

# PENNSTATION FLATS

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Eric Maudlin-Jeronimo

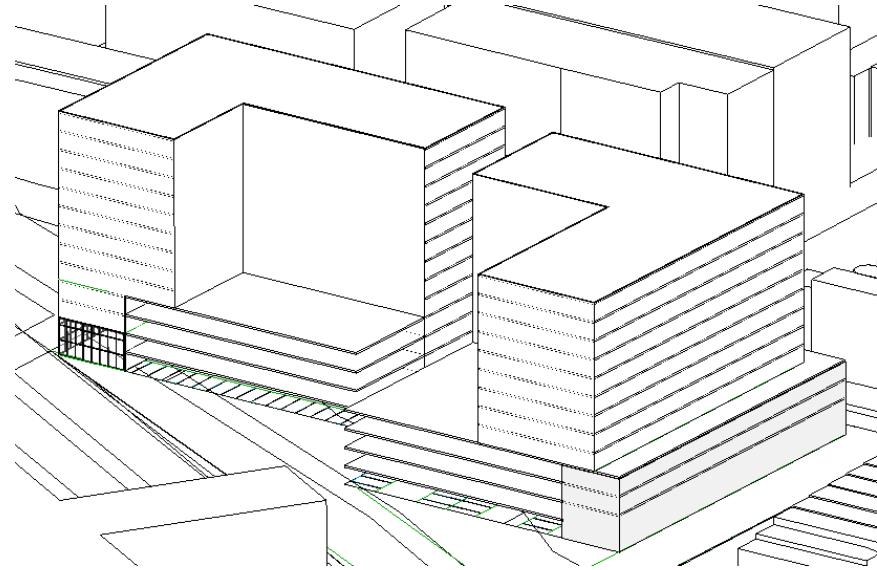


*Mentor: Tim Pula Architect: Meghan Leahy*

# OVERVIEW

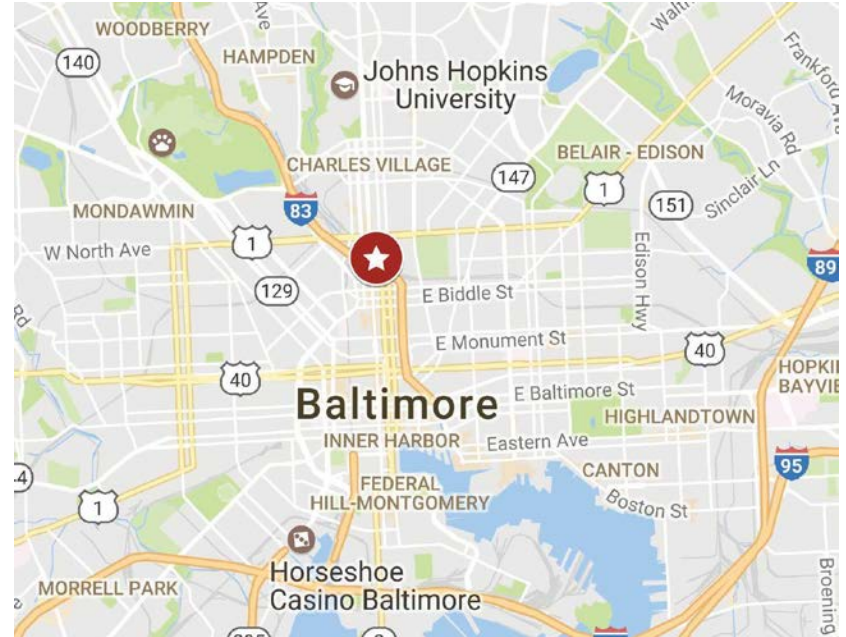
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- ❑ Lanvale Site at Penn Station
- ❑ \$103 million mixed-use
  - 358 Class A Residential Units
  - Grocery Store & Amtrak Parking
- ❑ Millennial Amtrak Commuter
- ❑ 3 ½ Year Development
- ❑ 19.5% Leveraged - IRR



# LOCATION

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# PROJECT SITE

- ❑ 1 E Lanvale +  
Subdivided land
- ❑ 130,000 square feet
- ❑ Owned by Amtrak
- ❑ Ground Lease



# AMTRAK

- ❑ New faster trains
- ❑ Increased Acela Express
- ❑ Ridership double by 2040



## Travel Times

<u>City</u>	<u>Miles</u>	<u>Car</u>	<u>Train</u>
DC	47	1 h	<b>34 min</b>
Philadelphia	108	1h 40min	<b>1 h</b>
NY	200	3h 30min	<b>2h 43min</b>



# MARKET ANALYSIS

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<u>Population Demographics</u>			
	<u>2000</u>	<u>2014</u>	<u>20-44 yr old</u>
Baltimore City	651,000	622,000	38.40%
Baltimore County	754,000	817,000	20.40%
Washington D.C.	572,000	633,000	45%

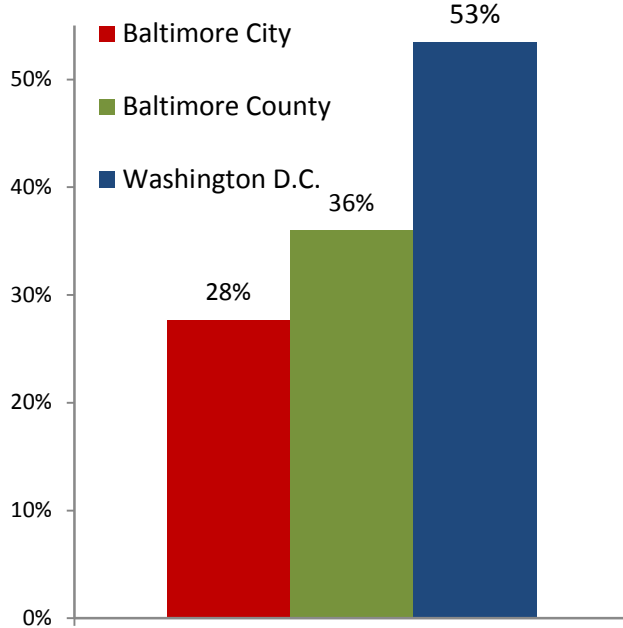
Population Demographics: - 2000 Census & 2014 ACS

