

COMMERCIAL EQUITY  
CONSULTANTS

1VAN  
HOUTEN

75 PLACE  
PROSPECT STREET  
DOTH PUBLIC R.O.W.



# VISION STATEMENT

- Maintain warehouse and industrial integrity of the development
- Utilize the mixed uses of the building to create a stable profit for the future
- Meet the community retail gaps to provide residents with innovative amenities
- Use sustainability measures during every step in the development process

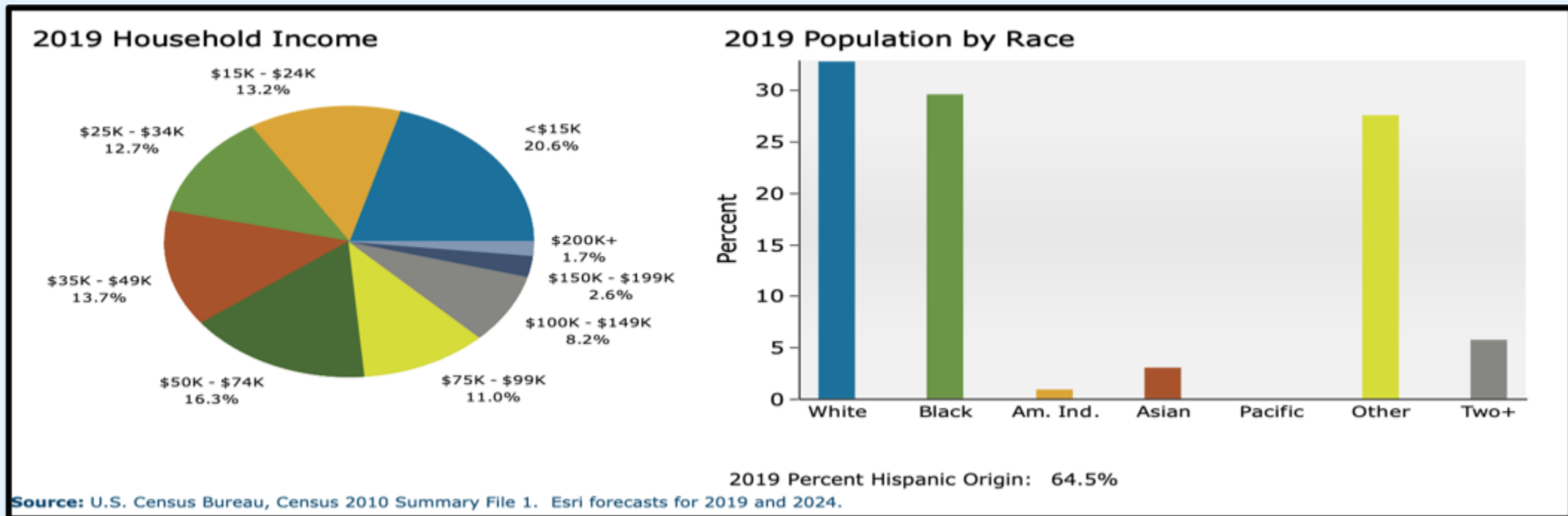
# AGENDA

- I. Demographics
- II. Highest and Best Uses
- III. Market Analysis
  - I. Multi-Family
  - II. Retail
  - III. Office
- IV. Development Design
- V. Sustainability
- VI. Construction Costs
- VII. Potential Gross Income
- VIII. Equity
- IX. Pro Forma
- X. Conclusion

# DEMOGRAPHICS

Who is our target audience?

- Using data provided by Esri Database, we gathered demographic information
- When planning for retail space, you must know your target audience
- We conducted research to see the needs and wants of the Paterson community

