Course 1 “Bringing in New Residents” you learned about the important attributes of a leasing professional. One of the essential skills you learned was Specialized Knowledge—this is knowledge that separates you from others and distinguishes your ability to help prospects and residents. Three components of specialized knowledge are 1) Market Knowledge, 2) Product Knowledge and 3) Resident Profile. These components are also parts of your market and your ability to analyze markets and take action as a result. We will explore these elements in this Course.

ACTIVITY: IMPACTS

As a leasing professional, you will be better able to assess the long- and short-term impacts on your property if you know what is happening in the greater geographical area. Staying apprised of local events and trends helps you understand where an area is expanding economically or experiencing an economic downturn. Higher incomes and more jobs might lead to a greater demand for housing, while the closing of a major employer could lead to increased competition in neighboring areas. For each of the following characteristics, identify at least one short-term and one long-term impact on a community.

Physical Location

Short-term:

Long-term:

Physical Building

Short-term:

Long-term:

Curb Appeal

Short-term:

Long-term:

Government

Short-term:

Long-term:

Higher Education

Short-term:

Long-term:

Neighborhood

Short-term:

Long-term:

Access

Short-term:

Long-term:

Employment

Short-term:

Long-term:

Utilities

Short-term:

Long-term:

Climate

Short-term:

Long-term:

Medical Access

Short-term:

Long-term:

Module 1 - Market Analysis

In understanding the events and trends described above, a marketing plan is often written to present these conditions and describe in detail how your community will respond. The plan is a key strategic document and road map to success.

The Marketing Plan

The Marketing Plan is a detailed written account and timetable of the objectives and strategies to be used to achieve the community's marketing goals. The purpose of the plan is to differentiate the community from the competition, meet customers desires and expectations, deliver high impact messaging that will impact the customer and distribute information with easy-to-recover multi-tiered methods.

Why Have a Plan?

Typical reasons for utilizing a marketing plan include 1) a critical need such as occupancy drop; 2) repositioning with significant operating changes; 3) specific problem-solving; and 4) sustaining plan for ongoing emphasis.

ACTIVITY: REASONS TO WRITE A MARKETING PLAN

Give three examples for each of the four reasons to create a marketing plan as described above.

1. Critical Need

2. Repositioning

3. Problem-solving

4. Sustaining

The Role of the Leasing Professional

While you may not author the plan, you will be responsible for using the plan to guide your onsite activities. Your community may not even have a marketing plan in place. In this case you will follow the directives of your supervisor and/or marketing team.

Marketing Plan Objectives vs. Strategies

One of the most important aspects of a marketing plan is its ability to clarify distinct goals or objectives and strategies on how to achieve those goals.

Marketing Objectives identify specific goals and define the metrics that will be used to measure whether the goals have been successfully achieved. They answer the question “What?” Goals must be specific, measurable, attainable, timely and relevant.

Examples:

- Increase traffic by 25% for the quarter
- Achieve 24 net move-ins in the next 90 days

Marketing Strategies identify the steps needed to achieve marketing objectives. They answer the question “How?” Strategies should be different from the competitors, impactful to customers and readily seen by customers.

Examples:

(for the objective “Increase traffic by 25% for the quarter”)

- Increase ad placement on Social Media
- Add banner to the website
- Extend office hours
- Sponsor a community service project

Strategies should be written in a way that incorporates all of the five P’s. In Course 3, Why Your Competition Matters, the five P’s were discussed relative to shopping the competition. As a reminder, they are People, Price, Product, Place and Promotion. Marketing strategies should engage all five components. Failing to consider even one might make the plan less effective.

Target Market and Market Segmentation

The marketing plan will identify specifically who the target audience is—who is your prospect and who do you wish to continue as your resident?

By definition, the market is your customer. It describes all current and potential residents who want to live in an apartment community and who are qualified to live there. The market will be based on the type of apartment, the community, rent and fees.

The term “Market Segmentation” describes how the target market is reduced to smaller, more defined sub-markets. These sub-markets may be classified by geography, lifestyle, demographics, psychographics—in any manner so long as the characteristics are not protected by Fair Housing laws. The benefits of market segmentation include tailoring of marketing efforts and the ability to maximize resources while increasing the likelihood of success.

Factors Affecting Target Markets

Following are factors that affect the composition of your target market.

