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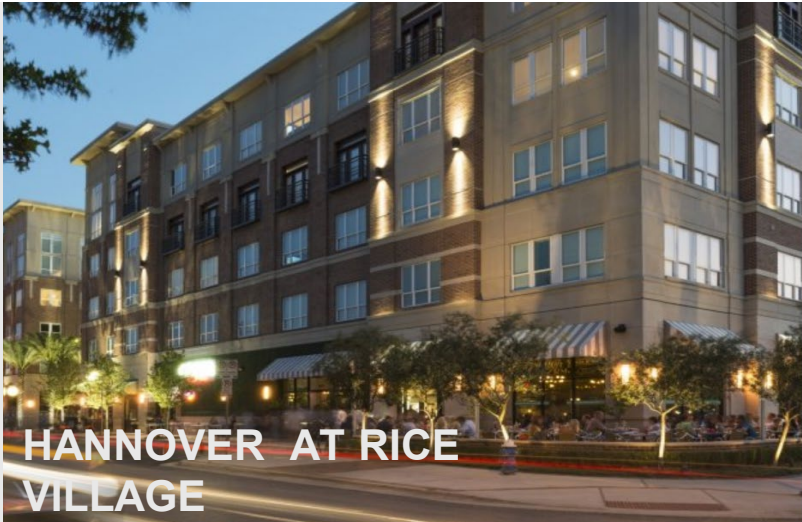
DEVELOPMENT APPROACH