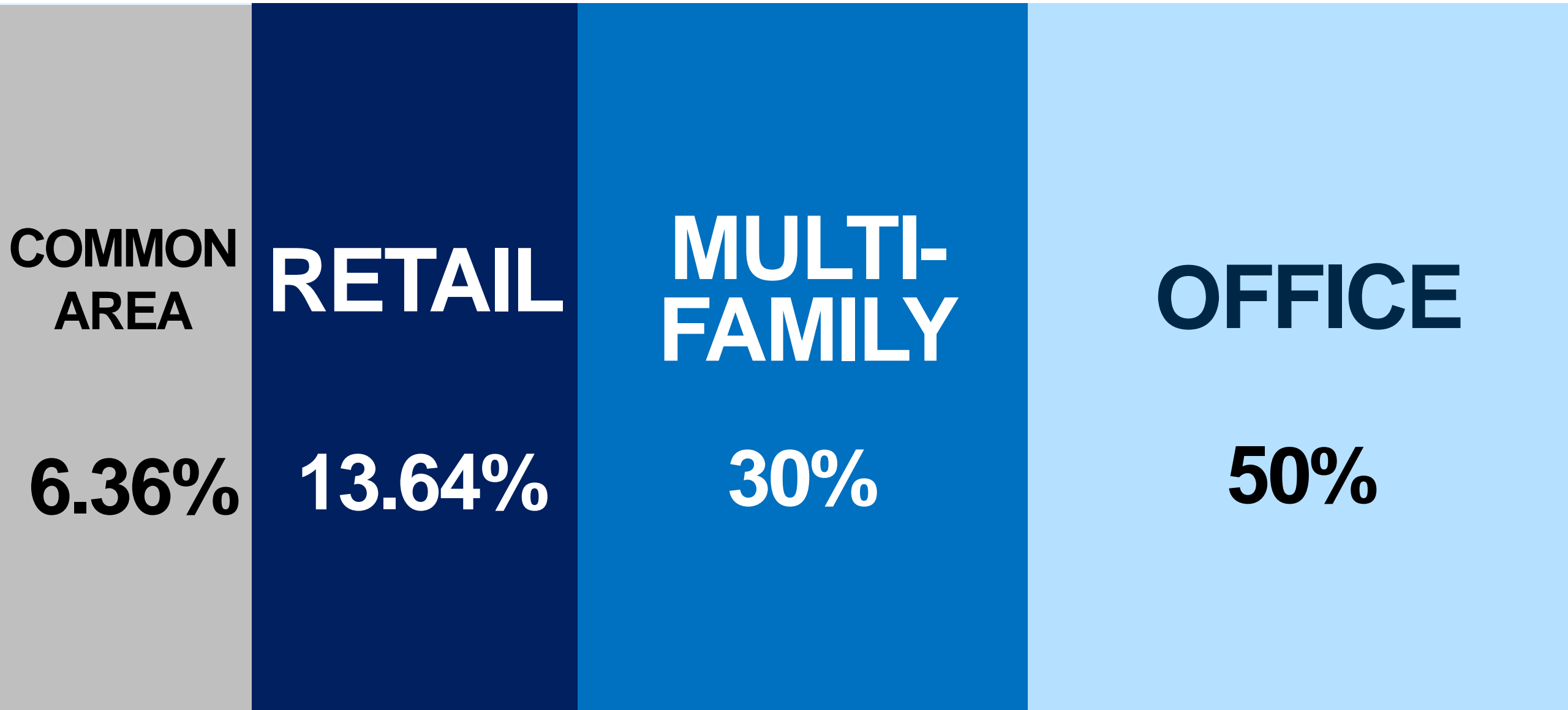


- Based on the pie chart above, the household incomes of Paterson households have 20.6% making less than \$15,000 per year
- This type of information is very crucial when proposing what types of retail One Van Houten should offer to Paterson consumers
- This development should not contain high-end retail when their target audience is a lower-income area

# HIGHEST AND BEST USES

- Our team decided the best way for One Van Houten to succeed and fit the needs of the community was to create a mixed use building
- This new development will consist of; office space, retail, residential and common area spaces

# MIXED-USES



Use	SQ FT	Percentage
Retail	45,000	13.64%
Common Area	21,000	6.36%
Office	165,000	50.00%
Multi-Family	99,000	30.00%

- As for renovating the building we come to two options; we could demolish the building completely or renovate the entire interior
- The team decided that demolishing the building and starting fresh would be better
- This way can use the space of the lot more effectively, and could reconstruct the building with more environmentally friendly materials

# MARKET ANALYSIS

Multi-Family

- 30% of the building
- Studios and two bedroom apartments
- Intermediate social class