Location – a principle factor in decision-making, location relative to residents’ lifestyles and walkability

Physical characteristics - access to natural resources, utilities and transportation

Unit Size and Layout - includes size of apartment, layout, room arrangement and features

Governmental - zoning, codes and regulatory issues, construction and rental rates

Social - population size, migration, household growth, family sizes, attitudes, interest and opinions

Price - the rental rate fees, amenities, cash outlay to move-in

Economic - job growth, unemployment rates, income growth, access to credit, home affordability

Demographic Characteristics - ages, income, household size, lifestyle, apartment unit configurations (e.g. townhomes, single-family rentals)

Conducting a Market Analysis

A market analysis goes beyond the competitive analysis we explored in Course 3. In fact, you will see the competitive analysis listed below as just one of the components of a market analysis. The analysis may be a part of a larger marketing plan or may simply stand on its own.

The best way to analyze a market and its submarkets is to conduct a thorough investigation of the region, neighborhood, property and its competitors. Many multifamily managers regularly conduct monthly comparable surveys to update pricing and competitor offerings. A market analysis goes into additional detail and looks at the factors that could affect a community's market position. Here are the components of a market analysis.

- **Regional Analysis** - an outline of the economic and demographic characteristics of a property's region; typically, this is the metropolitan area. Typically included in this analysis are populations characteristics; economic conditions and trends; recreation and entertainment, government structure, education and employment. Much of this data can be found through federal, state, county and municipal agencies, chambers and economic development groups.
- **Neighborhood Analysis** - an in-depth look at the area immediate to the property. This analysis looks at many of the same factors as the region, but on a smaller scale. A neighborhood can simply be identified as the geographic area within which prospects and residents live their lives, including employment, shopping, schools, recreation and other services. It can be defined by manmade or natural boundaries. This is often called the Effective Market Area.

- **Property Analysis** - a detailed look at the property itself—its amenities and location, positive and negative aspects of each and how they affect rentals. This analysis allows the opportunity to closely examine the property without prejudice and ask the tough questions that can lead to solutions.

“Are our residents taking advantage of our amenities?”

“Do our competitors attract and retain customers due to additional amenities or upgrades?”

“Do we need to upgrade our property or simply do a better marketing job?”

- **Competitor Analysis** - a comparison of other communities that are considered competition to the subject property. The analysis can help define the subject’s competitive advantage, identify missed opportunities, consider improvements or even reposition the asset. This analysis is most often conducted by looking at competitive surveys, personal visits, photographs, internet research and competitor promotional materials. The purpose of this analysis is to craft both reactive and proactive activities to improve the subject’s competitive position and market share.

ACTIVITY: THE MARKET ON BOSTON AVENUE

The Market on Boston Avenue is a 224-unit multi-family community located on the northern tip of Somewhere, USA within XYZ County. The community is wrapping up construction and receiving the final buildings at this time. The community contains one-, two-and three-bedroom units and is 32% occupied.

Current Community Conditions on March 1

- Keys and availability have been given for five buildings - four additional buildings are not yet complete.
- Leasing began with first move-ins on 1/12.
- Pets were allowed with a \$1,000 deposit. This has been dropped to \$500 as of 3/1.
- Leasing Professional Julie is handling the office. During a recent visit, the phone rang constantly and Julie handled one client after another. One person was trying to move in.

- ABC Data reports February occupancy in the submarket market is 93% for all property types. Concessions are being offered at 22% of the submarket properties and have an average (-5%) effect on market rents.
- Incentives: No rental incentives are currently being used.
- One banner is up at the entry gate, but second banner for rooftop needs to be installed ASAP. We occupy a hill and have great visibility!
- Monument sign is not in.



If you were a leasing professional assigned to this property, what would be your most urgent recommendations regarding the Current Community Conditions? Provide one each for People, Product, Price, Promotion and Place.

People

Product

Price

Promotion

Place

Media

- Ensure one person is responsible for managing all social media sites and ILS partners. Use response and information to drive interest.
- Website enhancement
 - Use *REAL* photos - one of our ILS's has them; let's use them
 - Add banners for specials?
- Evaluate current ILS advertising for effectiveness
- Evaluate potential of Craigslist or Greensheet or similar presence
- Ads and flyer branding can sell our competitive advantages:
 - "Your New Home Awaits!!!"
 - "Live at the Top of the Hill"
 - "Above it All!"
 - "Now Accepting Reservations"
 - "Close to Everything but Away from It All!"



**What would you recommend to enhance your media exposure?
Provide three specific suggestions.**

Community

- Maximize membership in the Chamber of Commerce



In addition to the Chamber of Commerce partnership, what other five community organizations could be strategic partners for this community?

Resident Retention

- Begin now to offer resident events to properly welcome newcomers to the community.
- Confirm the status of the promised on-site resident concierge.
- As we build our B2B discount partners - introduce the residents to “our partners.”

