

Central Park Apartments Executive Summary

The future site of Central Park Apartments is located at 654 North Wahneta Street in Allentown, PA. The site is 12.5 acres, and the total lot square footage is approximately 560,000. It was put under contract in 2004. At the time, the previous owner was unable to get approvals for more than 85 apartments. Final approvals for 179 market rate apartments were obtained in December of 2007. The construction cost for this project is approximately \$13,843,395 for the total build out of this apartment project (including soft costs, site improvement, hard costs, and other fees). This project will afford the opportunity to further extend an investor's real estate apartment holdings in a municipality which has exhibited and continues to exhibit extensive rental stability, not withstanding current market trends.

Conveniently located near public transportation, shopping and parks, Central Park Apartments offer one and two bedroom apartments that allow for luxurious living in a quality rental property. The large, new, and comfortable apartment homes will feature all of the amenities you would expect in a luxury apartment complex, including individually metered gas heat and hot water, indoor covered parking, hardwood floors, granite countertops, laundry facilities in each apartment, and fitness center membership at no extra cost. Central Park Apartments will also be equipped with high tech security cameras, and a telephone entry system for added safety and protection.

The total development costs for Central Park Apartments is approximately \$15,409,645. The breakdown of land acquisition, soft costs, site improvement, hard costs, and other fees (including finance fees and interest carry) are outlined below:

Acquisition (Land)	\$1,566,250
Entitlements & Designs (Soft Costs)	\$955,000
Sitework	\$2,200,000
Hard Costs of Construction	\$10,160,000
Other Costs (including interest carry and finance fees)	\$528,395
	\$15,409,645

Central Park Apartments will consist of 40 1 bedroom/1 bath apartments and 139 2 bedroom/2 bath apartments. The rents will be set conservatively at \$1,050 and \$1,200 respectively. Unlike its competitors, the rental price includes 1-2 covered parking spots per apartment. Even so, rental rates were set at competitive prices similar to other comparable apartment complexes constructed in the area within the last five to ten years that do not offer this amenity.

Class A Apartment Communities Built within 10 Yrs	One Bedroom Apartment Rent	Two Bedroom Apartment Rent
Woodmont Mewes	\$1,120	\$1,424
Pointe North	\$1,010	\$1,310
Central Park Apartments	\$1,050	\$1,300

Effective gross income of Central Park Apartments is \$2,538,780 after accounting for a 5% vacancy rate. Annual expenses (including operating expenses and real estate taxes) amount to approximately \$483,000, leaving a net operating income of \$2,055,780 annually. With a net operating income of \$2,055,780; the net operating income as a function of total development cost (including land acquisition at \$1,566,250) is 13.34%.

Following rent stabilization, permanent financing will be sought for the entirety of the construction loan. If financed through a traditional lending source, permanent at a rate of 6% over 30 years would require a debt service of \$995,978 annually. Net profit realized by Central Park Apartments would be \$1,059,802 with a debt service coverage ratio of approximately 2.06x for year 1. In addition, the finished product will be valued at approximately \$29,368,286 with a 7% cap rate.