# Multi-Family Market

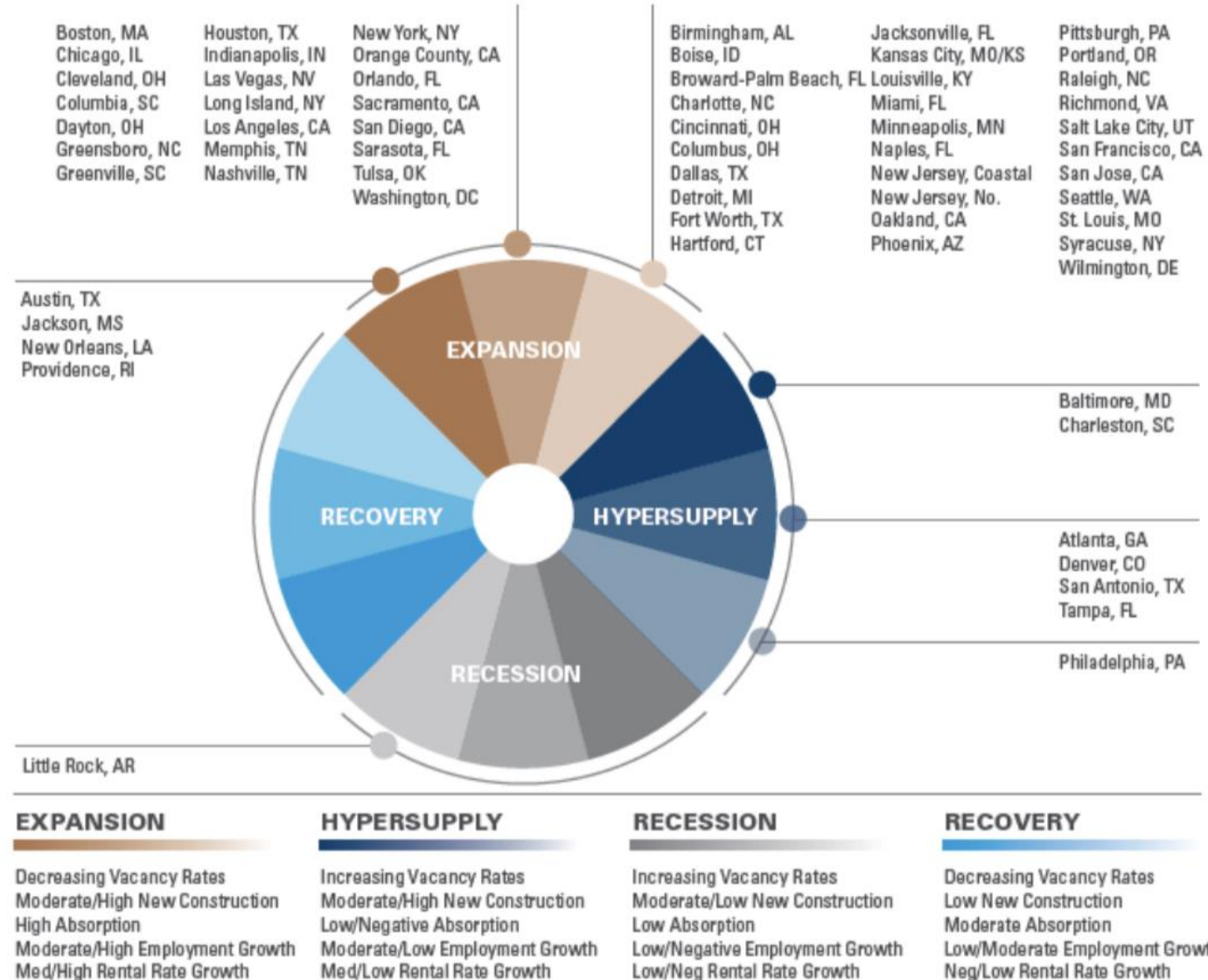
## Northern NJ

- 3<sup>rd</sup> phase of Expansion
- Decreasing vacancy rates, moderate to high new construction, high absorption, moderate to high employment growth, and moderate to high rental rate growth



