

DTOP Sub Area Plan Steering Committee Meeting

Colt Building Update
September 20, 2005



Today's Goals

- Establish as shared knowledge base
 - Development Concepts
 - Market Strength
 - Investment Economics
- Present Preliminary Building Economics



Development Concepts

- Uncertainty causes vacancy
- Operating costs trump development costs

	Actual Weak	Expected	Actual Strong	Location Change
Sales	\$400,000	\$500,000	\$600,000	\$600,000
Merchandise Cost	\$200,000	\$250,000	\$300,000	\$300,000
Gross Margin	\$200,000	\$250,000	\$300,000	\$300,000
Rent	\$50,000	\$50,000	\$50,000	\$75,000
Salaries	\$100,000	\$100,000	\$100,000	\$100,000
Supplies	\$20,000	\$25,000	\$30,000	\$30,000
Reserve for repair	\$12,500	\$12,500	\$12,500	\$12,500
Advertising	\$25,000	\$25,000	\$25,000	\$25,000
ROI, Taxes & Profit	-\$7,500	\$37,500	\$82,500	\$57,500

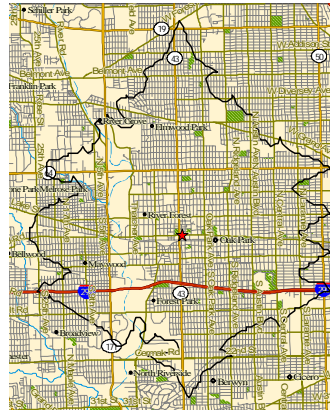


Market Strength

5-Minute Drive Time Market

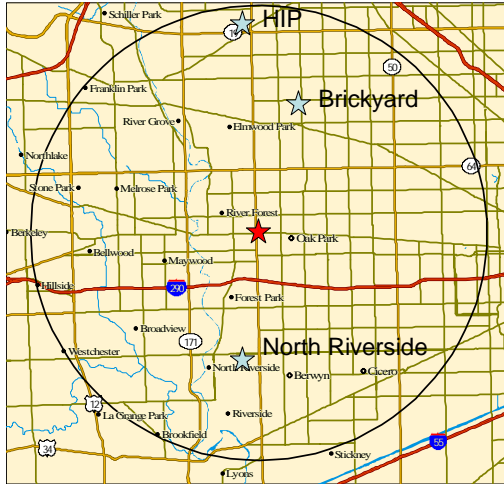
Population	300,790
Household Average Income	\$67,405
Income \$75,000 Plus	29,342
Total Employees	82,656
Total Retail Expenditure	\$2,271,640,067

Demographic data © 2004 by Experian/Applied Geographic Solutions.



The market is not a development constraint.

Market Strength



- Lease Restricted Market
 - 2nd store unlikely to be opened within 5-miles
 - Convenience stores and quick restaurants will open nearer
 - Clusters with tenant conflicts
 - HIP
 - Brickyard
 - North Riverside
 - Points to upscale target



Investment Economics

- Gross Rent
 - Vintage Stores and Restaurants: \$16 to \$25
 - New Stores and Restaurants: Up to \$43
 - Vintage Office: \$24 to 35 (depends on services)
 - New Office: ???



Investment Economics

- Commercial Property Taxes
 - Vintage \$4 per SQFT
 - New \$6 per SQFT
- Commercial Expenses
 - 2% Maintenance
 - 2% Management
- Capitalization Rates (Expected Return)
 - 7.5% on Credit Tenant Leased New Building
 - 8.5% on solid vintage building



Investment Economics

- Residential Condominiums
 - Sizes 700 to 3,000 SQFT plus balconies
 - Current product is selling for an average of \$275 per SQFT



Colt Building

- Current Lease Rate

Floor	SQFT	Gross Rent	Net Rent
Basement	18,000	\$13.00	\$6.00
Lake	12,160	\$25.00	\$18.00
Westgate	6,840	\$22.00	\$15.00
2nd Floor	19,000	\$14.00	\$7.00
Total	56,000		

Assumptions

% Lake	64%
Cam	\$3.00
Taxes	\$4.00
Cap Rate	8.5%
Typical Vacancy	5%

- Implied Value

Floor	Fully Leased		Typical	
	Net Income	Occupancy	Net Income	Vacancy
Basement	\$108,000	33%	\$35,640	\$102,600
Lake	\$218,880	75%	\$164,160	\$207,936
Westgate	\$102,600	75%	\$76,950	\$97,470
2nd Floor	\$133,000	90%	\$119,700	\$126,350
Total	\$562,480		\$396,450	\$534,356
Value	\$6,617,412		\$4,664,118	\$6,286,541



Next Steps

- Work with architect to determine potential reuse tenants
- Calculate investment return on scenarios
- Create additional shared knowledge