<u>Commuting</u>			
	<u>Avg Time</u>	<u>% Driving Alone</u>	<u>% Public Transportation</u>
Baltimore City	30.1	60.4%	18.2%
Baltimore County	29.1	79.4%	4.7%
Washington D.C.	29.8	34.0%	<b>38.0%</b>

Commuting Demographics: 2014 ACS

# MARKET ANALYSIS

## Bachelors Degree or Higher



25+ years old  
Education Attainment – 2014 ACS

<u>2014 ACS</u>	Mean Household Income	Unemployed	Poverty
Baltimore City	\$60,335	13.9%	24.2%
Baltimore County	\$87,861	5.0%	9.1%
Maryland	\$97,135	5.5%	10.0%
Washington D.C.	\$104,615	10.6%	18.2%

Economic Characteristics – 2014 ACS

# APARTMENT ANALYSIS

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## Competitive Properties

<u>Name</u>	<u>Address</u>	<u>Class</u>	<u>Stars</u>	<u>Units</u>	<u>Avg Unit</u>	<u>Built</u>	<u>Walk score</u>	<u>Transit score</u>	<u>Distance to Penn Station</u>
<i>The Fitzgerald at UB</i>	1201 W Mount Royal Ave	A	5	275	856	2010	90	80	0.3 miles
<i>Remington Row</i>	2700 Remington Avenue	A	4	108	923	2016	81	62	2 miles
<i>Icon Residences at The Rotunda</i>	727 W 40th Street	B	4	379	863	2016	89	50	3.2 miles
<i>Mill No. 1</i>	3000 Falls Road	A	4	84	1,018	2013	68	48	1.6 miles

CoStar



# APARTMENT ANALYSIS

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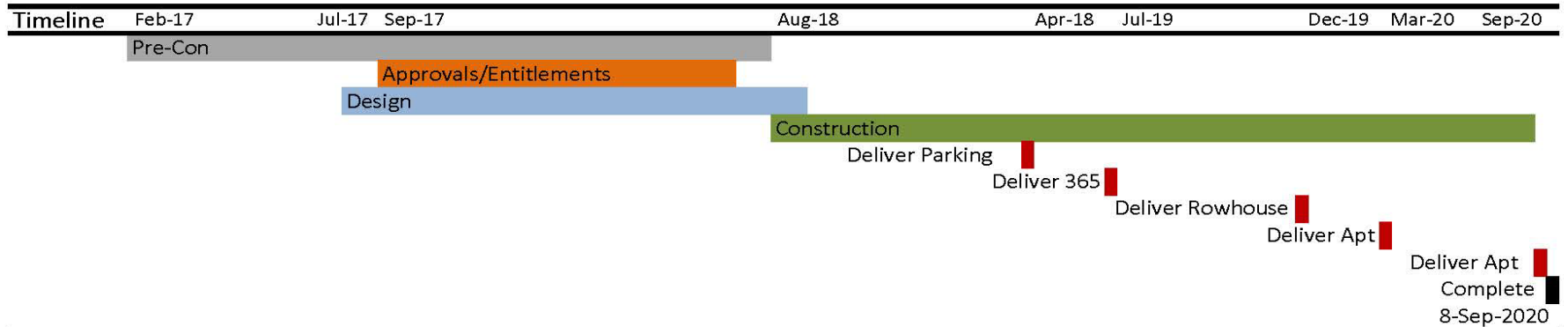
## Competitive Rents 2016

<u>Name</u>	<u>Studio sf</u>	\$/month	\$/sf	<u>1 Bed sf</u>	\$/month	\$/sf	<u>2 Bed sf</u>	\$/month	\$/sf
<i>The Fitzgerald</i>	569	<b>\$1,713</b>	<b>\$3.01</b>	759	<b>\$1,470</b>	\$1.94	1,121	<b>\$2,090</b>	\$1.86
<i>Remington Row</i>				821	<b>\$1,610</b>	\$1.96	1,111	<b>\$1,919</b>	\$1.73
<i>The Rotunda</i>	583	<b>\$1,413</b>	\$2.39	753	<b>\$1,680</b>	<b>\$2.22</b>	1,178	<b>\$2,643</b>	<b>\$2.24</b>
<i>Mill No. 1</i>	831	<b>\$1,716</b>	\$2.06	929	<b>\$1,951</b>	\$2.09	1,143	<b>\$2,237</b>	\$1.97

CoStar

# DEVELOPMENT SCHEDULE

- ❑ Duration: 3 ½ years
- ❑ Start: Feb 2017
- ❑ Finish: Sept 2020
- ❑ Pre-construction, entitlements & approvals
  - 1 ½ years
- ❑ Construction
  - 2 years



# ENTITLEMENTS & APPROVALS

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Zoned B-5-2

Minor Subdivision

Ground Lease

## Ground Lease Terms - Amtrak

3.0% of EGI

Initial Payment

Year 1

Year 2

Year 3

Year 4

Year 5

\$ 3,500,000

\$ 211,232

\$ 307,292

\$ 324,372

\$ 334,043

\$ 344,718

Year 6

Year 7

Year 8

Year 9

Year 10

Total

\$ 354,978

\$ 365,545

\$ 376,430

\$ 387,641

\$ 399,189

\$ 6,905,439

# ENVIRONMENTAL

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## ❑ 2012 International Green Construction Code (IgCC)

- Energy Efficiency
  - VAV system, Auto-DR
- Water Conservation
  - Energy Star
- Bicycle/Pedestrian Path
- Long Term Bike Storage
- 50% Native Plants
- 50% building material
  - Indigenous or bio based