## 2020 Annual Viewpoint Market Cycle Chart Multifamily

### MULTIFAMILY MARKET CYCLE



# Nearby Rental Income Comps

<u>Address</u>	<u>Distance from Subject (Miles)</u>	<u>SQ FT</u>	<u>SQ FT Difference</u>	<u>Value Rank</u>	<u>Value Percentage</u>	<u>Rate (SF/MO)</u>	<u>Percentage Weight</u>	
24 Mill St	0.1	25,491	(34,509)	3,451	0.50%	\$ 1.46	58.85%	\$ 0.86
19 Market St	0.3	35,500	(24,500)	7,350	1.06%	\$ 1.75	3.61%	\$ 0.06
152 Market St	0.3	24,000	(36,000)	10,800	1.56%	\$ 2.25	12.12%	\$ 0.27
41 Clark St	0.5	15,000	(45,000)	22,500	3.25%	\$ 1.25	16.05%	\$ 0.20
221 Slater St	1.1	41,000	(19,000)	20,900	3.01%	\$ 1.88	3.01%	\$ 0.06
175 Broadway	0.5	282,524	222,524	111,262	16.05%	\$ 1.47	3.25%	\$ 0.05
400 Broadway	1.4	120,000	60,000	84,000	12.12%	\$ 1.54	1.56%	\$ 0.02
125 Presidential Ave	0.5	9,963	(50,037)	25,019	3.61%	\$ 2.50	1.06%	\$ 0.03
280 12th Ave	1.7	300,000	240,000	408,000	58.85%	\$ 1.50	0.50%	\$ 0.01
		853,478		693,281			100%	\$ 1.56
<i>Subject Property:</i>								
24 Van Houten St	0	60,000	\$ 1.56					



We can expect a monthly rental price of \$1.56 per sq.ft.

# MARKET ANALYSIS

Retail

- 13.64% of the building
- Diversification among prospective tenants
- Use of Esri database to determine retail demand for Paterson

# Retail Market

## Northern NJ

- 3<sup>rd</sup> phase of Recovery
- Decreasing vacancy rates, low new construction, moderate absorption, low to moderate employment growth, and negative to low rental rate growth
- We can expect Expansion in the near future



# Nearby Rental Income Comps

<u>Address</u>	<u>Distance from Subject (Miles)</u>	<u>SQ FT</u>	<u>SQ FT Difference</u>	<u>Value Rank</u>	<u>Value Percentage</u>		<u>Rate (\$/SF/MO)</u>	<u>Percentage Weight</u>	
301 Main St	0.4	52,000	(8,000)	3,200	0.63%		\$ 1.50	34.34%	\$ 0.52
111 Washington St	0.3	21,422	(38,578)	11,573	2.29%		\$ 2.00	28.60%	\$ 0.57
68 Broadway	0.3	2,500	(57,500)	17,250	3.42%		\$ 2.00	12.61%	\$ 0.25
351 Grand St	0.5	2,700	(57,300)	28,650	5.68%		\$ 1.37	6.70%	\$ 0.09
125 Broadway	0.5	2,200	(57,800)	28,900	5.73%		\$ 1.75	5.73%	\$ 0.10
60 Spruce St	0.6	3,700	(56,300)	33,780	6.70%		\$ 1.66	5.68%	\$ 0.09
490 Chamberlin Ave	1.5	17,600	(42,400)	63,600	12.61%		\$ 1.91	3.42%	\$ 0.07
991 Main St	2.6	4,499	(55,501)	144,303	28.60%		\$ 2.66	2.29%	\$ 0.06
177 3rd Ave	3	2,250	(57,750)	173,250	34.34%		\$ 2.08	0.63%	\$ 0.01
		27,999		504,506				17%	\$ 1.77
<i>Subject Property:</i>									
24 Van Houten St	0	60,000	\$ 1.77						



We can expect a monthly rental price of \$1.77 per sq.ft.

# Retail Demand Gaps

Using the Esri database

Industry Group	NAICS Industry Code	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Lawn & Garden Equip & Supply Stores	4442	\$3,730,737	\$1,025,608	\$2,705,129	56.9	3
Clothing & Clothing Accessories Stores	448	\$72,632,954	\$65,904,784	\$6,728,170	4.9	118
Sporting Goods/Hobby/Musical Instr Stores	4511	\$25,495,548	\$20,086,246	\$5,409,302	11.9	18
Book, Periodical & Music Stores	4512	\$4,403,869	\$612,840	\$3,791,029	75.6	3
Department Stores Excluding Leased Depts.	4521	\$86,642,286	\$19,220,606	\$67,421,680	63.7	24
Other General Merchandise Stores	4529	\$57,386,763	\$36,466,405	\$20,920,358	22.3	32
Miscellaneous Store Retailers	453	\$33,246,430	\$22,775,978	\$10,470,452	18.7	59
Office Supplies, Stationery & Gift Stores	4532	\$9,777,758	\$3,078,119	\$6,699,639	52.1	17
Other Miscellaneous Store Retailers	4539	\$19,637,265	\$9,172,289	\$10,464,976	36.3	26
		\$312,953,610	\$178,342,875	\$134,610,735		
			Annual Area Retail Sales	\$ 1,040,373,355		
			Annual Lost Revenue (%)	12.94%		