RICE VILLAGE

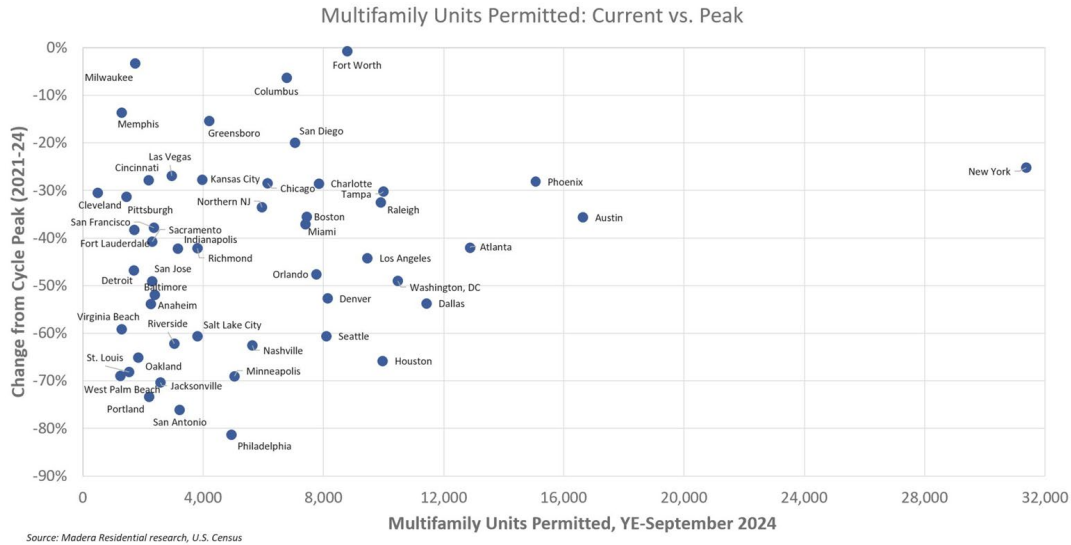


COMPARABLE PROJECT IDENTIFICATION

CONDOMINIUMS



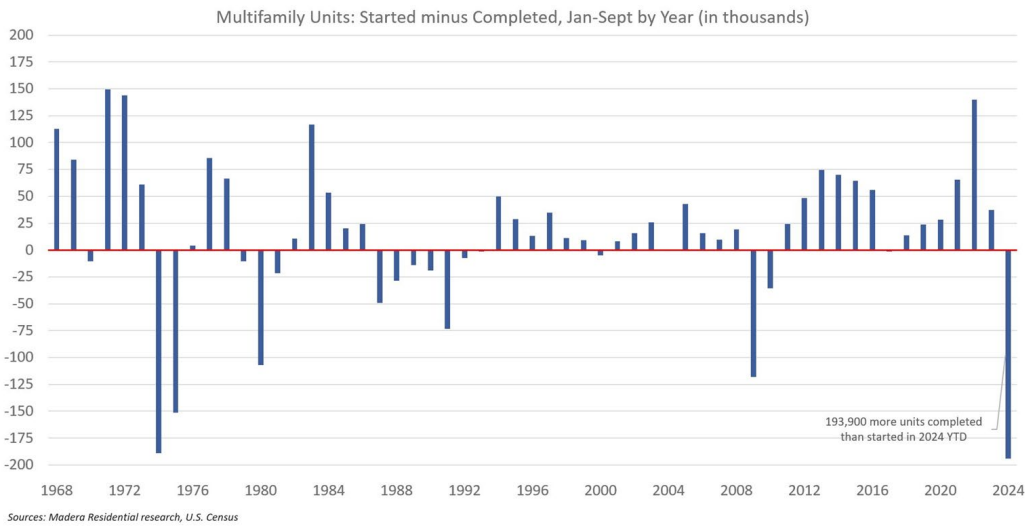
Multifamily Building Permits Have Plunged Nearly Everywhere



U.S Real Estate Market Cycle



Multifamily Completions Outpacing Starts at Record Pace in 2024



Apartments

- Competition in the market currently
- Rent levels do not justify even though nearly 96% occupancy rate - students
- No funding for this type of project currently
- Outlook in long-run low
- Cap Rate vs ROI
- Cap Rate at 3.09%

Condominiums

- Lack of luxury condo units
- Upscale Finishes
- No Parking Garage
- Competition is higher \$\$\$
- Avg HH Income ~ \$315,000
- Mean HH Income ~ \$404K
- Median HH Income ~ \$250K
- ROI ~ 11.79%



CONDOMINIUMS





The Hawthorne

Pelican Builders

- 67 Condo Units - 17 Story
- 60% of condos sold before construction began
- \$110 Million Initial Funding
- \$90 Million in Sales from 60%
- Targets all kinds of people and families

High- rise

- Contemporary glass facade.
- Huge outdoor spaces with a 67-foot resort-style pool
- Close to Galleria /Memorial Park
- \$861 Ave per Sq Ft
- HOA Monthly Fees

The Chaucer

Randall Davis Company

- 29 Condo Units - 12 Story
- No info about how many units have been sold was found
- Construction to begin Sept 2024
- \$50 Million Cost
- Targets Doctors / Empty Nesters

Mid-rise

- Glass façade with Art Deco elements
- Highly customizable
- No pool or shared outdoor amenity
- Close to Rice Village, Rice University and Medical Center
- \$980 Ave per Sq Ft.
- HOA Monthly fees



conclusions

HIGHEST AND BEST USE

LOCATION

Advantages of West University Place:

- Rice Village
- Rice University
- TMC Medical Facility
- Retail / Restaurants
- Attractions / Museums
- NRG Stadium
- West University Place previously ranked #1 in a study of Quality of life in southern United States
- Voted - one of America's 50 Best Cities to live
- Voted – one of the most attractive places to live for highly skilled workforce in the nation
- Ranked # 1 in "Education Jobs creation in Texas"
- Ranked # 2 in "Healthcare Jobs creation in Texas"
- Ranked on of top 10 Best Suburbs for single family renters in Texas
- Project capitalizes - "Shared-Parking" and "Co-Living" arrangements based on desirability of location
- Suitable as luxury living SF condos or a variation of STR with no upkeep and a "shared" price point
- Amenities include an outdoor rooftop with Pickleball Court, Bocce Ball, Shuffleboard, Workout Facility, Garden and more...



