

Welcome to the second issue of our monthly newsletter for Stamm Development Group. The targeted markets where we focus continue to be vibrant. We are seeing a lot of interest in the general areas of our properties and continue to make good progress with construction, community relations, zoning changes and so forth. Several of our condominiums for sale have been formally listed after being prepared for showings and interest has been strong. Of our first two units to market in Francisville, one is under contract and the other is seeing a lot of interest, which we believe bodes well for our nearby projects.

We are also pleased to announce that our Stamm Development Group website is now live in its first version. There is still some work to be done in terms of the investor portal area, but otherwise, it provides what we believe is a nice overview of our current projects. Please have a look at www.stammdevelopment.com.

The State of North Broad

In last month's issue, we examined the rebirth of the historic Divine Lorraine hotel. This redevelopment has sparked an interest in many developers to see what else could possibly be done to bring a major rejuvenation to the North Broad corridor. Recently, a non-profit organization has been formed called The North Broad Renaissance. Their primary role is to provide communication and information to city administrators, City Council, neighborhood and community groups and others who are or may



be interested in doing business or development or other activities on North Broad. They recently published their "State of North Broad," report to recap the year of 2016. The report mentions a whole series of projects that are happening along this corridor, all adding to the desirability of this area for the large number of millennials who reside there, particularly as more office buildings and other businesses move north on Broad Street from the traditional center city part of Philadelphia. For instance, an article in Philadelphia Business Journal, dated January 13, 2017, describes a mixed office and residential building on North Broad at Spring Garden as a "game changer", as it essentially moves the boundary of center city northward.

In the State of North Broad report, they state that currently there are 48,384 residents living in the North Broad section of the city and that population has been growing since 2000 and continues to grow. Close to 50% of these residents are between the ages of 18 and 34 and almost 60% of the residents along the corridor walk, bike or take transit to work. This is our target condominium and rental market. Our Ridge Avenue properties in Francisville are slightly to the west of North Broad Street and fit well in this part of the city.



For those with an interest, here is a link to the State of North Broad report:
<http://northbroad.org/wp-content/uploads/2016/12/State-of-North-Broad-2016.pdf>

1300 Fairmount Avenue

Located beside the redeveloped Divine Lorraine hotel will be a new construction project by a New York based group, RAL, at 1300 Fairmount Avenue. The proposed structure will include 84,000 Sq. Ft. of ground floor retail space, 486 residential units above, and 300 dedicated retail parking should provide a huge boost to North Broad and should push momentum for more development projects not only on that corridor but in the surrounding areas. This structure will contribute nicely to the increased projection of residents by 2021 and will add to the activity of the ground level retail shops and restaurants in the area.



1300 Fairmount Avenue is a short two or three blocks from our developed properties in the Francisville area.

What's new within Stamm Development Group?

Included below are three more projects we promised to introduce you in Issue 1 of our monthly newsletter.

1508-1512 Ridge Avenue, Philadelphia, PA 19130:

Our firm purchased this vacant parcel of land via an investment broker from another development firm in October 2016 at what we believe was a favorable price. The corner lot spanned nearly 3,000 Sq. Ft. in Francisville with CMX2.5 zoning (mixed use – first floor commercial and residential above). At the time of purchase, the prior owner had taken the property through zoning and had been granted variances from the ZBA for all sorts of set-backs triggered from the triangular shape of the lot. Its zoning permit included the use of a ground floor commercial space, two indoor parking spaces, an elevator, and four residential units. Aside from shape of the lot and the triggered variances for setbacks and such, all of the other uses were “by-right”.

Through our experience and relationships with the local Civic Association (Francisville Neighborhood Development Corporation (“FNDC”)), we identified an opportunity to increase the density of the project and make our purchase price even more appealing. At the time of purchase, the approved four residential units were each roughly 1,800 Sq. Ft., which for the



area was simply too large, even for condominiums listed for sale. The targeted amount of space for a two-bedroom condo for the area based on relevant sales comps is roughly 1,300-1,400 Sq. Ft. Because we look at this parcel as a long-term rental play and using information we have via our relationships with the FNDC, we knew the community is pushing hard for increased density and viable commercial space along the Ridge Avenue corridor.