# CONSTRUCTION

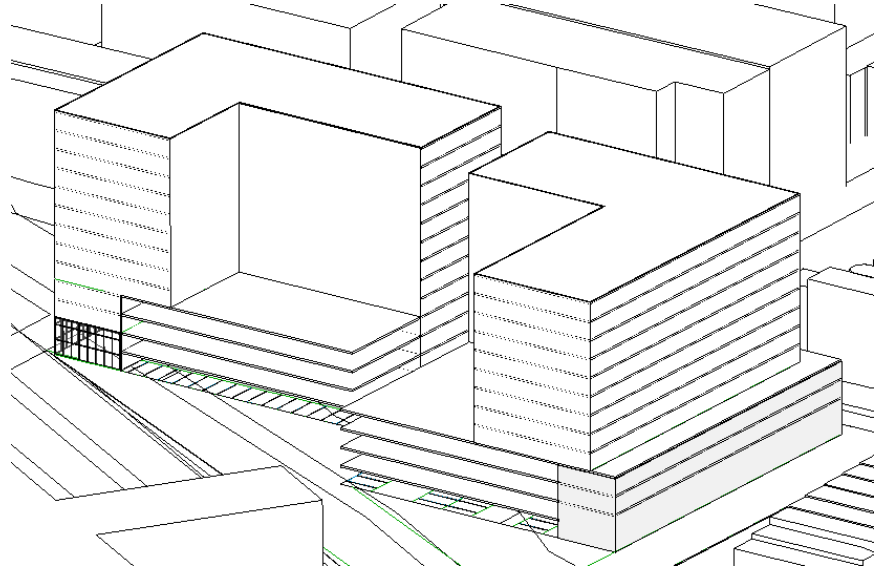
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❑ 463,155 sf

❑ 2 Buildings

❑ 12 Story Concrete

❑ 3.57 FAR

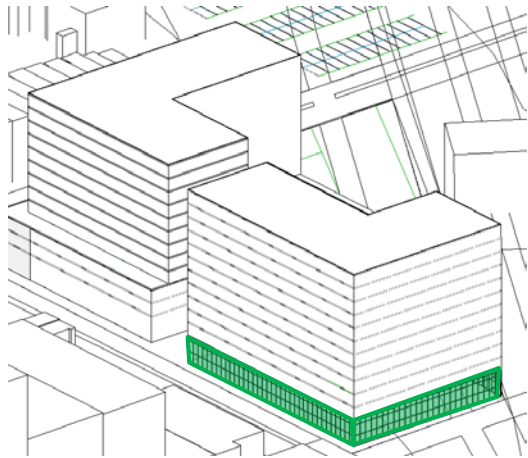


# AMTRAK PARKING

- ❑ 330 Parking Spaces
  - Pre-cast structured garage
- ❑ 3<sup>rd</sup> Party Managed
- ❑ 59,400 sf
  - 180 sf per space

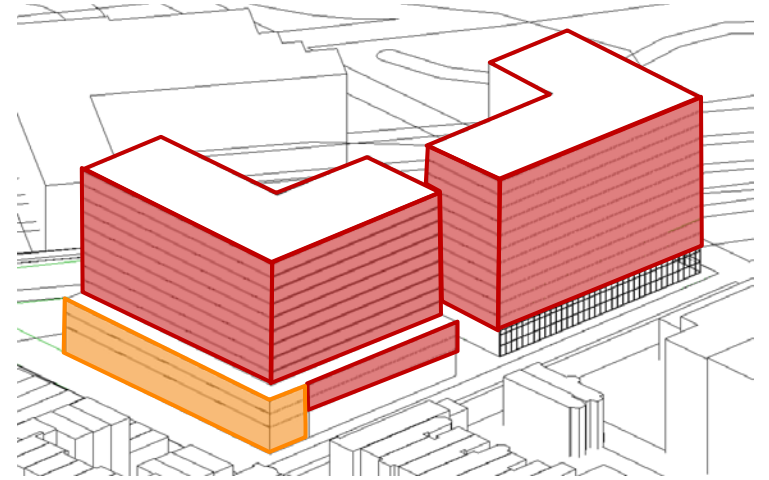


# 365 BY WHOLE FOODS MARKET



# RESIDENTIAL UNITS

<u>358 Units</u>	<u>#</u>	<u>sf</u>	<u>%</u>	<u>\$/Unit</u>	<u>\$/sf</u>
Studio	174	600	48.6%	\$1,725	\$2.88
One Bedroom	134	900	37.4%	\$2,250	\$2.50
Two Bedroom	28	1,200	7.8%	\$2,550	\$2.13
Rowhouse	22	1,224	6.2%	\$2,700	\$2.21
<i>Total</i>	358	798			
Parking	82			\$150	

