

Welcome to the April 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 April has been an exciting month for our company. Sales interest continues to be strong on our properties, several of which have just gone to market or are just about to do so. On one property where we have just broken ground, we already have an agreement of sale in place from a buyer for the entire duplex as an investment property. On another nearby project, we recently executed an agreement of sale for one of the four units.

We have aligned construction financing and building permits on several projects that broke ground in April. These projects include 1508-1512 Ridge Avenue, 1547 Ridge Avenue, and 830 North 16th Street.

Our Market

Each month we try to highlight news in the real estate market that has relevance to our properties. One such article appeared in the Philadelphia Inquirer in late March and noted that based on a study by Drexel University, the tax abatement program Philadelphia has had in place for many years is a positive thing for the city. It is always good to see studies that support positive incentives like this one. The study pointed out the amount of development that has occurred since the abatement program went into force and the significant value of properties coming into the property tax rolls as the ten-year abatement ends for some of the earlier projects.

A real estate website called Naked Philly ran a nice piece on the Francisville area and the development happening there around North 16th Street and Ogden Street. These include several of our projects and we were named positively in the piece for the role we are having in developing attractive properties to market in what had been an area of mostly vacant land.

The Center City District and the Central Philadelphia Development Corporation recently issued a report entitled 2017 Housing Report: Building on Optimism. As has been noted in other studies, there is a lot of development happening all over Philadelphia. This report breaks down its data into segments that separate out center city and its extensions north and west toward where we are doing a lot of development. Our Francisville, Fairmount, and Brewerytown projects fall into what they show as Extended North, West of Broad. Some of the projects they include in this are larger and Philadelphia's would generally see them as more Center City than our projects – some of them being just north of the Benjamin Franklin Parkway that runs in from the Philadelphia Museum of Art. Thus, some of the data is a bit more general even in this breakdown than is fully useful for our analysis.

In the report, there is a focus on rental rates and on sales prices. Sales prices have climbed strongly in our key areas according to the report, with median prices up 10% to \$379,000 and days on market down by 19% to an average of 51. About 500 units were sold in this part of the city in 2016, which is about the same as the prior year. The same report cites rental asking prices in the range of \$1.85 per square foot in these same areas, up a bit from the previous year. These prices are slightly below what we are expecting for our rental units. We expect to achieve our target rentals, based on more local and up to date market comparable figures and the higher than average amenities we are including in our units.



What's New with Stamm Development Group?

As we have done in past issues, in the profiles below, we want to introduce you to a few of our newer projects and then update you on several introduced in previous issues. We believe we are pursuing a series of attractive development opportunities located within our target neighborhoods where we feel we possess an edge. We've modeled a strategy for the upcoming months and will look to employ new measures as we roll it out. As is profiled below, we employ a combination of calculated off-market strategies and combine them with extensive knowledge of building and zoning code to offer more desirable products than within the neighborhoods we've targeted.

3014-3016 West Cabot Street, Philadelphia, PA 19121



In December 2016, we purchased two contiguous vacant parcels located in a prime location within Brewerytown. After almost a year of direct sourcing and negotiations, we were able to come to an agreement with the owner via an off-market transaction and purchased the properties. Both parcels are located just off the 1200 block of North 30th Street, very near our future apartment building to be built at the corner of North 30th Street and West Thompson Street. We really like the location of these parcels because they are located on a quaint block that has achieved some of the highest rehab sales comps in the neighborhood this past year. As the only vacant land remaining, we feel they were purchased a very good price, which bodes well for us as future single family homes.

Since purchasing the lots, we modeled various design schematics with our architects and realtors. Both lots allowed for appealing floorplans "by-right" but we were in

the middle of winter without being able to begin excavation for several months. As a result, we determined the floorplans become a bit more appealing with a variance from the Zoning Board of Adjustments (ZBA) regarding open area and rear yard depth. We then designed a slightly bigger structure that enabled us to achieve market leading floorplans and should yield strong pricing once built. We were granted the requested variance in March and have submitted to the City of Philadelphia for building permits. With financing in place, we will look to build both homes in early Summer.