Accordingly, we decided to split up the 1,800 Sq. Ft. flats and convert them into a pair of two-bedroom/two-bathroom units per floor. This 900 Sq. Ft. size for a two-bedroom unit is in line with the rental market in the area and doubles the number of units provided from four to eight. Given the strength of the rental market in Francisville, this location should experience healthy rents and possible appreciation during the next five or so years, in part thanks to projects neighboring it such as the Divine Lorraine and 1300 Fairmount Ave. We obtained strong support from the FNDC for our changes and in December of 2016, we were granted the variance to increase our units from four to eight. We expect to break ground on the project in March 2017 and have already started negotiations with several chefs for various bar/restaurant ideas.

1245-1247 N 28th St, Philadelphia, PA 19121:



In November 2015, our firm purchased from separate owners two adjoining lots in the 1200 block of N 28th Street via a direct mail campaign. The prices we paid were favorable. Each lot was zoned RM1 (multi-family residential) and is located in the heart of Brewerytown's revitalization. We submitted a zoning application for each lot to build two units "by-right", which was processed several months ahead of a Philadelphia zoning overlay change that stripped the multi-family capacity in the surrounding area. Having obtained approval for our plans in advance of the overlay process, we are building four units on the two parcels rather than the two single family homes that would have been possible after the zoning overlay changes.

While our original plan was to convert both structures into condominiums and list them for sale, Brewerytown has gained momentum as a more and



more appealing rental market. In fact, Brewerytown recently won second place in “Curbed Philly’s” annual neighborhood of the year contest. The growth of the neighborhood coupled with the reduction in multi-family opportunities has created an investment opportunity for passive buyers who are purchasing properties like ours to hold as rentals. We have received strong early interest from some good investor groups for these units which will be finished within the next two to four weeks.

2003 Cambridge St, Philadelphia, PA 19130:

In May 2016, we purchased 2003 Cambridge St. via an off-market transaction. At the time, the property was a one-story arts garage. Previously, it had been a carriage house with garages for a home on West Girard Avenue. The prior owner took the property through a formal subdivision in 2007 which separated the home on West Girard Avenue from our property. Afterwards, our property retained the current RM1 zoning which enabled a multi-family development.

We are aware that some other developers considered this property from the perspective of demolition of the structure followed by construction of up to four units. The size of the property made it difficult to construct four units that possessed the targeted sizes and qualities that maximized yield in the area’s condominium market. We looked at the existing property a bit differently. We initially thought we could construct two high-end adaptive reuse townhomes. Comparable sales in this indicate we will be able to sell 2,000-2,400 Sq. Ft. homes with off street garage parking at market rates above \$300/Sq. Ft. Furthermore, the structure was built and maintained so well that we wanted to determine whether we could build on top of the existing structure to save on the build and to appeal to the urban buyers in the neighborhood.



We executed the contract with a 15-day structural due diligence and dug a test pit to determine the depth of the footers. After proceeding with the deal, we worked with a structural engineer to add a steel package and concrete block wall down the middle to separate the homes so we could stack three more floors and build a rooftop deck for each home. Under this approach, we ultimately saved dramatically on the construction without having to demolish the structure, excavate for a foundation, and then pour a new foundation. We also didn’t have to brick the side or rear of the home given the quality of the structure.

This project is mid-construction with framing almost completed. We anticipate selling each townhome for close to \$700,000 as they will possess an indoor garage space, 2,200 Sq. Ft. (not including garage), private courtyards, and phenomenal center city views from private rooftop decks. This project represents the diligence our firm puts into each deal and how we often think outside the box to discover opportunities that are overlooked by others.



Coming Next Month

Stay tuned for Stamm Development Group's newsletter next month which will include Philadelphia market updates, exciting news happening in various local neighborhoods, and will feature three more development projects our firm is currently completing. The featured projects will include introductions to 1330 N 28th St and 1547 Ridge Ave and we will also circle back around to 1606-1608 Ogden St and our Etting Place portfolio to provide exciting construction updates.

In the meantime, feel free to visit our website www.stammdevelopment.com for more information relating to any specific project and/or email us at info@stammdevelopment.com to find out more about our firm's projects.

