

Madison Gardens Apartments Executive Summary

The future site of Madison Gardens Apartments is located at 1227 West Gordon Street in Allentown, PA. The site is 2.75 acres, and the total lot square footage is approximately 119,790 square feet. Final approvals for 114 senior apartments and a 7500 square foot senior daycare facility (renovation of existing building) were secured in 2008. The approximate cost for complete build out of this project is estimated to be \$6,098,300 (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, especially in the senior rental market.

In 2000, 24.8% of the regional population was 55 or older. In 2030, an estimated 32.8% of the regional population will be 55 or older, exhibiting nearly a 30% increase. In Allentown, PA, most similar senior communities have waiting lists for entry. Class A apartment complexes specialized in senior living are extremely desirable. There is a strong need for this type of housing in the marketplace.

Conveniently located near public transportation, shopping and parks, Madison Gardens Apartments offer spacious one bedroom apartments that allow for luxurious living in a quality rental property. Madison Gardens Apartments backs up to a shopping center that has a CVS for quick prescription filling, as well as a few local eateries.

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 parking, hardwood floors, granite countertops, laundry facilities in each apartment, and fitness center membership at no extra cost. Madison Gardens Apartments will also be equipped with high tech security cameras, and a telephone entry system for added safety and protection.

Adult Day Services, Inc. is an established adult daycare provider that offers social activities and therapies that promote the highest level of independence in an environment that fosters friendship. Activities provided include art, dance, pet therapy, horticulture, therapeutic recreation, music therapy, reminiscent therapy, and field trips. Adult Day Services has already received the \$25,000 franchise fee and approved the existing 7,500 square foot building for immediate occupancy and the start of business. There is a lease for \$6250/month which translates to approximately \$10/square foot annually for the building once minor renovations are completed.

The total development costs for Madison Gardens Apartments is approximately \$7,155,800. 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)	\$1,057,500
Entitlements & Designs (Soft Costs)	\$751,000
Sitework	\$530,000
Hard Costs of Construction	\$4,590,000
Other Costs (including interest carry and finance fees)	\$227,300
	\$7,155,800

Madison Gardens Apartments will consist of 114 1 bedroom/1 bath apartments and a 7,500 square foot senior daycare facility. The rents will be set conservatively at \$900 per unit, and the senior daycare has a tenant ready to occupy the space after fit-out for \$6250 per month.

Effective gross income of Madison Gardens Apartments is \$1,244,640 after accounting for a 5% vacancy rate. Annual expenses (including operating expenses and real estate taxes) amount to approximately \$319,500, leaving a net operating income of \$925,140 annually. With a net operating income of \$925,140; the net operating income as a function of total development cost (including land acquisition at \$1,057,500) is 12.93%.

Following rent stabilization, permanent financing will be sought for the entirety of the construction loan. The land acquisition equity will remain as equity in the project. Following a debt service of \$438,749 (on \$6,098,299 at 6% with a 30 year amortization), net profit realized by Central Park Apartments amounts to \$486,391. The debt service coverage ratio for this project will be approximately 2.11x for year 1. In addition, the finished product will be valued at approximately \$13,216,286 with a 7% cap rate.