TMC

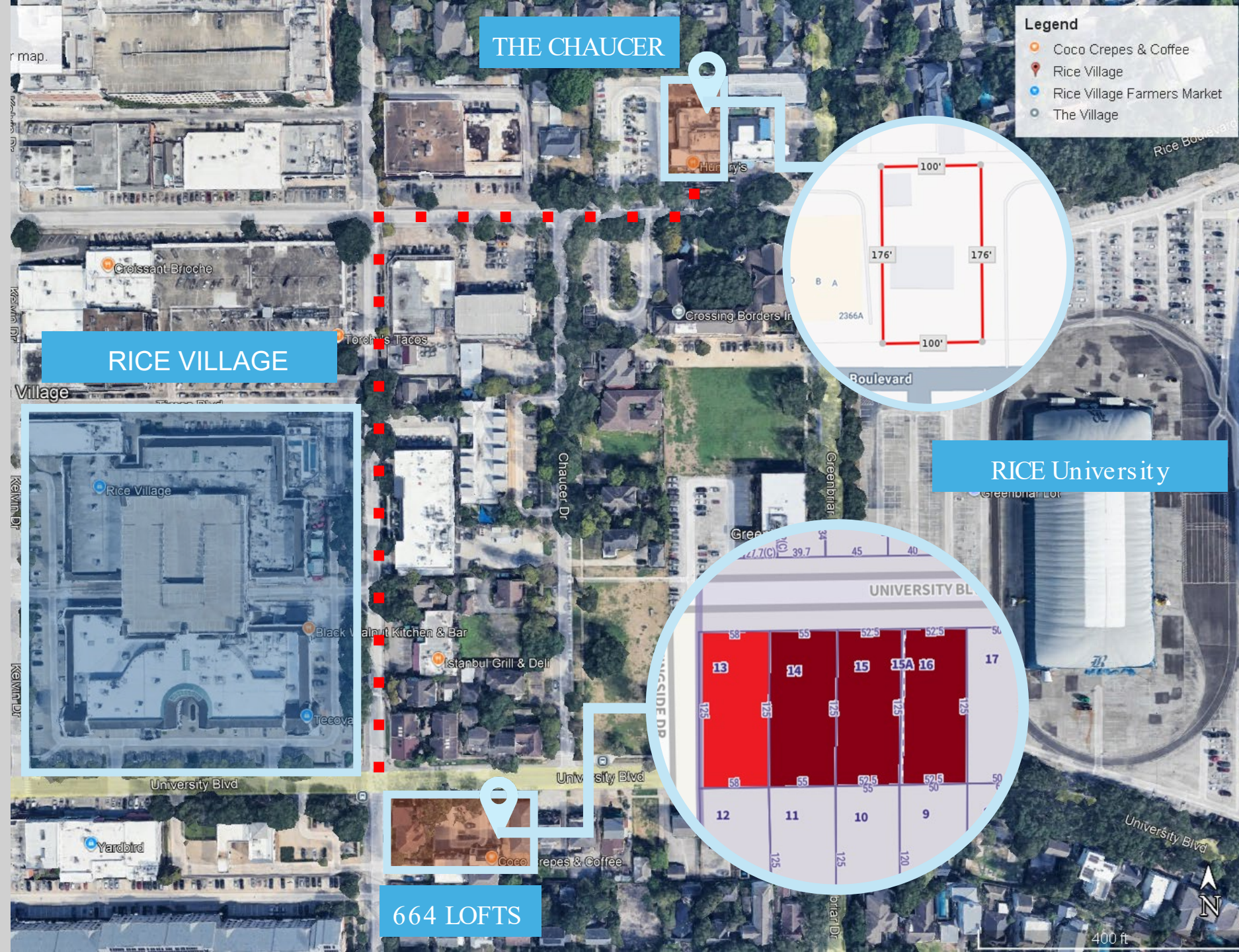
- 106,000 Employees
- 61 Institutions
- 160,000 people visit TMD each day
- Over the year, more than 7.2 Million people. Education:
- More than 30,000 students each year. International Patients:
- **18,000 Each Year**

Medical Tourism

Having people coming from outside the United States either for treatment or to look for a second medical opinion (1,800 each year) means they need a place to stay. According to the HC, for each \$1 a Houston medical tourist spends on care, at least \$2 will be spent between accommodations, travel, food, and entertainment. Boosting the economy, especially in surrounding areas.

