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To: Mr. Steve A. West

From: Haddow & Company

RE: Real Estate Counseling Services – 3.1-Acre Site in Shops at Belmont

Date: June 12, 2017

We have analyzed the 3.1-acre site that Halpern Enterprises owns in the Shops at Belmont mixed-use development. In January 2009, the City of Smyrna approved zoning for the 3.1-acre site to allow for 164 independent senior rental apartments. Structured parking is required in order to achieve this type of density on a 3.1-acre site. We briefly analyzed the market and property to determine if a senior apartment development with structured parking is a viable use in this location.

- **Virtually all the senior apartments built in metro Atlanta have been developed with surface parking.** Structured parking, or a development with a parking deck instead of a surface parking lot, drives development costs much higher than a surface-parked development. Thus, developers must achieve significantly higher rents. To our knowledge, there has not been a senior apartment development constructed in suburban Atlanta that involves a stand-alone parking deck that is not shared with other uses. Even market-rate apartment developers are having difficulty financing apartment projects in suburban locations that require structured parking. According to an apartment developer active in the area, construction costs have risen so much recently that costs for a new multifamily development with structured parking would be approximately 15 percent higher than developments currently under construction. When asked what rents would be necessary to justify construction of a market-rate apartment on the subject property, the developer said rents would likely need to be around \$2.00 per square foot. By comparison, the apartments at 400 Belmont are currently quoting an average monthly rent of \$1.65 per square foot.
- **Senior apartment developments are more expensive to operate than traditional apartments.** According to a senior apartment developer that also builds market-rate apartments, controllable expenses are approximately 30 percent higher for senior apartments compared to market-rate apartments due to the added amenities and services. As a result, the developer must achieve a 25 percent premium in rents compared to other competitive Class A market-rate apartments in the area.

For these reasons, we believe it will be challenging to build a senior apartment development on the subject property with a structured parking deck in today's market.