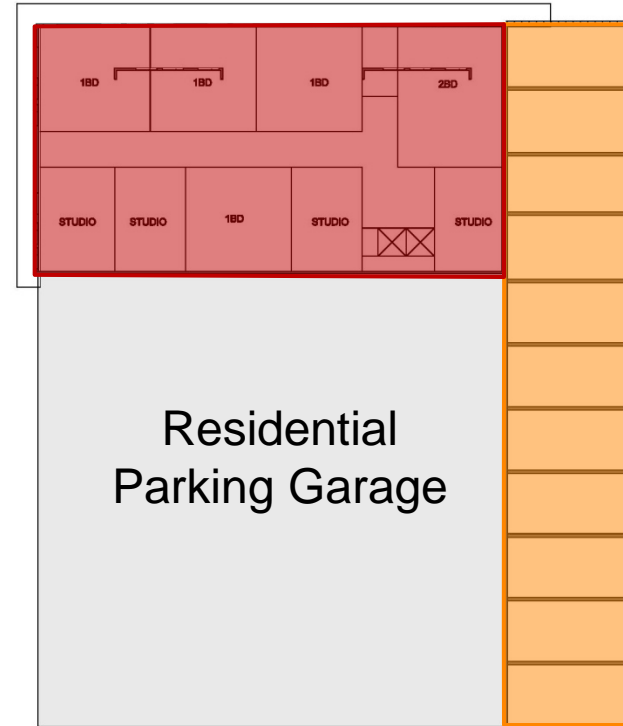




# RESIDENTIAL FLOORS 2-3



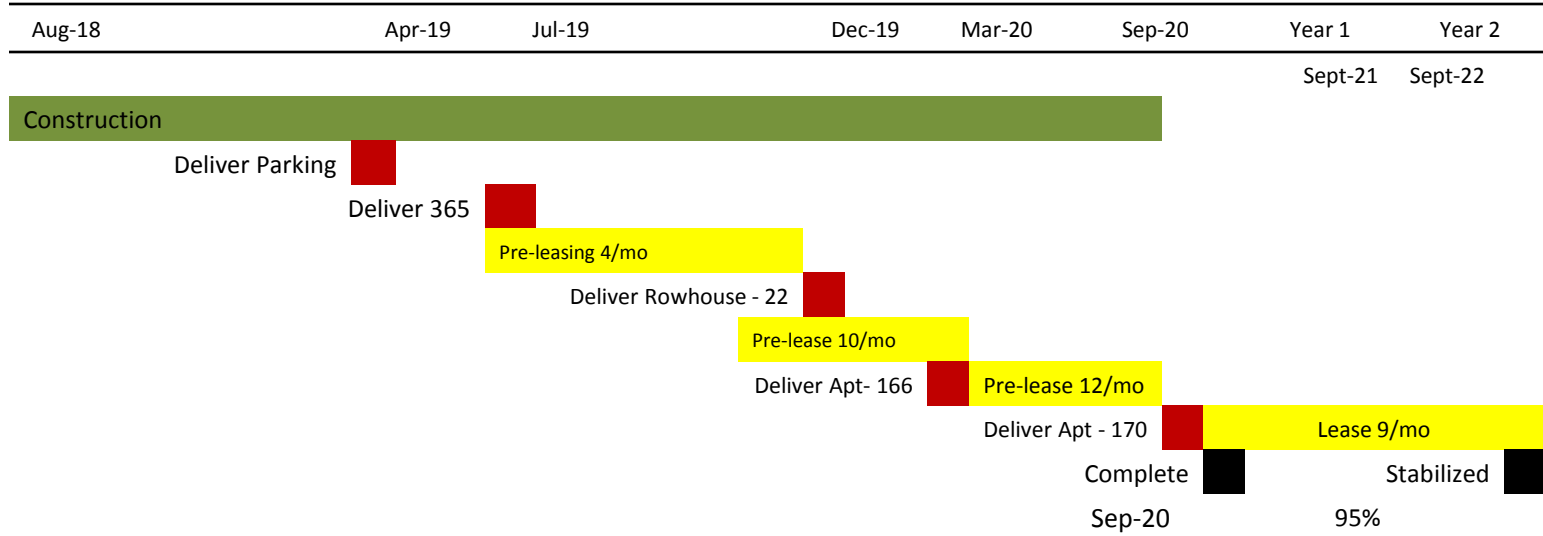
160 TOTAL SURFACE



# RESIDENTIAL FLOORS 4-12



# LEASE-UP

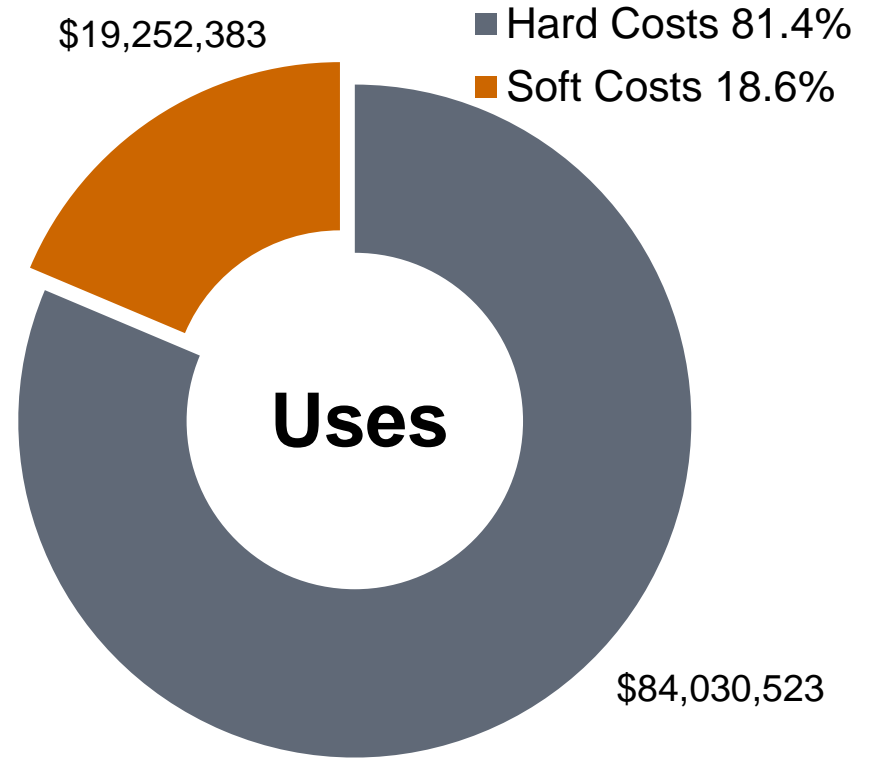
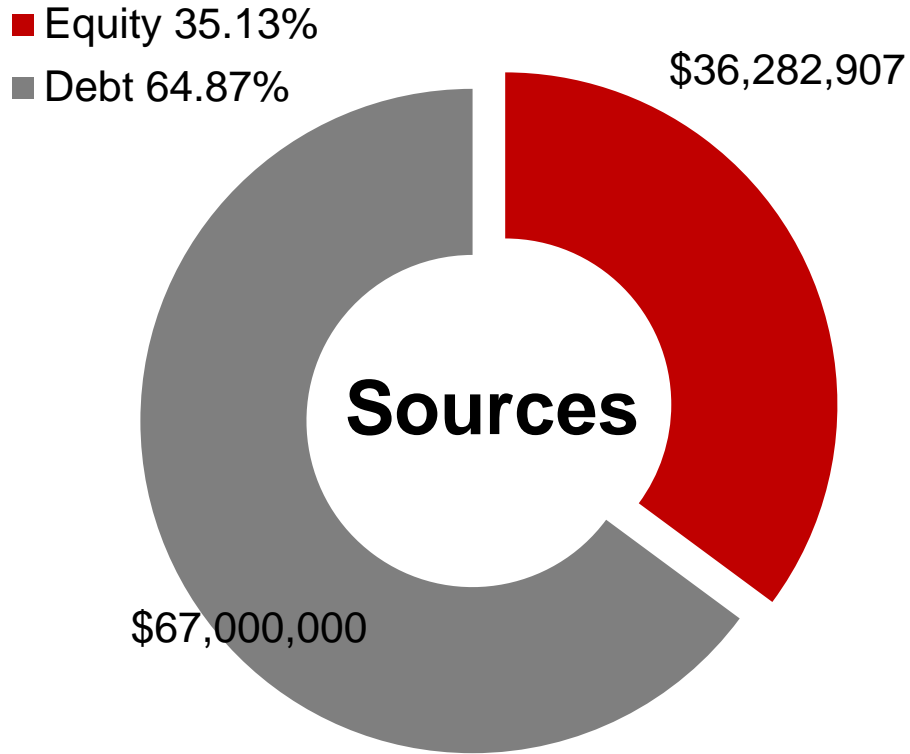