RICE UNIVERSITY

- 3,742 Employee FTE
- 4,562 Undergraduate students
- 3,909 Graduate students
- 2,218 International Students





“664 Lofts ” Highest and Best Use

Considerations of the “Development Approach” for a commercial project

- **Vision**
 - What is the goal?
- **Site Selection and Evaluation**
 - Analyzing potential locations based on competition, market, zoning and demographics
- **Due Diligence and Initial Research**
 - Investigating legal issues related to title, environmental, governmental or community risks and performing market analysis in detail
- **Feasibility Studies**
 - Financial analysis relating to revenue, expenses to obtain Cap Rate of ROI
- **Permits and Approvals**
 - Checking out regulatory and physical requirements - obtaining zoning and permits for construction
- **Design Considerations**
 - Gathering up the TEAM – engineers, architects, lawyers, etc.
- **Financing**
 - Obtaining construction loans and funding sources for the entire project - ensure financial viability
- **Construction of the project**
 - Managing the process and ensuring quality control and budget guidelines
- **Leasing and Marketing**
 - Finding tenants and/or marketing to occupants or owners



Customizable - Upscale Interiors

Smart Home Features

Green Features

Rooftop Deck

Pickleball Courts

“664 Lofts” – Amenities

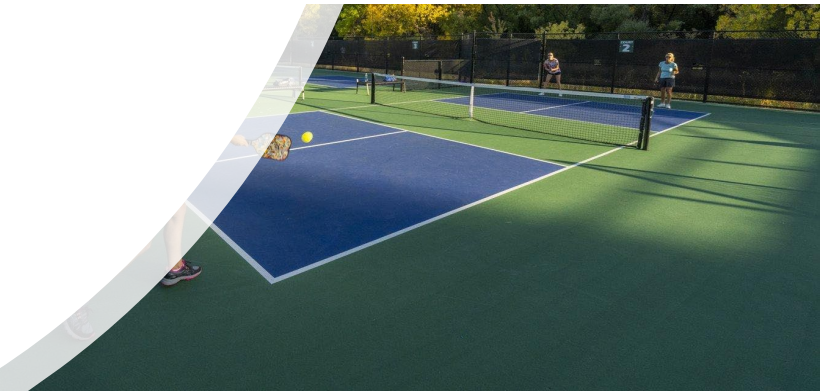
Concierge Services

Security

Valet

Exceptional Location

Restaurants/Retail/Attractions





“664 Lofts” - Features

- **Customizable – Upscale Interiors**
 - Ability to select certain features
 - High-end counter selections
 - High-end flooring selections
- **Smart Home Features**
 - Home Automation
 - Smart Locks
- **Green / Environmental Advantages**
 - Rainwater Harvesting
 - Energy Efficient Lighting
- **Rooftop Deck**
 - Workout Equipment
 - Garden
- **Pickleball Courts**
 - Reservation App
 - Shuffleboard
 - Bocce Ball
- **Concierge Services**
 - Package Delivery
 - Home Cleaning / Shopping
- **Security**
 - Surveillance
 - 24/7 Onsite
- **Valet**
 - Parking Assistance
- **Exceptional Location**
 - West University Place
 - Near Rice Village, Rice University, Texas Medical Center
- **Restaurants**
 - Variety
- **Retail**
 - Variety
- **Attractions**
 - Museums
 - Zoo
 - NRG Stadium

664 Lofts – Building Characteristics

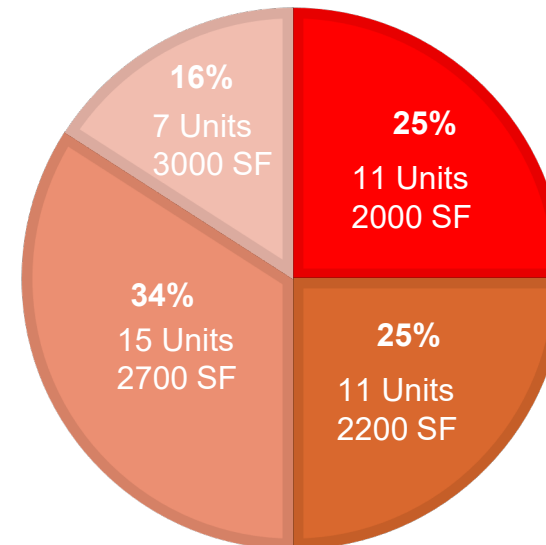
Building Class	Class A
Type of Structure	Type III
Type of Building	Mid-rise – Modern with Glass, Metal, Brick Facade
Stories	6 With rooftop
Total Units	44 Units
Bedrooms/Baths	2, 3 & 4 Bdrm / 2.5+ Ba
Parking	Parking – Valet No Garage
Style	Modern with Contemporary Elements
Target	Owners Occupants - Tourists Doctors / Nurses - Professors – International Students

