

# MULTIFAMILY HOUSING

## REWARDS AND CHALLENGES

PLATTE VALLEY BANK

A stylized, low-poly mountain range graphic in shades of brown and tan, positioned at the bottom of the slide. The background features a blue-to-teal gradient.

PRESENTED BY

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Senior Vice President

Platte Valley Bank

A stylized, low-poly mountain range graphic in shades of brown and tan, positioned at the bottom of the slide. The background behind the mountains is a gradient from dark blue at the top to light cyan at the bottom.

PLATTE VALLEY BANK

# EXAMPLE

- 24 UNIT APARTMENT
- MONTHLY RENT - \$1140 PER MONTH
- RENTABLE AREA APPROX. 20,000 SF
- 56 PARKING SPACES
- LAND AREA 1.5 ACRES
- WOOD FRAME, LAP SIDING, SOME BRICK
- EXTRAS – WASHER-DRYERS, 10 GARAGES, PATIO/BALCONIES

# PRIMARY IMPROVEMENTS

• ITEM	UNITS(SF)	UNIT COST	TOTAL
• 24 unit apt	20,336	\$71.59	\$1,455,802
• Patio/Balconies	2,760	\$36.68	\$ 101,237
• Garages	<u>6,240</u>	<u>\$90.77</u>	<u>\$ 572,645</u>
• Total/Average	29,336	\$72.60	\$2,129,683
• Add: indirect cost	6%		\$ 127,781
• Total Cost of the Building			\$2,257,464

# SITE IMPROVEMENTS

ITEM	UNITS	UNIT COST	TOTAL
• Parking	56 spaces	@ \$1,300	\$ 72,800
• Fencing	1	@ \$8,000	\$ 8,000
• Sidewalks	5,000 SF	@ \$3.85	\$ 19,250
• Landscape	71,297	@ \$1.00	<u>\$ 71,297</u>
• Total			\$171,347
• Add: Indirect Cost(%)	6%		<u>\$ 10,281</u>
• Total Cost of Site Improvements			\$181,628

# FF&E

ITEM	UNITS		UNIT COST	TOTAL
• Kitchen Package	24	@	\$1,495	\$35,880
• Washer	24	@	\$ 750	\$18,000
• Dryer	24	@	\$ 500	<u>\$12,000</u>
• Total				\$65,880
• Add: Indirect Costs(%)			6%	<u>\$ 3,953</u>
• Total FF&E Cost				\$69,833

# COST TO CONSTRUCT

• Primary Improvements	\$2,257,464
• Site Improvements	\$ 181,628
• FF&E	\$ 69,833
• Entrepreneurial Profit	\$ 301,071
• BUILDING COST	\$2,809,996
• Add Land Value	\$ 170,000
• TOTAL PROJECT COST	\$2,979,996

# RENTAL ASSUMPTIONS

- 24 UNITS @ \$1140 PER MO      \$ 27,360
- POTENTIAL ANNUAL RENTAL INCOME
- $\$27,360 \times 12 = \$328,320$

# POTENTIAL GROSS INCOME

- Rental Income \$328,320
- Less Vacancy Allowance 2.5% \$ 8,208
- Effective Gross Income \$320,112

# OPERATING EXPENSES

• Management Fee	\$16,001
• Real Estate Taxes	\$ 5,040
• Insurance	\$ 4,800
• Maintenance/Repair	\$14,400
• Payroll	\$ 9,600
• Marketing	\$ 1,200
• Utilities	\$14,400
• Administrative	\$ 3,600
• Miscellaneous	<u>\$ 500</u>
• Total Expenses	\$69,541

# NET OPERATING INCOME

- Effective Gross Income \$320,112
- Less: Operating Expenses (\$ 69,542)
- Net Operating Income \$250,570

# DEBT SERVICE

• PROJECT COST	\$3,000,000
• Less: EQUITY 25%	<u>(\$ 750,000)</u>
• LOAN AMOUNT	\$2,250,000
• P&I @ 6%, 20 YEAR	\$ 193,436
• NET OP INCOME	<u>\$ 250,570</u>
• CASH AFTER DEBT	\$ 57,134

# HIGHER VACANCY

- 10% VACANCY

P&I @ 6%, 20 YEARS	\$193,436
NET OP INCOME	<u>\$225,946</u>
CASH AFTER DEBT	\$ 32,510

## 25% VACANCY

P&I @ 6%, 20 YEARS	\$193,436
NET OP INCOME	<u>\$176,699</u>
CASH AFTER DEBT	( \$16,737)

# THE CHALLENGES

- DETERMINING MARKET RENT
- DETERMINING DEMAND
- DESIGN TO MEET THE DEMAND
- EQUITY IN THE PROJECT