- Paterson residents spent \$1,040,373,355 on retail expenditures
- 33% of these sales are being spent outside of Paterson
- Clothing & Clothing Accessories Stores and Book, Periodical & Music Industry
- Satisfying these retail gaps will help ensure a 100% retail space occupancy

# Prospective Tenants

- These retailers would help fulfill Paterson's retail demand gap
- This will allow a more convenient access for goods that residents would originally go elsewhere for

Zummies	2,000	50,000
Trader Joes	5,500	137,500
Aldo	2,000	50,000
Bath and BodyWorks	2,000	50,000
Hollister	3,000	75,000
Ambecombie & Fitch	3,000	75,000
Old Navy	3,000	75,000
Pandora	1,500	37,500
Applebees	5,000	125,000
Dunkin Donuts	1,500	37,500
Loft	2,000	50,000
Walgreen	6,000	150,000
Sprint	2,000	50,000
Ulta	3,000	75,000
Petsmart	3,500	87,500
	<b>45,000</b>	<b>1,125,000</b>

# MARKET ANALYSIS

Office

- 50% of the building
- Main attraction to the town of Paterson
- Intermediate class

# Office Market

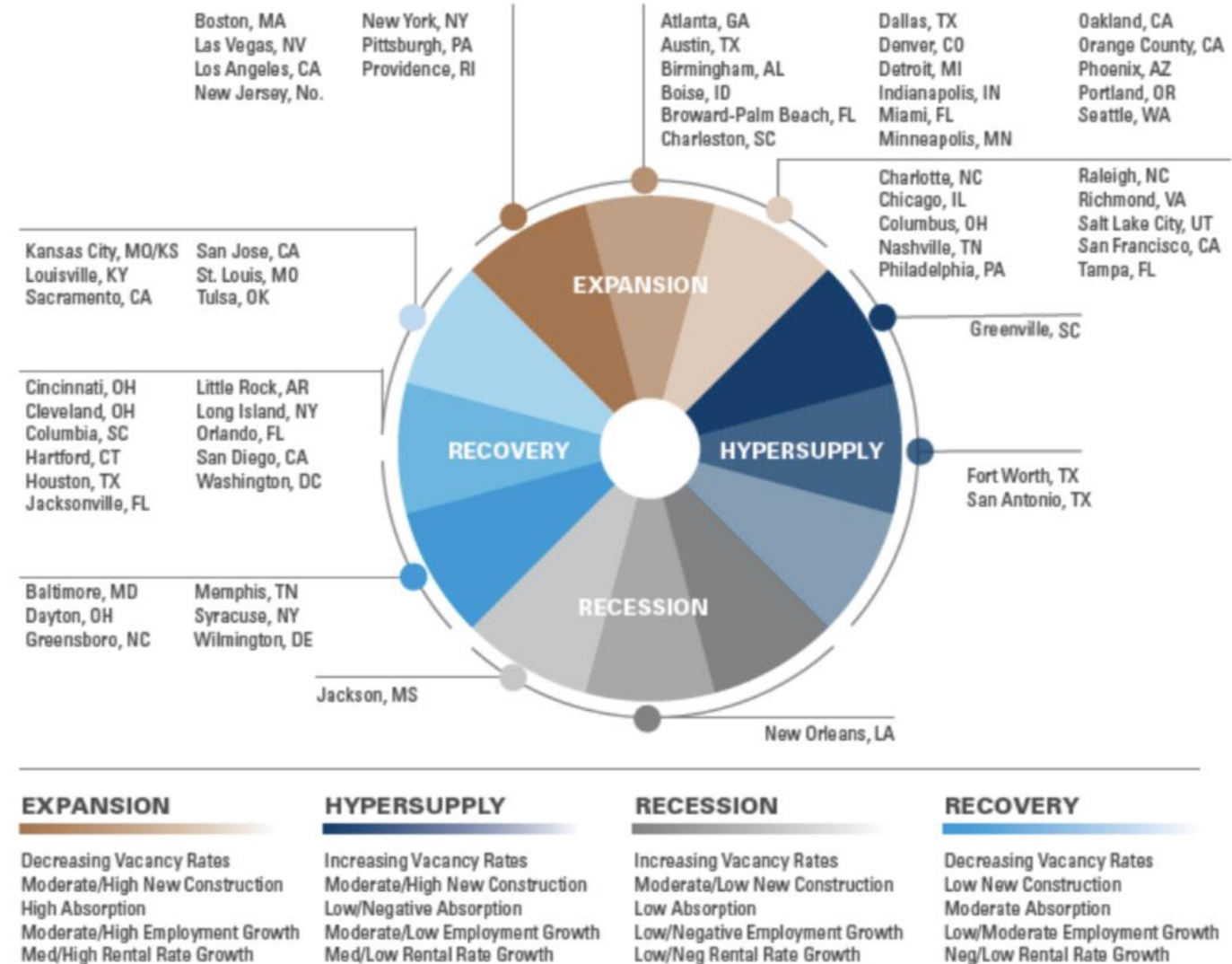
## Northern NJ

- 1<sup>st</sup> phase of Expansion
- Decreasing vacancy rates, moderate to high new construction, high absorption, moderate to high employment growth, and moderate to high rental rate growth
- We can expect Expansion in the near future



## 2020 Annual Viewpoint Market Cycle Chart Office

### CBD OFFICE MARKET CYCLE



- Shared workspace and creative collaboration



- Higher-than-average rental income per sq.ft.



- Counseling centers for students, children, and the residents of Paterson

- Rentable studios for artistic and creative uses



# Nearby Rental Income Comps

Address	Distance from Subject (Miles)	SQ FT	SQ FT Difference	Value Rank	Value Percentage	Rate (SF/MO)	Percentage Weight	
22 Mill St	0.1	25,491	(34,509)	3,451	0.41%	\$ 1.75	54.27%	\$ 0.95
666 Hamilton St	0.4	35,500	(24,500)	9,800	1.17%	\$ 1.46	15.48%	\$ 0.23
111 Washington St	0.3	24,000	(36,000)	10,800	1.29%	\$ 2.25	11.42%	\$ 0.26