What new and different activities and benefits would you design for your growing resident profile? Offer at least six ideas of varying types (i.e. benefits, memberships, incentives, activities, etc.).

Business to Business Partners

The area around the community is a mixed bag of empty retail space and older businesses, but there are possible partnerships available.



List the kind of businesses you would look for in a business partner. Be specific about at least 5 types.

Operations Update

- The community is hiring an additional office staff member. This is urgent!
- Ensure the front door appearance is perfect. Door around handle needs a paint touch-up. Consider a handle plate for the long term.
- Office and clubhouse are beautiful but require the touch of a maid – office staff not likely able to do this. Consider a maid service for this as well as final cleans for our move-ins. Keep this appearance sharp.
- The community will now be open Saturday (10-4) and Sunday (1-5).
- Keep an eye on cancels and rejects to ensure we are not losing people unnecessarily.
- CCC Company has been hired to pick up the phone. Ensure a live person is responding and that this person has complete and up-to-the minute information about criteria and availability.



Is the Operations Update headed in the right direction? Are the planned activities above adequate to ensure this property's success? If this were your community, what two additional areas would you add to this list?

SUMMARY

Market analysis is a key component of your specialized knowledge as a Leasing Professional. The region, neighborhood, property and competitors all impact the success at your community.

By applying this knowledge you will be able to maximize leasing and retention results.

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Module 2 - Market Analysis Math

Today's technology provides the leasing professional with a broad spectrum of analytics that measure response, outreach, prospect psychographics, website utilization, lead harvesting and a growing access to artificially intelligent solutions. The results allow the leasing professional and others to react and even predict leasing activity.

At the core of these capabilities is math—the study of ratios and relationships between components. As a leasing professional it is not enough to read the result—you must understand both the source and how the components interrelate. In this module we will equip you with the mathematical relationships that are the foundation of your role.

ACTIVITY: MARKETING MATH ROUNDUP I

Find a partner and work together to complete each of these examples describing the math of marketing.

Effective Rent Calculation

Market Terms and Formulas: Market (or Gross) Rents and Effective (or Net) Rents

Market Rents - rental rates quoted to the public and calculated either manually or by automated revenue management systems. Also called Gross Rents or Gross Potential Rent.

Effective Rents - rental rates reduced by incentives or concessions applied. Also called Net Rent. Both net and market rents should be included in a comparable rent analysis.

Rental Concessions - a concession is typically a rental discount applied to market rent as an incentive to rent the apartment or renew the lease. Concessions in the marketplace are often copied at area comps so it can become characteristic for the area and expected by the prospects. Concessions, when applied to market rent, create a net or effective rent.

EFFECTIVE RENT CALCULATION

Calculate Effective Rent and Effective Rent per square foot.

No. of Units	Unit Type	Market Rent	Total Rent/Type	Annual Market Rent/Type	Square Footage	Total SF/Type	Monthly Rent/SF
64	One Bedroom, One Bath	\$1,307			763		
22	One Bedroom, One Bath	\$1,468			901		
65	One Bedroom, One Bath	\$1,255			822		
3	One Bedroom, One Bath	\$1,365			822		
24	One Bedroom, One Bath	\$1,390			973		
3	One Bedroom, One Bath	\$1,477			884		
24	Two Bedroom, Two Bath	\$1,429			947		
2	Two Bedroom, Two Bath	\$1,435			947		
9	Two Bedroom, Two Bath	\$1,674			1073		
40	Two Bedroom, Two Bath	\$1,598			1086		
256	TOTAL OR AVERAGE						

Concessions

Concessions (creating Effective Rent) may be applied in a lump sum in a single month or prorated each month over the term or any portion of the term of the lease. Here's an example:

1 Month Rent Concession

\$1,200	Lump Sum	Prorated
Month 1 Rent	\$ 0	\$1,100
Month 2-12 Monthly Rent	\$1,200	\$1,100
Total Lease Value	\$13,200	\$13,200

Unit Mix - an itemized listing of all units at a community, sorted by unit type, configuration, square footage for each type, market rent and number of units by type. Square footages and rents are multiplied by the number of each type to get a total amount by type. Note that you completed a Unit Mix for a property on your Community Comparable form in a Course 3 Activity.

Rent Schedule - a current unit mix reflecting the current market rates multiplied to reflect total market rent for the property.

Rent per Square Foot - the amount of rent per square foot in the apartment is a universal way to make a pricing comparison. Monthly rent is divided by the square footage in the apartment. Smaller apartments generally have a high rent per square foot.

