March, 2017
Issue 4

Welcome to the March 2017 Issue of Stamm Development Group's monthly newsletter. As always, we welcome our new readers and hope you will look back at our earlier issues listed on our website, StammDevelopment.com.

The month of March has been an exciting month for our company. As planned, we sold off 834 North 16th Street, Unit 2, for a record $392,000 sale price in the area on a price per/Sq. Ft. basis. We've had numerous open houses on Unit 1 and expect an agreement in the upcoming weeks to complete the development. We recently listed two additional buildings, 1245 & 1247 North 28th Street, which are structured as duplexes in the Brewerytown neighborhood and have already had numerous showings within its first week to market. Both of these projects were profiled in our January Newsletter. In addition, our duplexes in the 1600 block of Ogden Street and our townhomes in the 1200 block of North Etting Street are nearing completion and are about to go actively into a sales phase.

Aside from the highlighted projects above, we have aligned construction financing and building permits on several projects set to break ground in early April. These projects include 1508-1512 Ridge Avenue, 1547 Ridge Avenue, and 830 North 16th Street.

Our Market

There has been a lot of news this month about the state of the Philadelphia housing market, its impact on millennials, and pricing. We'll try to summarize what we have taken from a series of sources.

On March 3rd, the Philadelphia Inquirer ran two stories that are relevant. The first, a front-page article, headlined that the Philadelphia suburbs were lagging Philadelphia in pricing. It noted that for the fifth year in a row, median suburban prices went up less than 1%, while Philadelphia median prices were up 9% this year and 33% over the past five years. The reported median price in Philadelphia was just $140,000, which shows on average there is a good bit of room for further price increases. Our homes are priced more in the $350,000 to $400,000 range, above the Philadelphia median, so the median is not directly relevant, but the analysis in the article clearly points to what we have been saying: there is a lot of desire to be in the city, with access to all that brings in terms of easy commutes to work, access to the arts and social events, and so forth.

Interestingly, also on March 3rd, the Inquirer ran an article in its Real Estate section describing the shortage of starter homes for millennials. The article was particularly focused on the suburbs, where builders apparently have not been focused on this market segment as much as might be needed. The article asserted that the older segment of the millennial market is now in their mid to late 30s and are interested in marriage, children, and suburban living, but they cannot find enough starter homes in the suburbs. While this makes sense based on our knowledge of the region, we also believe we are building what many will see as starter homes, although we are not building with an emphasis on families with school aged children, as the public educational opportunities for such children in the city are still not very good. We interpret this article as standing for the view that there is a lot of demand from millennials, part of which we can meet.

On March 20th, the Inquirer profiled three homes for sale in the Francisville area, one of our target neighborhoods. In a few words, the profile of Francisville noted that there's new construction everywhere you look. Homes are sprouting up from vacant lots, homes are being renovated, homes are being divided into condominiums, etc. It also quoted Zillow as describing a $350,000 median list price in the area for the past year, a 12% increase over the prior year. While none of our units were specifically mentioned, we loved the positive press.

The March issue of Philadelphia Magazine is their annual real estate focus edition. The headline for the magazine is "The Suburbs Strike Back!" Its main article profiles the attempts by the King of Prussia area to be a hip suburban environment, rather than being more known as a destination for shopping or a commuter destination for the jobs in that area. Like the March 3rd Inquirer article, it asserts that millennials want to live in the suburbs and that they will come to the suburbs if they become as hip as some of the neighborhoods in Philadelphia that are thriving today. The Philadelphia Magazine article makes some good points, since these millennials may start to move out of the city as they have families, but it misses the point that if their jobs are in Philadelphia, there is a related sacrifice they must face in getting from those suburban locations to their downtown jobs in a region where suburban public transportation is reasonable, but not wonderful. In fact, for Philadelphia locals, King of Prussia is known as notoriously congested area to drive into and as having very poor access to the regional rail system. We interpret this article and some other suburban profiles as saying we have competition, that there is market demand, and that we are ahead of the market for the segment we target, as places like King of Prussia have not transformed yet.

This same edition of Philadelphia Magazine makes some positive comments about Brewerytown – saying that it is "up and coming", that it is a "hub for young urban professionals" who want the city experience, but not the center city experience.

Finally, in its March 26th Sunday Edition, the Philadelphia Inquirer ran an article that addressed the question of whether there are starting to be too many high-end apartments in the city. The article focused mainly on some new high rises in Center City which have just come to market and referenced one project that did not start due to concerns about oversupply issues. Prices for rentals continued to increase (by about 6%) during 2016, which seems good. Several positive references were made to millennials and their interest in the city, as well as some positive employment statistics and examples. Overall, the article came to a positive conclusion that the market is not oversupplied.

In sum, we believe that the news this month is consistent with our view that the market is strong for well purchased and well-constructed properties.

What's new with Stamm Development Group?

The Philadelphia Business Journal carried an article in its January 27th edition that described how banks are being drawn to the city by real estate lending and the positively changing market demographics. We have experienced this trend in our dealings with regional and community banks. We've recently seen a good bit of local consolidation via mergers in the regional and community bank space as federal regulations have made it difficult to be profitable under a certain threshold of assets under management. Although this complicates our relationship building with lenders when two contacts become one, we still see a lot of desire by these institutions to meet with us, work with us, and lend to us for our ventures, whether for land acquisition bridge loans, construction loans, and construction to permanent financing.

STAMM
DEVELOPMENT GROUP

6600 Germantown Avenue, Philadelphia, PA 19119

As promised last month, we want to give you an overview of our project at 6600 Germantown Avenue in the Mount Airy neighborhood of Philadelphia.

Mount Airy is an interesting and up and coming Neighborhood within Philadelphia. Close to the Northwest suburbs of Montgomery County, yet close enough to the city to be easily accessible by those who commute in via car or train. With Lincoln/Kelly Drive nearby and two train lines that accommodate commuting into the city within 15 minutes, we see this location as well positioned for those who want to work in either place, or for couples who have one person working in the suburbs and one in the city.

In late October, we purchased a large distressed commercial property with two small existing businesses operating on the property via an off-market, private transaction. As of this past month, we have zoning permits in hand to develop a mixed-use project with 35 residential units, 2 commercial spaces, 20 indoor parking spaces, bike racks, and a green roof. This project will be developed and managed as a rental property that stays within our portfolio. At this time, we have demolition and building permit applications submitted and will begin demolition upon issuance.

We are excited about this project and the recent development within the Neighborhood. Always a steady market, Mt Airy has a strong supply of pre-war apartment buildings achieving strong rents, but has lacked new construction projects to pry away the renter base. However, in the past year alone, there have been several comparable projects that have performed well, which bodes well for our project as well.

With construction about to ramp up, we are close to finalizing our financing with a local lender as planned and intend to settle the construction loan late April. Please stay tuned for periodic updates on this project!

Coming Next Month

We will issue our next newsletter in late April which will include market specific articles as well as more inside looks to featured Stamm Development Group projects. Specifically, we will give first looks to 3014-3016 West Cabot Street and 753-755 North 20th Street. We will also provide project updates on 1330 North 28th Street, 1547 Ridge Avenue, and 2003 Cambridge Street.

In the meantime, please feel free to visit our website at StammDevelopment.com for any information relating to our company and/or projects. And of course, please feel free to email us at info@stammdevelopment.com for more information on any of our projects.