# FINANCIALS - BUDGET

- ❑ Total Budget
  - \$103.28 million
  - \$223/sf
  
- ❑ Residential
  - \$85 million
  
- ❑ 365 by WFM
  - \$5.6 million
  
- ❑ Amtrak Parking
  - \$12 million

Costs		
	<u>\$/Unit</u>	<u>\$/sf</u>
<u>Residential Units</u>		
336 Apartments	\$ 229,196	\$ 226.63
22 Rowhouse	\$ 390,590	\$ 224.83
Residential Total	\$ 239,114	\$ 226.45
<u>365 by WFM</u>	14,930 sf	\$ 219.83
<u>330 Amtrak Parking</u>	\$ 36,436	\$ 202.42

# SOURCES & USES



# DEBT ASSUMPTIONS

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## ❑ Construction Loan

- \$67 million
  - LTC - 64.87%
- 3.03% Interest Rate
  - 0.53% 30 Day LIBOR
  - 2.50% Spread
- Construction Period
  - 2 Years

## ❑ Permanent Loan

- \$84.3 million
  - LTV - 70%
- 3.776% Interest Rate
  - 1.776% 10 Year Treasury Note
  - 2.0% Spread
- Amortization
  - 30 Years
- Cap Rate
  - 6.5%

# PROFIT & LOSS

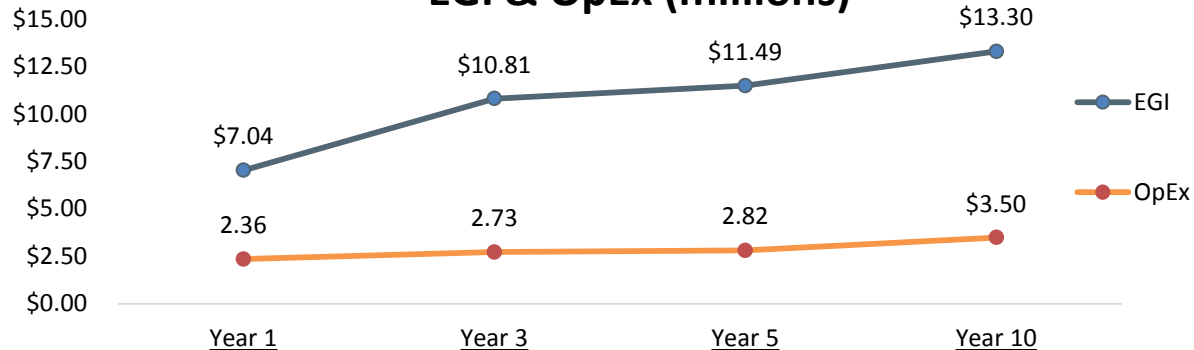
## Effective Gross Income (millions)

	<u>Yr 1</u>	<u>Yr 3</u>	<u>Yr 5</u>	<u>Yr 10</u>
Residential	\$5.40	\$9.08	\$9.65	\$11.17
Retail	\$1.64	\$1.74	\$1.84	\$2.14
<b>Total</b>	<b>\$7.04</b>	<b>\$10.82</b>	<b>\$11.49</b>	<b>\$13.31</b>

## Operating Expense

	<u>\$/Unit/Year</u>
Residential	\$6,309
Property Tax	\$237
<b>Total</b>	<b>\$6,546</b>
	<u>\$/sf/Year</u>
Retail	\$7.81

## EGI & OpEx (millions)



# INCOME & DEBT SERVICE RATIO

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>	<u>Yr 11</u>
NOI (mil)	\$4.67	\$7.83	\$8.08	\$8.36	\$8.67	\$8.82	\$8.98	\$9.16	\$9.47	\$9.81	\$10.14
DSCR	2.30	1.67	1.72	1.78	1.84	1.88	1.91	1.95	2.02	2.09	2.16