EFFECTIVE RENT WITH CONCESSIONS CALCULATION

Calculate Effective Rent and Effective Rent per square foot. Use the following concession program to calculate: One-bedroom units receive one month free on a 12-month lease and two-bedroom units receive two months free on a 12-month lease.

No. of Units	Unit Type	Market Rent	Concession Amount	Effective Rent	Square Feet	Market Rent Per Square Feet	Effective Rent Per Square Feet
		Monthly					
64	One Bedroom, One Bath	\$1,307			763		
22	One Bedroom, One Bath	\$1,468			901		
65	One Bedroom, One Bath	\$1,255			822		
3	One Bedroom, One Bath	\$1,365			822		
24	One Bedroom, One Bath	\$1,390			973		
3	One Bedroom, One Bath	\$1,477			884		
24	Two Bedroom, Two Bath	\$1,429			947		
2	Two Bedroom, Two Bath	\$1,435			947		
9	Two Bedroom, Two Bath	\$1,674			1073		
40	Two Bedroom, Two Bath	\$1,598			1086		
256	TOTAL AVERAGE						

ACTIVITY: MARKETING MATH ROUNDUP II ADDITIONAL MARKETING FORMULAS THAT MEASURE PERFORMANCE

Fill in the answers in the third column to each sample of the following definitions.

New leases/traffic - number of new leases in a period as a percent of total qualified traffic. Traffic may be divided into physical or digital.

Walk-In Traffic this Month	Leases from the Walk-In Traffic	New Leases/Traffic
79	27	

Cost/lease - total cost of marketing in a period as a percent of total leases. Measures the effectiveness of marketing dollars in securing new leases. Can also be used as a percentage of renewals to dollars spent on renewal activities.

Walk-In Traffic this Month	Monthly Marketing Expense - all Sources	Leases from the Walk-In Traffic	Cost per Lease
79	\$3,252	27	

Cost/traffic by source - the number of traffic in a period as a percentage of cost by source. Measures the effectiveness of marketing sources.

Walk-In Traffic this Month	Marketing Source	Cost of Marketing	Marketing Cost per Source
33	Apartments.com	\$825	
24	Sign Spinner	\$725	
6	Employer Visits	\$1,215	
16	Food Drive	\$487	

Closing ratios - the number of closed leases in a period as a percentage of total prospects. Measured for the entire leasing team and by leasing professional as the best form of personal performance.

Walk-In Traffic this Month	Employee	Leases Closed	Closing Ratios
19	CALP #1	8	
26	CALP #2	5	
34	CALP #3	14	
79	TOTAL TEAM	27	

Pre-leases to NTV's - measures the pre-leases completed in a period as a percentage of available units on notice to vacate. An advantageous position so that the property stays leased.

Units on Notice in Hand	NTV Units Preleased	Preleased %
34	12	

Turnover - measures the number of move out in a given period as a percentage of total units. Determining turnover including what units, residents and reasons are causing move-outs can help to minimize lost units.

Units Moved out This Year	Total Property Units	Turnover %
173	367	

ACTIVITY: MARKETING MATH ROUNDUP III

Three Types of Occupancy

The leasing professional may be very familiar with the term “physical occupancy” and may also be familiar with “leased occupancy,” but the CALP must understand the “economic occupancy” of the community.

Physical Occupancy - this term describes the percentage of all units that are occupied. The rate is determined by dividing the number of units that are occupied by the total number of units in the property.

For example: a 268-unit property with 256 units occupied would be 95.5% occupied ($256/268 = .955223....$ or 95.5%)

Leased Occupancy or Percent Leased – this term describes the number of units at a property that have a current lease covering the current or future occupancy as a percentage of total units. The formula considers several components:

Total Occupied Units with a Lease
LESS Occupied Units on Notice to Vacate
PLUS Occupied units on Notice to Vacate that are already Preleased
PLUS Vacant Units Leased for Future Occupancy
EQUALS Total Leased Units

Using the physical example above:

256	units occupied
-9	on notice to vacate
+2	NTV's that are preleased
+4	Vacant units with leases for future
= 253	units with active leases
= 94.4%	Leased ($253/268 = .9440298...$ or 94.4%)

This 268-unit property then is 95.5% physically occupied and 94.4% leased, indicating that there are currently occupied units that will soon no longer have a lease covering them. This means there is an opportunity for you to pre-lease these upcoming notices!

Economic Occupancy – this term describes how Financially occupied the property is by measuring how much rent is being collected as a percentage of total rents possible to be collected. In the above example, our property could be 95.5% occupied, but if only half of the rents are being collected, it could be 50% economically occupied. That would not be a good situation for any property!