50 Hamilton St	0.4	15,000	(45,000)	18,000	2.14%	\$ 2.04	7.94%	\$ 0.16
1010 Main St	2.6	41,000	(19,000)	49,400	5.88%	\$ 1.88	5.88%	\$ 0.11
137 Ellison St	0.3	282,524	222,524	66,757	7.94%	\$ 1.87	2.14%	\$ 0.04
185 6th Ave	1.6	120,000	60,000	96,000	11.42%	\$ 2.00	1.29%	\$ 0.03
991 Main St	2.6	9,963	(50,037)	130,096	15.48%	\$ 2.50	1.17%	\$ 0.03
680 Broadway	1.9	300,000	240,000	456,000	54.27%	\$ 1.50	0.41%	\$ 0.01
		853,478		840,304			100%	\$ 1.81
Subject Property:								
24 Van Houten St	0	60,000	\$ 1.81					



We can expect a monthly rental price of \$1.81 per sq.ft.

# DEVELOPMENT DESIGN





# Existing Structure

- Demolition of the original structure
  - Too expensive to renovate
  - Hinders sustainability measures
- Will utilize existing brick material in the new development to minimize costs, uphold industrial integrity, and practice environmentally-friendly measures



Engaging Architecture • Optimal Usage • Sustainability-Conscious

# First Floor Walkway

- During the day, the gate would remain open to invite customers of the retail spaces back into the rain garden/sitting area in the back of the property
- At 10pm each night, the gate will lock allowing access only to the residents of the space on the top floors
- The retail locations will have entrances both on the front and the inside of the space
- During the day, this gate will also be open for cars to drive through to reach the parking lot in the back of the lot



# Rain Garden and Parking Space

- Rain garden will allow rainwater to be adequately displaced so that it does not create a pool on the property
- There will be a few parking spaces in the back of the property for people who are coming to visit the retail or office locations, as well as residents of the space but it will be first come first serve, residents will not be allotted a parking pass
- The rain garden will also double as a sitting area, or a park like space for the community to enjoy during all seasons



