

See notes and definitions below.

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PROPERTY TYPE	DESCRIPTION	ESTIMATED DEVELOPMENT COST	RETURN ON COST (income-expenses=NOI)	GENERAL FEASIBILITY & SUPPORTABLE LOAN	COMMENT
DOWNTOWN OFFICE	First class high-rise tower	\$550 PSF, assuming market price is paid for each component of development.	Trended average gross income estimated to be \$55 PSF, with expenses and taxes totaling \$24 PSF producing NOI of \$31 PSF or 5.6% on \$550 cost.	A 5.60% return on cost suggests marginal feasibility. Conventional financing after lease up supports a loan of \$400 PSF, requiring 36% ongoing equity.	A combination of leasing and/or equity is a must to entice lenders to provide a reasonable level of construction debt.
SUBURBAN OFFICE	Class "A" suburban office development	\$375 PSF assuming market price is paid for each component of development.	Gross average rents estimated to be \$40 PSF with expenses and taxes totaling \$12 PSF producing net rent of \$28 PSF or return on cost of 7.5%	A 7.5% return on cost suggests fair feasibility.	A combination of leasing and/or equity is a must to entice lenders to provide a reasonable level of construction debt.
R & D / FLEX SPACE	Class "A" suburban space designed to accommodate office and R & D use	\$150 PSF assuming market price is paid for each component of development.	Typically rents are quoted on a completely net basis. A property of the quality described here would probably rent at \$10.00 PSF, thereby returning 6.70% on costs.	A 6.70% return on cost does marginally support feasibility.	High vacancies on Rte. 495 and elsewhere will hold down rents and feasibility. The creditworthiness of the tenant is the key ingredient to financeability.
WAREHOUSE / DISTRIBUTION	Good quality, well-located, highly functional warehouse and distribution space	\$90 PSF assuming market price is paid for each component of development.	Rents vary widely depending upon exact location, amount of office space, loading docks, etc. A property of the quality described here would probably rent at \$9.00 PSF producing a 10% return on cost.	At a return of 10%+/- on costs feasibility is strong. A loan of up to 100% of costs is supportable, if preleased to tenant (s) with good credit.	Tenant credit and quality of building are key to financeability.
NEIGHBORHOOD CENTERS	Typical grocery or drug anchored neighborhood center	Costs vary greatly due to land costs and site work. Estimate used is \$275 to \$325 PSF.	Inside 495 rents for grocery anchor will probably be in the mid 20's and other tenants could pay mid 40's or more for satellite space	A 8.5% return seems realistically achievable, suggesting good feasibility, but it's hard to generalize because costs vary widely.	Often the key to feasibility is land and site preparation costs. Tenant quality is the key to financeability.
REGIONAL MALLS	Major regional mall	\$450 PSF is a reasonable estimate for the cost of a typical new regional mall.	Since most anchors build their own stores feasibility depends importantly on the rents from satellites which can range from \$25 to \$80 PSF or more.	Most new malls return approximately 9% on costs which justifies new construction where tenant interest warrants.	This level of new activity in New England is very limited.
LUXURY APARTMENTS	Mid to high rise Class A apartment property	\$400,000 per unit is a reasonable estimate but cost can vary widely.	Rents of \$2.75 PSF for a 1000 SF apartment will produce annual rents of \$33,000. Assuming \$9,000/unit of expenses, the NOI of \$24,000 yields a 6.0% return on cost.	At 6.0% return on cost, feasibility is marginal and would support a loan of 70-75% of costs requiring equity of 25-30%.	Capital sources available for well sponsored multi-family projects.
SUBURBAN APARTMENTS	Good quality wood frame suburban construction	Estimated at \$200,000, but this can range widely.	Rents of \$1.50 PSF for a 1100 SF unit will produce annual rents of \$19,800. Subtract vacancy and expenses of \$7,000, producing NOI of \$12,800, or 6.4% of cost.	At 6.4% of cost, feasibility is marginal and would support a loan of between 75-80% of costs requiring equity of around 20-25% for which there is a reasonable equity return.	Overall, rental market continues to strengthen.
CONDOMINIUMS	Condominiums of all types	Cost and sale prices will vary widely.	Experienced condominium developers are targeting a profit of 15-20% on net sellout for a new project but are finding it difficult to achieve.	Few condominium projects are feasible today. Lenders continue to insist on a strong guarantor and at least 20-30% equity.	Most lenders have withdrawn from the condo market except for exceptionally strong deals. There is concern about unsold inventory.
LUXURY HOTELS	Downtown first class hotel	Typical new hotel would cost approximately \$350,000 per room.	Range widely.	Most new hotel deals would require at least 30% equity.	Lenders are viewing this property type with caution.

The purpose of this edition of the MMM is to introduce at a necessarily imprecise level the notion of feasibility for different types of real estate development. Simply stated feasibility is measured by comparing net rental income against anticipated development costs for the different product types. Available market information usually provide the data needed for a reasonable accurate estimate of net rental income. Conversely, development costs include land at market, average site costs and building costs. The later, however, are Fantini & Gorga's best estimates and may not always best represent the actual costs of development. All considered, it is believed that this matrix is the best available glimpse of feasibility of different real estate product types. **ALTHOUGH THE INFORMATION INCLUDED IN THIS MATRIX HAS BEEN PREPARED CAREFULLY, IT'S ACCURACY CANNOT BE GUARANTEED. COPYRIGHT FANTINI & GORGA 1999.**