Previously we spoke about effective rent and the impact of concessions on rent. The leasing professional may not set the rents, but may be applying concessions as a part of their leasing practices. When a concession is applied to rent, it lowers the rent AND lowers the economic occupancy! If a property is giving half off the first month's rent—then economic occupancy for that month for that unit is 50%. In addition to concessions reducing market rent, vacancy, bad debt or delinquencies can reduce the number! From our previous example:

Gross Potential Rent	\$436,738 (monthly market rent at the time)
Concessions	\$38,021
Vacancy	\$21,388
Bad Debt	\$2,447
Total Rent Revenue	\$374,882 (total actual rent collected)
Economic Occupancy	$(374,882/436,738) = .858368...$ or 85.8%

Looking at all the numbers, our example property could be 95.5% physically occupancy; 94.4% leased and 85.8% economically occupied. The economic occupancy shows that rents that could be collected are being lost to vacancy, concessions or bad debt. The leasing professional must understand the relationship between occupancy, leases and rental dollars. Here's another example:

Calculate which property makes more money. Both have 300 units.

Property A

95% Occupied
\$50 off monthly rent
\$800 average rent

Property B

90% Occupied
\$0 off
\$875 average rent

Clearly, physical occupancy does not guarantee financial or economic performance. Additional vacancy, if small, can actually build revenue with higher market rents. Your role as a leasing professional is to understand and sell the value of the community you represent, especially if your market rent is higher than the competition. Believe in your community! It makes a significant financial impact for your owners.

CASE STUDY ANALYSIS

Throughout this course, you have learned the vital importance of market analysis and the mathematical relationships that reflect marketing performance. It's time now to put your analytical skills to work.

You will use the CALP Market Survey Case Study to analyze and make recommendations to maximize the Subject's performance in the market.

You may already see market studies for your own community on a regular basis. They may be produced by a marketing department or even a third-party partner similar to the partner who produced our Asbury Park study. While you may not actually create the report itself, you must be able to read the findings and determine strategies to improve your community's performance. This is exactly what you will do during this final Analysis exercise.

The Asbury Park Case Study asks you to use the market information in the study to answer questions and address pricing, location and competitor issues. You will use what you learned in the previous courses in CALP to answer questions and make recommendations about the subject community, Asbury Park.

The study is divided into sections titled at the top of the page. Use the titles below to locate the correct section in the study and then answer the question(s). Follow your facilitator’s instructions on how to complete the form and review answers.

SECTION/QUESTION	ANSWER	WHY/EXPLAIN
Market Survey Summary		
Is the newest property gaining or losing occupancy?		
Is the subject ahead of or behind the comparable average occupancy and by what percent?		
Property Summaries		
At which properties do prices change daily and why?		
Map		
If you worked in downtown Wilmington on the river, which property would be closest to your work?		
Market Rent Charts		
Why is the oldest property’s rent per square foot higher than the newest property?		
Village Square has market rent per square foot of \$1.20. Asbury Park’s market rent per square foot is \$1.15. Which has a higher market rent?		
Net Rent Charts		
Why is the average Market Rent per square foot the same as the average Effective Rent per square foot?		

SECTION/QUESTION	ANSWER	WHY/EXPLAIN
Nearby New Construction		
Five new properties are under construction near the Subject. Explain why none of them will be comparable to the Subject.		
Prospective resident Bobby is a student and eats out often. To which two communities would he be more attracted?		
Amenities		
Mary has a poodle she loves to play with outdoors. At which property might she be the least interested?		
If I was a jogger where might I want to live?		
Which property offers in-unit washers and dryers?		
During leasing demonstration at the Subject, what 3 amenities should the Professional be sure to emphasize?		
What feature at Ridge View would be most attractive to a mobility-impaired prospect?		

MODULE SUMMARY

As a leasing professional, you will have access to a wide variety of marketing reporting, dashboards and business intelligence. Percentages and ratios give insight into community performance.

By knowing and applying the math behind the reports you will be better able to interpret results and drive response!

Course Summary

Market analysis is much more than reviewing data or quickly scanning a report. Market analysis takes both market and product knowledge and the critical ability to convert data into action. As a Certified Apartment Leasing Professional, you contribute extraordinary value when you can calculate performance factors, consider long- and short-term impacts and create both objectives and strategies that ultimately lead to maximized rents and occupancy. Cost per lease, traffic by source and effective rents offer the truest picture of your community's performance and your contribution!

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