	SQ FT
Land	27250
Footprint	23500
Total Building	141000
Common areas	3525
Total Common areas	21150
Total Units	107700
Amenities	12150
Total Units	44

664 Lofts	Type (Bed/Baths)	Features	SF	#Units	Gross Price	Gross Price/SF	Monthly HOA
1	2 / 2.5		2,000	11	1,800,000	900	1,600
2	2 / 2.5	Study	2,200	11	1,980,000	900	1,760
3	3 / 2.5	Study	2,700	15	2,430,000	900	2,160
4	4 / 3.5	Study	3,000	7	2,700,000	900	2,400

Target: People who want to buy the units will either be for themselves or to rent them out. Possibly, to people coming from other Countries in need of short-term housing and have no vehicle or choose not to pay for that expense along with insurance, but instead spend money on a luxury style accommodation such as this project.

Note: Does not account for proper Zoning approvals, Deed Restrictions, STR limitations or approved Parking allowances. Considers the number of people utilizing Uber as a standard of transportation. Other location advantages include highway access nearby, grocery delivery services, etc.



UNITS MIX

- 2BR/2.5B
- 2BR/2.5B/STUDY
- 3BR/2.5B/STUDY
- 4BR/3.5B/STUDY

“664 Lofts” – Specifications

Concept:

“664 Lofts”

Project:

- Elegant mid-rise, 5-story building with ~44 units plus a lobby and lounge

Building:

- Total of ~44 units and ~107,000 sq ft in total for all units
- Living space of ~21,400 sq ft per floor

Units:

- Consists of ~2,432 sq ft per each unit - varies according to plan
- Designed to allow for windows, balconies and privacy

Design Features:

- **Balconies:** Incorporate glass railings and space for sitting
- **Seating:** Comfortable chairs and couches arranged to foster conversation
- **Decor:** Art locally sourced to foster a sense of belonging with live plants everywhere and natural light coming through expansive windows
- **Access:** Clear pathways to elevators and stairwells for easy navigation
- **Fire Exits:** Strategically placed to meet safety codes
- **Smart Home Technology:** Full home-controlled systems for lighting, climate control and security via smartphone
- **Sustainability with Luxury:** High-quality, sustainable materials and energy-efficient technologies for eco-conscious residents without sacrificing style. Rainwater harvesting, Xeriscaping, low VOC materials used throughout the build process

Community Events:

- Organized gatherings in the lounge or lobby area featuring potlucks, movie nights, or holiday celebrations

Rooftop Deck:

- **Outdoor Connection:** Outdoor patio with “Pickleball” court
- **Fitness Space:** “Shred Shed” or fitness area with equipment such as weights and cardio machines
- **Garden Space:** Small community garden or green space for residents to enjoy and engage with nature

Lobby:

- **Grand Entryway:** High ceilings with a statement chandelier and polished marble or high-quality tiles with intricate patterns
- **Elegant Seating:** High-end sofas and armchairs with plush upholstery and local pieces of artwork or sculptures to enhance the entry
- **Ambiance:** Layered lighting and accent lights to create a warm glow
- **Security:** Greeted by a Valet with 24/7 security surveillance with a touchscreen for building information and a resident-only notification App for your smart phone
- **Community Board:** Bulletin board for events or announcements

Lounge:

- **Furniture:** Modular seating arrangements to allow for both relaxation and activities including movies, games or flexible spaces for different size groups
- **Cozy Fireplace:** Modern to create a welcoming atmosphere
- **Bar Area:** Wet bar with a wine fridge and set up for gatherings
- **Kitchen:** Spacious with a fridge, microwave and Cappuccino machine
- **Technology:** Entertainment zone with charging stations, Wi-Fi access points, wall-mounted smart TVs with surround sound for movie nights, a game area including high-quality pool and poker tables, board games, etc.
- **Private Nooks or Quiet Zones:** Featuring intimate areas for relaxation

Layout:

