



# FY 2025 FAIR MARKET RENT DOCUMENTATION SYSTEM

## The FY 2025 Lowell, MA HUD Metro FMR Area FMRs for All Bedroom Sizes

Final FY 2025 & Final FY 2024 FMRs By Unit Bedrooms					
Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2025 FMR	\$1,537	\$1,709	\$2,242	\$2,701	\$2,972
FY 2024 FMR	\$1,369	\$1,518	\$1,995	\$2,412	\$2,657

Billerica town, Massachusetts is part of the Lowell, MA HUD Metro FMR Area, which consists of the following towns: Billerica town (Middlesex County), MA; Chelmsford town (Middlesex County), MA; Dracut town (Middlesex County), MA; Dunstable town (Middlesex County), MA; Groton town (Middlesex County), MA; Lowell city (Middlesex County), MA; Pepperell town (Middlesex County), MA; Tewksbury town (Middlesex County), MA; Tyngsborough town (Middlesex County), MA; and Westford town (Middlesex County), MA. All information here applies to the entirety of the Lowell, MA HUD Metro FMR Area.

### Fair Market Rent Calculation Methodology

*Show/Hide Methodology Narrative*

Fair Market Rents for metropolitan areas and non-metropolitan FMR areas are developed as follows:

- 1. Calculate the Base Rent:** HUD uses 2018-2022 5-year American Community Survey (ACS) estimates of 2-bedroom adjusted standard quality gross rents calculated for each FMR area as the new basis for FY2025, provided the estimate is statistically reliable. For FY2025, the test for reliability is whether the margin of error for the estimate is less than 50% of the estimate itself and whether the ACS estimate is based on at least 100 survey cases. HUD does not receive the exact number of survey cases, but rather a categorical variable known as the count indicator indicating a range of cases. An estimate based on at least 100 cases corresponds to a count indicator of 4 or higher.

If an area does not have a reliable 2018-2022 5-year estimate, HUD checks whether the area has had at least 2 minimally reliable estimates in the past 3 years, or estimates that meet the 50% margin of error test described above. If so, the FY2025 base rent is the average of the inflated ACS estimates.

If an area has not had a minimally reliable estimate in the past 3 years, HUD uses the estimate for the area's corresponding metropolitan area (if applicable) or State non-metropolitan area as the basis for FY2025.

- 2. Calculate the Basis for Recent Mover Adjustment Factor:** HUD calculates a recent mover adjustment factor by comparing an ACS 2022 1-year 40th percentile recent mover 2-bedroom rent to the ACS 2018-2022 5-year 40th percentile adjusted standard quality gross rent. If either the recent mover and non-recent mover rent estimates are not reliable, HUD uses the recent mover adjustment for a larger geography. For metropolitan areas, the order of geographies examined is: FMR Area, Entire Metropolitan Area (for Metropolitan Sub-Areas), State Metropolitan Portion, Entire State, and Entire US; for non-metropolitan areas, the order of geographies examined is: FMR Area, State Non-Metropolitan Portion, Entire State, and Entire US. The recent mover adjustment factor is floored at one.

HUD first examines recent movers who have moved within the current year of the ACS survey. If there is no reliable local area estimate, HUD then examines those who have moved into their residence within the current year or preceding year of the ACS survey. Upon determining a reliable recent mover estimate, HUD calculates the appropriate recent mover adjustment factor between the 5-year data and the 1-year data.

- 3. Adjust for Inflation:** In order to calculate rents that are "as of" 2023, HUD applies a gross rent inflation adjustment factor using data from commercial rent data sources and the Consumer Price Index. HUD uses a local measure of private rent inflation for markets that are covered by at least three of the six available sources of private rent data. HUD combines this local measure of rent inflation with either the local metropolitan area CPI rent of primary residence for the 23 areas where such data exist, or the regional CPI rent in areas without a local index.

For areas without at least three of the six private rent data sources available, HUD uses a regional average of private rent inflation factors alongside the regional CPI rent of primary residence. HUD constructs the regional average by taking the rental unit weighted average of the change in rents of each area in a region that does have private rent data coverage. HUD averages the private and CPI shelter rent data with the year-to-year change in the CPI housing fuels and utilities index for the area in order to make the resulting inflation measure reflective of gross rents.

The private and CPI gross rent update factors are then combined using a weighting scheme which controls the national weighted average of the private and CPI gross rent factors to the national change in the ACS recent mover gross rent. The resulting weights assigned are as follows:  $W_{2023} = 0.7499$  assigned to the private gross rent factor and  $(1 - W_{2023}) = 0.2501$  assigned to the CPI gross rent factor.