❑ Sale in Year 10

❑ Exit Cap Rate

- 7.0%

❑ Year 11 NOI

- \$10,140,491

❑ Value

- \$144,846,153



# RETURNS

❑ **19.5% 10 - Year IRR**

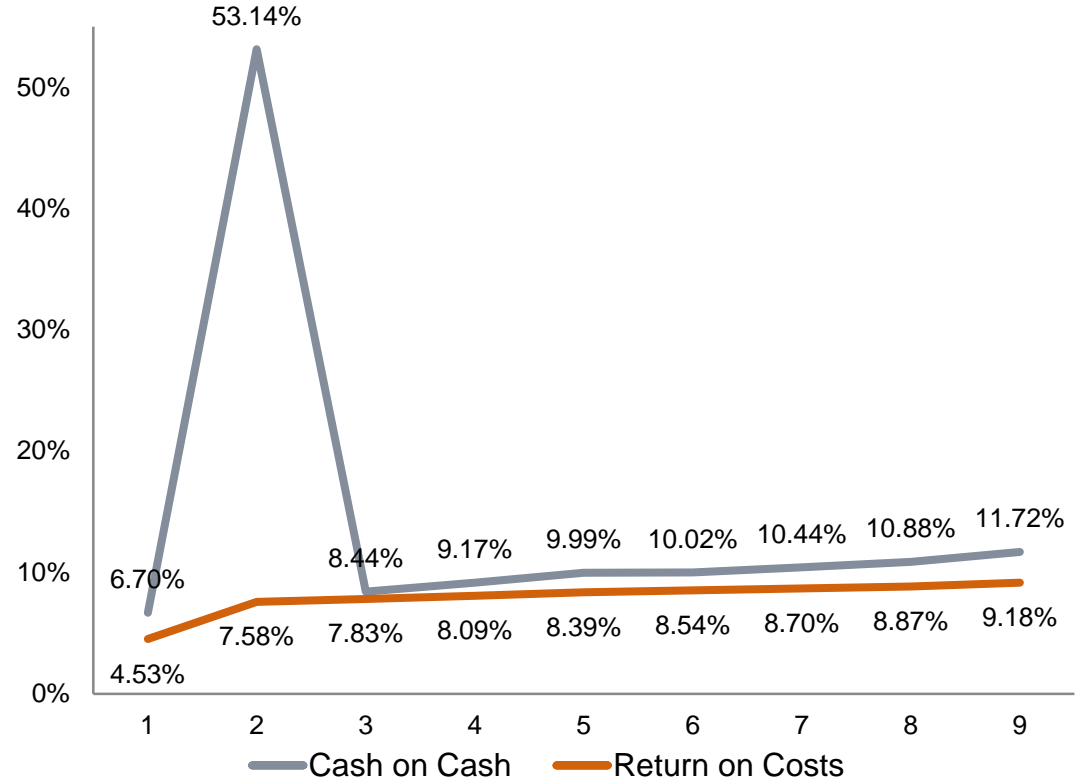
❑ **3.22 Equity Multiple**

❑ **Cash on Cash**

- 8.44% - Year 3
- 191.65% - Year 10

❑ **Return on Costs**

- 7.83% - Year 3
- 9.50% - Year 10



# SENSITIVITY ANALYSIS

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## Interest Rate effects on Returns

	<u>Used Rates</u>	<u>Dec 2 Rates</u>	<u>Projected Rates</u>
LIBOR-10yr Rates	0.53%-1.776%	0.634%-2.387%	0.75%-2.50%
<b>IRR</b>	<b>19.5%</b>	<b>18.7%</b>	<b>18.4%</b>
Multiple	3.22	3.12	3.10
DSCR decrease		-7.08%	-8.31%
Cash on Cash decrease (avg)		-7.62%	-9.50%
Return on Costs decrease		-0.07%	-0.15%

# SENSITIVITY ANALYSIS

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## Cap Rates Changes

<i>Permanent Loan – Sale Value</i>	6.5-7.0%	7.0-7.5%
<b>10 - Yr IRR</b>	19.50%	17.30%
Equity Multiple	3.22	3.03
Cash on Cash Yr 10	191.65%	181.61%

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# PENN STATION FLATS

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# QUESTIONS?

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# SENSITIVITY ANALYSIS

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## Ground Lease Terms

	<i>Initial/Annual of EGI</i>	<u>\$3.5m/3.0%</u>	<u>\$5m/4.0%</u>
10-year IRR		19.50%	18.40%
Multiple		3.22	3.11
Cash on Cash decrease (avg)			-5.25%
Return on Costs decrease			-1.59%

# ADDENDUM - PARKING CALCULATION

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Parking Calculation in 2017					
<b>330</b>	<u>%</u>	<u>#</u>	<u>\$/day</u>	<u>\$/month</u>	<u>Total Month</u>
<b>Daily</b>	50%	165	\$17.75	\$ 533	\$ 87,863
<b>Monthly</b>	50%	165		\$ 220	\$ 36,300
					\$ 124,163
				\$/space/month	\$ 376.25

# ADDENDUM – SENSITIVITY - RATES

<b>Returns</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>0.532% LIBOR</b>	<b>1.776%</b>	<b>10yr</b>		<b>IRR</b>	<b>19.5%</b>	<b>3.22</b>	<b>Multiple</b>			
Debt Service Ratio	2.30	1.67	1.72	1.78	1.84	1.88	1.91	1.95	2.02	2.09
Cash on Cash	6.70%	53.14%	8.44%	9.17%	9.99%	10.02%	10.44	10.88%	11.88%	191.65%
Return on Costs	4.53%	7.58%	7.83%	8.09%	8.39%	8.54%	8.70%	8.87%	9.18%	9.50%
<b>0.6345% LIBOR</b>	<b>2.387%</b>	<b>10yr</b>		<b>IRR</b>	<b>18.7%</b>	<b>3.12</b>	<b>Multiple</b>			
Debt Service Ratio	2.23	1.55	1.60	1.65	1.71	1.74	1.78	1.81	1.87	1.94
Cash on Cash	6.50%	52.05%	7.43%	8.16%	8.98%	9.01%	9.43%	9.87%	10.71%	190.27%
Return on Costs	4.52%	7.58%	7.82%	8.09%	8.39%	8.54%	8.69%	8.86%	9.17%	9.49%
<b>0.750% LIBOR</b>	<b>2.50%</b>	<b>10yr</b>		<b>IRR</b>	<b>18.4%</b>	<b>3.10</b>	<b>Multiple</b>			
Debt Service Ratio	2.15	1.53	1.58	1.63	1.69	1.72	1.75	1.79	1.85	1.91
Cash on Cash	6.27%	51.74%	7.23%	7.96%	8.77%	8.81%	9.22%	9.66%	10.50%	189.65%
Return on Costs	4.52%	7.57%	7.82%	8.08%	8.38%	8.53%	8.69%	8.86%	9.16%	9.48%