753-755 North 20th Street, Philadelphia, PA 19130

In August 2016, we purchased two side-by-side single family homes located on the 700 block of N 20th Street. The concept was interesting to us because they were smallish one story row homes that had been originally built as “workforce housing” to support the nearby Eastern State Penitentiary (Historic Prison – now a national landmark – once housed inmates like Al Capone). The homes are positioned on 20 x 100 Ft lots and had 30-year deed restrictions that expired in 2015. A few years ago, the City of Philadelphia Land Use & Planning Department rezoned the area for residential multi-family. This rezoning created immediate land value for the homeowners as the lots their homes sat on increased in value by a factor of 3x, 4x, 5x, etc. Each of these parcels would yield five units “by-right” if a developer demolished the homes and went through zoning to build a new structure as a replacement.



To purchase these lots, we worked closely with our preferred realtors and acquired two homes within six weeks of one another via off-market acquisitions. Our initial concept was to build two mirrored quadraplexes to hold for resale, but we later determined we could achieve stronger yields combining the parcels and building a 6-unit project where we could have 40 Ft. wide units and achieve sale prices



that differentiated us from local competition by offering a unique and very desirable product. To date, we have successfully consolidated the two parcels into one larger parcel, we have completed demolition and site-work of both existing homes, and have submitted plans to the City of Philadelphia for building permits. We hope to have permits within the next month and our construction financing should correlate within a week of building permit issuance.



1330 North 28th Street, Philadelphia, PA 19130



We first introduced this project in our February 2017 Monthly Newsletter and at the time, we were fully framed up with newly installed windows. In the past two months, we have completed mechanicals, insulation, sheetrock, tile, flooring, and we expect to finish the project in the next few weeks. When we underwrote the deal, we figured we would achieve a \$375,000 out-sale but the market is dictating closer to \$415,000 now based on recent sales comps. We think this shows the strength of the market and also the quality of the home being delivered at this location.

Our goal is to have the property staged and listed (if not pre-sold beforehand) within the next month. Pictures of the finished project will be uploaded to the site and we will be sure to update our readers with the outcome of our out-sale here in a future Monthly Newsletter.

1547 Ridge Avenue, Philadelphia, PA 19130

This project was also first introduced in our February 2017 Monthly Newsletter. At the time, we had recently been granted a variance from the ZBA to build a larger mixed-use project than allowed “by-right” within the zoning code. Over the past two months, our architects completed the construction documents and got everything through the City of Philadelphia for permitting. Although the review process took about a month longer than we had initially expected, we were able to simultaneously originate construction financing and have since excavated and poured footers. We continue to be excited about the outlook of the project and think the proposed project will yield strong rent rolls for our portfolio throughout the length of the deal. Based on construction timelines, we expect to complete the project by the Thanksgiving holiday and will circle back around in a future Monthly Newsletter with exciting updates.



2003 Cambridge Street, Philadelphia, PA 19130



This project was first introduced in our January 2017 Monthly Newsletter and was then nearing the completion of framing. Fast forward three months and we have installed windows, a roof, and are nearing completion of all rough mechanicals and exterior brick/stucco work. We are really excited with the feedback here and have been in recent negotiations with two different prospective buyers to purchase the homes mid-construction. Based on recent sales comps, we still expect to sell each home near \$700,000 and are excited to continue work on this adaptive reuse project. Keep an eye out for an update in two months here as we should be further along toward completion!

Coming Next Month

We plan to issue our next newsletter in late May. By then, we expect Stamm Development Group to have moved into our new office at 1835 Market Street in Center City Philadelphia. We also have several early stage projects to profile and we will continue our updates on projects discussed earlier. Specifically, we will give first looks to 2940 West Thompson Street and provide project updates on 1606-1608 Ogden Street and 1209-1211 North Etting 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.