- Balance between private living spaces with communal areas for an enhanced experience

Hallways and Safety Features:

- Wide enough to allow for easy movement and emergency access with smoke detectors, fire alarms, and emergency lighting

Accessibility:

- ADA compliant regulations with accessible doors and bathrooms

Sustainability and Natural Light:

- Energy-efficient lighting, HVAC systems and solar panels on the roof
- Large windows to create a bright and inviting atmosphere

Unit Designs:

“664 Lofts” – Specifications

- **Specific Unit Designs:**
 - To optimize the communal spaces in the building and create a welcoming, functional environment promoting community interaction while providing comfortable living spaces
- **Ground Floor:**
 - Welcoming entry with clear pathways leading to the lobby, creating a community-focused environment
- **Upper Floors:**
 - Units with private balconies, light-filled interiors, and a layout that encourages neighborly interaction
- **Versatile Spaces:**
 - Sliding or pocket doors to allow for flexible use of rooms as offices or guest rooms
- **High-End Finishes:**
 - **Flooring:** Hardwoods or high-quality engineered wood flooring throughout for warmth and elegance
 - **Cabinetry:** Custom cabinetry with high-gloss finishes, soft-close doors, and designer hardware
- **Luxury Kitchen Features:**
 - **Appliances:** Premium brands (Bosch or Sub-Zero) with sleek stainless finishes
 - **Countertops:** Natural stone such as marble with waterfall edges on islands
 - **Backsplashes:** Designer tiles or glass for a sophisticated look
- **Bathrooms:**
 - **Master Bath:** Spa-like features such as a freestanding soaking tub, double vanities, designer faucets and large walk-in showers with rainfall showerheads
 - **Lighting:** Recessed lighting combined with elegant fixtures, such as pendant lights above vanities
- **Living Area:** Open-concept design that combines the living room and kitchen
- **Kitchen:** Kitchen with an island for additional counter space and seating
- **Bedrooms:**
 - **Primary Bedroom:** Large window with walk-in closet and en-suite bathroom with double sinks and a walk-in shower
 - **Bathroom:** Full bath with a tub/shower combo with shared access to the hallway

Summary: A luxurious, upscale environment that appeals to residents seeking comfort, style and modern amenities.

Basic commercial real estate analysis:

Net Operating Income or **NOI** = Gross Income or Revenue - Operating Expenses.

Capitalization Rate or **Cap Rate** = NOI / Market Value.

Return on Investment or **ROI** = (Net Profit / Total Investment) x 100.

“664 Lofts” - Financials

Explanation:

NOI: This represents the property’s net income after subtracting all operating expenses like property taxes, utilities, maintenance, and management fees.

Cap Rate: Key metric used to compare different properties - showing the annual income generated as a percentage of the property's market value. NOI / Market Value or Purchase Price.

ROI: This calculates the overall return on an investment and considering both the property's net profit / total costs x 100.

Important points to consider:

Cap Ex: While not directly part of the basic formulas, "Capital Expenditures" (Cap Ex) refers to significant costs for property improvements or repairs, which are typically factored into the operating expenses when calculating NOI. Since this project will be new there will only upkeep for immediate future most likely.

Luxury Condo Considerations:

High-end finishes, unique amenities, location in prime areas, potential for premium rents, which impacts both the gross income and operating expenses for an apartment, but not same for condo.

Example Calculation:

If generates \$3.168M in gross rent annually - (\$1500 x 4 = \$6K per unit x 44 units x 12 = \$3.168M x 92% = **\$2,914,560** incl vacancy avg near West U Place (96% near a campus - 88% online avg = 92%)

Op Ex = \$1,020,096 at assumed 35% of gross operating income because building is new – (avg 35 - 50%)

NOI = \$2,914,560 - \$1,238,688 = \$1,894,464

Cap Rate would be: \$1,894,464 / \$61,394,500 = .0309 x 100 = **3.09% - APARTMENT**

Building Size and Total Sq Footage:

5 stories, 44 units, ~2432 sq ft per unit for a Total of 107,000 sq ft

Mix of 2 - 3 - 4 - bedroom units with Total Building at 141,000 sq ft

Costs to build - Apartment: \$61,394,500

\$38.07M or \$270 per ft avg for mid-rise apartment in Houston online, so x 141,000 sq ft = \$2M