# ADDENDUM - RETURNS

## Returns

	Lease Up	Stabilization								
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<b>Cash Flow</b>	2,431,753	19,281,234	3,060,558	3,325,945	3,622,860	3,635,504	3,786,540	3,946,769	4,251,254	69,536,203
<b>Cash on Cash</b>	<b>6.70%</b>	53.14%	8.44%	9.17%	9.99%	10.02%	10.44%	10.88%	11.72%	191.65%
<b>Return on Costs</b>	<b>4.53%</b>	7.58%	7.83%	8.09%	8.39%	8.54%	8.70%	8.87%	9.18%	9.50%
<b>IRR - 10 Year</b>	<b>19.5%</b>									
<b>Multiple</b>	<b>3.22</b>									

# ADDENDUM – UNLEVERAGED RETURNS

## Unleveraged Returns

	Lease Up	Stabilization								
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<b>Cash Flow</b>	4,463,568	7,524,048	7,760,372	8,025,760	8,322,675	8,467,384	8,621,060	8,783,984	9,091,216	152,823,791
<b>Cash on Cash</b>	<b>4.4%</b>	7.49%	7.73%	7.99%	8.29%	8.30%	8.45%	8.61%	8.91%	152.03%
<b>Return on Costs</b>	<b>4.65%</b>	7.80%	8.05%	8.32%	8.63%	8.78%	8.95%	9.12%	9.44%	9.77%
<b>IRR - 10 Year</b>	<b>10.3%</b>									
<b>Multiple</b>	<b>2.22</b>									

# ADDENDUM-SENSITIVITY ANALYSIS

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Residential Lease-Up		
	<u>Year 2</u>	<u>Year 3</u>
	<u>Stabilize</u>	<u>Stabilize</u>
IRR	19.50%	18.60%
Equity Multiple	3.22	3.19
Cash on Cash Yr 10	191.65%	185.09%

# ALTERNATE UNIT MIX

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	sf	# of Units	%	Rent/Unit
Studio	600	102	31.68%	\$1,725
1 Bedroom	900	134	41.61%	\$2,250
2 Bedroom	1,200	64	19.88%	\$2,550
Rowhouse	1,224	22	6.83%	\$2,700
		322		

Returns	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash on Cash	6.66%	52.79%	7.99%	8.71%	9.50%	9.54%	9.93%	10.36%	11.17%	181.76%
Return on Costs	4.50%	7.43%	7.66%	7.92%	8.21%	8.35%	8.50%	8.66%	8.96%	9.27%
<b>IRR - 10 Year</b>	<b>18.8%</b>									
Multiple	3.08									

# ADDENDUM DSCR

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	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
DSCR	2.30	1.67	1.72	1.78	1.84	1.88	1.91	1.95	2.02	2.09

# ADDENDUM RESIDENTIAL OPEx

Residential Operating Expense	
<u>Operating Expenses</u>	<u>\$/Unit/yr</u>
Utilities	900
CAM	1,250
Security	200
Asset Management Fee - 1%	152
Management Fee - 3%	457
Administration	500
Payroll	2,000
Insurance	250
Marketing	600
<b>Subtotal OpEx</b>	<b>\$6,309</b>
<b>% of PGI</b>	<b>25.00%</b>
<b>Real Estate Tax per unit</b>	<b>237</b>
<b>Op Ex per unit</b>	<b>\$ 6,546</b>
<b>% of PGI</b>	<b>27.47%</b>

# COSTS

<u>Residential</u>	<u>Total</u>	<u>\$/unit</u>	<u>\$/sf</u>
336 Apartments	\$ 77,009,739	\$ 229,196	\$ 226.63
22 Rowhouse	\$ 8,592,969	\$ 390,590	\$ 224.83
<i>Residential Total</i>	\$ 85,602,708	\$ 239,114	\$ 226.45
<u>Retail</u>			
365 by WFM	\$ 5,656,253		\$ 219.83
Amtrak Parking	\$ 12,023,946		\$ 202.42
		\$/Space	\$ 36,436
<i>Retail Total</i>	\$ 17,680,199		\$ 207.68
<b>Project Total</b>	<b>\$103,282,907</b>		<b>\$ 223.00</b>

<u>Construction Costs</u>			
	<u>#</u>	<u>per sf</u>	<u>Total</u>
Sitework			\$250,000
Parking-\$25,200/space	472	\$140	\$11,894,400
Amtrak Parking	330	\$140	\$8,316,000
Residential Parking	82	\$140	\$2,066,400
Grocery Parking	60	\$140	\$1,512,000
Residential Units- Concrete	363,265	\$165	\$59,938,728
Grocery	14,930	\$120	\$1,791,600

# COST OF LIVING

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## Cost of Living - Single Person

	<u>Month</u>	<u>Multiple</u>
Baltimore City	\$2,833	
Washington DC	\$3,510	1.24
New York	\$3,627	1.28

[Cost of Living – Economic Policy Institute’s 2015 Budget Calculator](#)

## Fair Market Rent FY2017-50%

	<u>Efficiency</u>	<u>One Bed</u>	<u>2 Bed</u>
Baltimore City	\$903	\$1,097	\$1,376
DC	\$1,440	\$1,513	\$1,746
Difference	37.29%	27.50%	21.19%

[HUD – FY2017 Fair Market Rent 50%](#)



# ZONING

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## B-5-2

- Central Commercial District

## Apartments, Garage Parking, Grocery Allowed

## Max FAR 14.0

## No setbacks or height limits

## Parking - B-5-1

- Retail: 4/1,000sf
- Residential
  - Efficiency: 1 per 8 units
  - 1 and 2 Bedrooms: 1 per 4 units