- 4. Calculate the Trend Factor:** To further inflate rents from CY2023 to FY2025, HUD uses a "trend factor" based on the forecast of CPI gross rent changes through FY2025.
- 5. Multiply the Factors:** HUD multiplies the base rent by the recent mover factor, the gross rent inflation factor, and the trend factor to produce a rent that is "as of" the current fiscal year.
- 6. Compare to the State minimum:** FY2025 FMRs are then compared to a State minimum rent, and any area whose preliminary FMR falls below this value is raised to the level of the State minimum.



# FY 2025 FAIR MARKET RENT DOCUMENTATION SYSTEM

## The FY 2025 Lowell, MA HUD Metro FMR Area Small Area FMRs

The following are the steps used to calculate the 2-Bedroom Small Area Fair Market Rent of \$3,250 for ZIP Code 01876.

1. Evaluate the reliability of the current 5-year ACS Adjusted Standard Quality (ASQ) 40<sup>th</sup> percentile 2-Bedroom gross rent. If the estimate has a margin of error ratio of less than 50% and at least one hundred survey cases, use this as the ZCTA base rent for the SAFMR for the current year.
2. If the 2-Bedroom rent is not reliable, evaluate the 1-Bedroom gross rent. If this estimate is reliable, convert it to a 2-Bedroom rent using the appropriate bedroom ratio of the parent HUD metropolitan area or relevant non-metropolitan county.
3. If the 2 and 1-Bedroom rents are not reliable, evaluate the 3-Bedroom gross rent. If this estimate is reliable, convert it to a 2-Bedroom rent using the appropriate bedroom ratio of the parent HUD metropolitan area or relevant non-metropolitan county.
4. Repeat the above three steps for the previous two ACS years. If a ZIP code has reliable 2-Bedroom equivalent rents in at least two or the three ACS years, update the non-current year ACS estimates for inflation, and take the average of the reliable estimates as the base rent for FY2025.
5. Calculate a FY2025 Small Area Fair Market Rent by multiplying this base rent by the recent mover factor, the gross rent inflation update factor, and the forecasted trend factor.
6. If the ZIP code does not have a reliable base rent, evaluate the quality of its 5-year ACS Adjusted Standard Quality (ASQ) median all bedroom gross rent for the previous three ACS years. If at least two of these three estimates are reliable, calculate ratios of the ZIP code median gross rent estimate to that of the ZIP code's parent HUD metropolitan area or relevant non-metropolitan county. Take the average of these ratios. If the ZIP code does not have reliable ZIP code median gross rents, examine the reliability of the ZIP code's parent county. If at least two of these three estimates are reliable, calculate ratios of the county median gross rent estimate to that of the county's parent HUD metropolitan area or relevant non-metropolitan county. If county level estimates are not reliable, set the ratio to 1.
7. If necessary, apply the ZIP code rent ratio to the FY2025 2-Bedroom Fair Market Rent for the ZIP code's parent HUD metropolitan area or non-metropolitan county.
8. Ensure that the 2-Bedroom SAFMR does not exceed 150% of the parent HUD metropolitan FMR or relevant non-metropolitan county FMR.
9. Ensure that the 2-Bedroom SAFMR is not lower than the ZIP code's parent state minimum FMR.
10. Calculate SAFMRs for other bedroom sizes using the bedroom ratios for the ZIP code's parent HUD metropolitan area or non-metropolitan county.
11. Ensure that the SAFMRs do not fall below the appropriate 90% floor.

### The FY 2025 Lowell, MA HUD Metro FMR Area Small Area FMRs for All Bedroom Sizes in ZIP Code 01876

FY2025 SAFMRs By Unit Bedrooms				
Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
\$2,230	\$2,480	\$3,250	\$3,920	\$4,310

The remainder of this page provides complete documentation of the development of the Final FY 2025 2 Bedroom Small Area Fair Market Rent (FMR) for 01876 within the Lowell, MA HUD Metro FMR Area.

1. Evaluate the bedroom size estimates of 40<sup>th</sup> percentile gross rent for 01876.

ACS Release	Bedroom Size	Adjusted Standard Quality Estimate of 40 <sup>th</sup> Percentile Gross Rent for 01876	Adjusted Standard Quality Margin of Error of 40 <sup>th</sup> Percentile Gross Rent for 01876	Adjusted Standard Quality count indicator of 40 <sup>th</sup> Percentile Gross Rent for 01876	Margin of Error Ratio	Reliable?	Two Bedroom Adjustment, if applicable	Inflation Adjustment, if applicable
2022	2-Bedroom	\$2,232	\$217	1	$\frac{\$217}{\$2,232} = 0.10$	No	N/A	N/A
	1-Bedroom	\$2,149	\$72	1	$\frac{\$72}{\$2,149} = 0.03$	No	\$2,819	N/A
	3-Bedroom	\$2,532	\$778	1	$\frac{\$778}{\$2,532}$	No	\$2,284	N/A