# SUSTAINABILITY

- Brick preservation to reduce construction waste
- Rammed earth materials and bamboo are environmentally friendly and cost efficient
- Solar panels on roofs
- Solar energy producing windows: reduces heat from windows, deterioration of building materials, and electricity expenses
- Rainwater collection systems will help provide reused water for the building's water usage
- We will use reclaimed wood from local areas in New Jersey to the building materials
- We will use the tile made from recycled glass from the previous building, in office spaces and kitchens
- For lighting, natural lighting will be sufficient in retail and office spaces and LED lighting will be used when needed
- Plants around the building will be rainwater deflecting plants to preserve the building's structure

# CONSTRUCTION COSTS

- Acquisition, demolition and construction of the new building will be a total of \$78,990,000
- The design and reconstruction of the outside and interior core will be \$125 per square foot

# Lot Sizes and Pad Square Footage Dimensions

<u>Block/Lot</u>	<u>Address</u>	<u>Lot Size</u>	<u>SQ FT</u>
Block 4601			
Lot 13	33-35 Van Houten St	0.8425	36,699.30
<u>Lot 14</u>	<u>36-37 Van Houten St</u>	<u>1.26</u>	<u>54,885.60</u>
Total		2.1025	91,584.90

<u>Building</u>	<u>Length</u>	<u>Width</u>	<u>Pad SQ FT</u>	<u>Stories</u>	<u>Total SQ FT</u>
Building 1	300	75	22,500	6	135,000
Building 2	300	75	22,500	6	135,000
<u>Attachment</u>	<u>300</u>	<u>50</u>	<u>15,000</u>	<u>4</u>	<u>60,000</u>
			60,000		330,000

- Total lot sizes come to just over 2 acres
- Total Square Feet comes out to 330,000

# Costs of Acquisition and Reconstruction

- \$4,500,000 acquisition cost to obtain the building
- \$240,000 total demolition costs with a total of 60,000 square foot (\$4.00/sq.ft.)
- \$74,250,000 for LEED certified construction costs

<u>Site Acquisition Costs</u>			<u>Total Cost</u>
			\$4,500,000
<u>Total Demolition Costs</u>	<u>SQ FT</u>	<u>Cost per SQ FT</u>	<u>Total Cost</u>
	60,000	\$4.00	\$240,000
<u>Total Constuction Costs</u>	<u>SQ FT</u>	<u>Cost per SQ FT</u>	<u>Total Cost</u>
Retail	45,000	\$125	\$5,625,000
Multi-Family	99,000	\$250	\$24,750,000
Common Area	21,000	\$125	\$2,625,000
<u>Office</u>	165,000	<u>\$250</u>	\$41,250,000
Total Constuction	330,000		\$74,250,000
Combined Demo and Construction Cost			\$78,990,000

# POTENTIAL GROSS INCOME

- Total Revenue:  
\$6,380,907
- Total Vacancy:  
94%

# PGI Calculations

- Total PGI with 309,000 sq.ft. of common area, retail, multi-family and office is approximately \$6,380,907
- Total vacancy of retail, multi-family and office is 94%
- Weighted Vacancy Rate: 9.10% of the three occupants

<u>Total PGI</u>	<u>SQ FT</u>	<u>Total Revenue</u>	
Common Area	21,000	\$ -	
Retail	45,000	\$ 953,385	
Multi-family	99,000	\$ 1,850,832	
<u>Office</u>	<u>165,000</u>	<u>\$ 3,576,690</u>	
Total PGI	309,000	\$ 6,380,907	
<u>AverageVacancy</u>	<u>%</u>	<u>AverageVacancy</u>	<u>Weighted Vacancy Rate</u>
Retail	14%	9.14%	1.25%
Multi-family	30%	12.52%	3.76%
<u>Office</u>	50%	<u>8.20%</u>	<u>4.10%</u>
<u>Total Vacancy</u>	94%		9.10%

# EQUITY

Purchase Price	\$74,250,000
Loan to Value	70%
Loan Amount	\$51,975,000
Interest Rate	4.5%
Amortization	30
Monthly Payment	(\$263,349.69)

# PRO FORMA

- 309,000 total rentable square feet and using current market rents, year one PGI came to \$6,380,907. We used a current, weighted market vacancy rate of 9.10% and a conservative 3% rental growth rate to adjust for inflation in the future markets
- With the purchase price being \$74,250,000 we had an LTV of 70%, which left us with a loan amount of \$51,975,000. At a mortgage interest rate of 4.5% and amortizing monthly for 30 years, the total monthly payment on this loan will be \$263,349.69