\$3,807,000 or 10% for design fees as estimated in the chart shown

\$3,807,000 or 10% for permitting and professional fees

\$5,710,500 or 15% for financing

\$9.5M - with a fixed land cost to include corner lot at \$2M plus 3 lots currently listed at \$7.5M

\$500K - Contingency

Costs to build - Condo: \$86,140,000 Total - using estimates below and based off online info

\$56.4M - Construction to include demo at \$400 per ft for luxury condos in Houston

\$5,640,000 - Design and to include estimation for rooftop / other amenities

\$5,640,000 - Fees to include permitting and professional

\$8,460,000 - Financing approximation

\$9.5M - with a fixed land cost to include corner lot at \$2M plus 3 lots currently listed at \$7.5M

\$500K - Contingency

\$86,140,000 / 141,000 Sf Ft = \$610.92 per foot for each luxury condo to build out

Project ROI = If Avg \$ / Sq Ft for our luxury condos equal \$900 x 107,000 total sq ft = \$96.3M - \$86.14M = \$10.16M / \$86.14M = .1179 x 100 = **11.79% ROI - CONDOMINIUM**



Market Price Comparison Analysis (Condominium)										
AGGREGATE & PRICE SUMMARY										
Evaluation Date: 26-Oct										
CHAUCER	Type Bed/Bath	Features (Study/ Balcony)	SF	# Units	Gross Price	Gross Price/SF	Monthly HOA	Monthly HOA/ SF	Net Price	Net Price/SF
Two bedrooms										
Hemingway	2 - 2.5	Terrace (127SF)/ Study	2193	4						
Tolstoy Residence	2 - 2.5	Terrace (149SF)	2315	2	2,050,000	886	\$2,500	\$1	2,050,000	886
Tolstoy Penthouse	2 - 2.5	Terrace (149SF)	2315	1						
Rowling	2 - 2.5	Terrace (127SF)	1862	4	1,725,000	926	\$2,500	\$1	1,725,000	926
AVERAGE			2171	11	1,887,500	906	2,500		1,887,500	906
Three bedrooms										
Dickens	3 - 3.5	Terrace (127SF)/Direct elevator	2932	4						
Shakespeare Post Mass	3 - 2.5	Terrace (127SF)/Direct elevator	2562	4	2,425,000	947	\$2,500	\$1	2,425,000	947
Jefferson										
2401 Penn										
Bronte Residence	3- 4.5	Terrace (203SF)/Direct elevator	2823	2						
Bronte Penthouse	3- 4.5	Terrace (203SF)/Direct elevator	2823	2						
Kennedy Warren										
Vaughan Place										
Wilde Residence	3 - 2.5	Terrace (203SF)/ Direct elevator	2937	2						
Wilde Penthouse	3 - 2.5	Terrace (203SF)/ Direct elevator	2937	2						
Wolfe Penthouse	3- 4.5	2 Terraces (430SF)	4182	2	4,100,000	980	\$2,500	\$1	4,100,000	980
AVERAGE			3352	18	3,262,500	963	2,500		3,262,500	963
Four bedrooms										
Chaucer Penthouse	4 - 4.5	2 Terraces (430SF) / Study / Direct Elevator	4632	2	4,500,000	972	\$2,500	\$1	4,500,000	972
AVERAGE			4632	2	4,500,000	972	2,500		4,500,000	972
			Total		31					
THE HAWTHORNE	Type Bed/Bath	Features (Study/ Balcony)	SF	# Units	Gross Price	Gross Price/SF	Monthly HOA	Monthly HOA/ SF	Net Price	Net Price/SF
Two bedrooms										
Augusta	2 - 2	Terrace (188SF)	1705	2	1,495,000	\$877	\$1,393	\$1	1,495,000	877
Claymore II	2 -3	Terrace (955SF) / Study	2925	4	1,900,000	\$650	\$1,813	\$1	1,900,000	650
Claymore I	2 -3	Terrace (188 SF) / Study	2218	4	1,900,000	\$857	\$1,813	\$1	1,900,000	857

Note: Click on image above to be taken to the Excel file that explains the data in the slide show

Sources:

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