## New Zoning for Site

- TOD-4

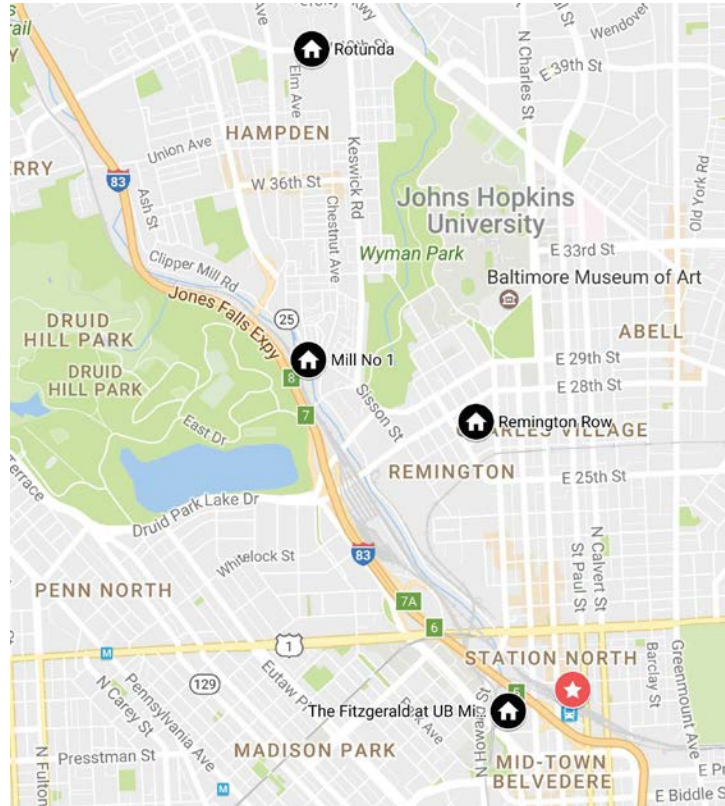
# SOURCES & USES

Sources of Funds	Budget	% of Total
<b>Equity</b>		
Equity	\$ 36,282,907	35.13%
<b>Construction Loan</b>	\$ 67,000,000	64.87%
<b>Total Sources</b>	<b>\$ 103,282,907</b>	<b>100.00%</b>

Uses of Funds	Budget	% of Total
Ground Lease	\$ 3,605,000	3.49%
Construction	\$ 75,621,225	73.22%
Environmental	\$ 2,015,000	1.95%
Architecture & Engineering	\$ 5,949,978	5.76%
Leasing & Marketing	\$ 1,215,149	1.18%
Organizational & Professional Costs	\$ 700,000	0.68%
Financing & Settlement Costs	\$ 540,500	0.52%
Carrying Costs	\$ 4,178,986	4.05%
Fees & Permits (Government & Utility)	\$ 865,132	0.84%
Development Fee	\$ 3,787,639	3.67%
Contingency	\$ 4,554,298	4.41%
Operating Reserve	\$ 250,000	0.24%
<b>Total Uses</b>	<b>\$ 103,282,907</b>	<b>100.00%</b>

# COMPETITIVE PROPERTIES

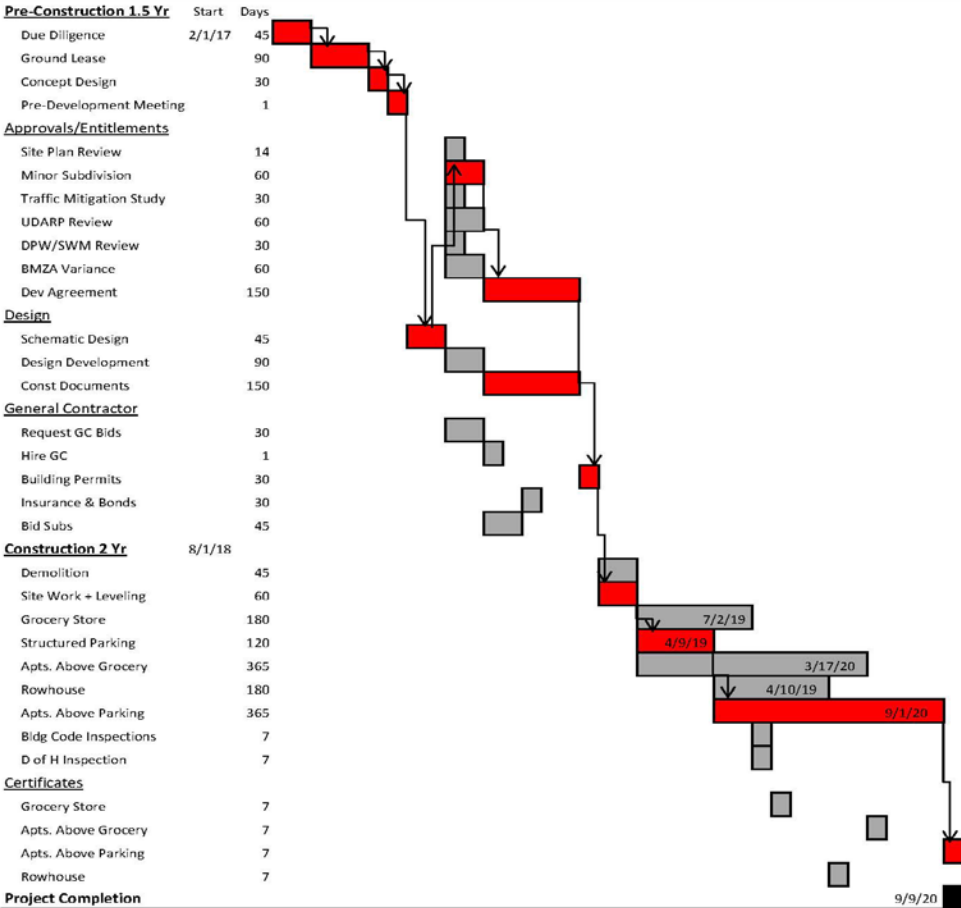
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# ADDENDUM - SCHEDULE

**Construction Schedule**

3 1/2 Years



# DELIVERY

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- ❑ Amtrak Parking
  - April 2019
- ❑ 365 by WFM
  - 29 months
  - July 2019
- ❑ Rowhouse
  - Dec 2019
  - 34 months
- ❑ Apartments
  - 37 Months – 166 – March 2020
  - 42 Months – 170 – Sept 2020

# ADDENDUM - MARKETING

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## Advertising

- NEC
- Metro/Light Rail/Subway
- Farecards

## Online

- Apartment websites
- Google

## Pre-leasing

- One Month Free Rent
- Referral Program