# PRO FORMA

Leasable Space	330,000	330,000	330,000	330,000	330,000	330,000
Potential Gross Income	\$6,380,907	\$6,572,334	\$6,769,504	\$6,972,589	\$7,181,767	\$7,397,220
Vacancy and Collection Losses	\$580,813	\$598,238	\$616,185	\$634,670	\$653,711	\$673,322
Misc. Income	\$660,000	\$679,800	\$700,194	\$721,200	\$742,836	\$765,121
Effective Gross Income	\$6,460,093	\$6,653,896	\$6,853,513	\$7,059,118	\$7,270,892	\$7,489,019
Operating Expenses	\$1,938,028	\$1,996,169	\$2,056,054	\$2,117,736	\$2,181,268	\$2,246,706
Net Operating Income	\$4,522,065	\$4,657,727	\$4,797,459	\$4,941,383	\$5,089,624	\$5,242,313
Capital Expenditures	\$0	\$0	\$0	\$0	\$0	
Property-Level Cash Flow	\$4,522,065	\$4,657,727	\$4,797,459	\$4,941,383	\$5,089,624	
Annual Debt Service	\$3,160,196	\$3,160,196	\$3,160,196	\$3,160,196	\$3,160,196	
Before-Tax Cash Flow	\$1,361,869	\$1,497,531	\$1,637,263	\$1,781,187	\$1,929,428	
Taxes	\$237,160	\$289,414	\$343,421	\$399,240	\$456,935	
After-Tax Cash Flow	\$1,124,709	\$1,208,117	\$1,293,842	\$1,381,947	\$1,472,493	

# Annual Taxable Income Calculations and Interest Depreciation Write Offs

	1	2	3	4	5
Net Operating Income	\$4,522,065	\$4,657,727	\$4,797,459	\$4,941,383	\$5,089,624
Interest	\$2,321,722	\$2,283,202	\$2,242,913	\$2,200,774	\$2,156,698
Depreciation	\$1,409,810	\$1,409,810	\$1,409,810	\$1,409,810	\$1,409,810
Taxable Income	\$790,534	\$964,715	\$1,144,736	\$1,330,799	\$1,523,116

<b>Ratios</b>	
Property Cap Rate	6.09%
Equity Dividend Rate	6.11%
Debt Coverage Ratio	1.43

# Disposition Using a 6.00% Cap Rate

Year 6 NOI	\$5,242,313
Going-Out Cap Rate	6.00%
Future Selling Price	\$87,371,885.56
Selling Expenses	\$8,737,188.56
Net Sale Proceeds	\$78,634,697.00
Amount Outstanding	\$47,379,327.45
Before-Tax Equity Reversion	\$31,255,369.56
Taxes Due on Sale	\$2,419,967.21
After-Tax Equity Reversion	\$28,835,402.35

# Pre-Tax IRR is 13.38%

- Using conservative, current market rental and vacancy rates which One Van Houten should outperform

Before-Tax Levered Cash Flows	0	1	2	3	4	5
Initial Equity Investment	(\$22,275,000)					
BTCF		\$1,361,869	\$1,497,531	\$1,637,263	\$1,781,187	\$1,929,428
BTER						\$31,255,369.56
Net Cash Flows	(\$22,275,000)	\$1,361,869	\$1,497,531	\$1,637,263	\$1,781,187	\$33,184,798
IRR	13.38%					
NPV @ 10%	\$3,252,514.50					

# After-Tax Levered Cash Flows

After-Tax Levered Cash Flows	0	1	2	3	4	5
Initial Equity Investment	(\$22,275,000)					
ATCF		\$1,124,709	\$1,208,117	\$1,293,842	\$1,381,947	\$1,472,493
ATER						\$28,835,402.35
Net Cash Flows	(\$22,275,000)	\$1,124,709	\$1,208,117	\$1,293,842	\$1,381,947	\$30,307,896
IRR	10.52%					
NPV @ 7%	\$3,550,897.66					

# CONCLUSION

- Highest and Best Uses:  
Retail, Multi-Family, Office
- Preserve industrial integrity of the town
- Ensure sustainability for a healthy future
- Create a profit to create longevity in the development

An aerial photograph of a city, likely New York City, showing a dense urban landscape with various buildings, streets, and green spaces. The image is overlaid with a semi-transparent blue filter.

# THANK YOU

Commercial Equity Consultants

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**1** **VAN**  
**HOUTEN**