

# APPENDIX A / Residential Market Analysis

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Figure 6a: Article, *Investors Buy Into Springfield*, Springfield Republican, 9/16/07

**Rental Comparable Summary**

*Selected Springfield Rental Developments*

*September 2007*

**Stockbridge Commons 233 units**

	Unit Size		Unit Price Point		Price/SF	
	Low	High	Low	High	Low	High
Studio	470	550	647	692	\$ 1.38	\$ 1.26
1br	600	800	753	911	\$ 1.26	\$ 1.14
2br	900	1,100	990	1071	\$ 1.10	\$ 0.97
3br	No 3BRS					

**202-212 Pearl Street 49 units**

	Unit Size		Unit Price Point		Price/SF	
	Low	High	Low	High	Low	High
Studio	450	450	500	525	\$ 1.11	\$ 1.17
1br	610	610	600	675	\$ 0.98	\$ 1.11
2br	700	750	700	800	\$ 1.00	\$ 1.07
3br	No 3BRS					

**Cumberland Homes 76 units**

	Unit Size		Unit Price Point		Price/SF	
	Low	High	Low	High	Low	High
Studio	No Studios					
1br	550	550	593	629	\$ 1.08	\$ 1.14
2br	750	750	756	799	\$ 1.01	\$ 1.07
3br	No 3BRS					

**122 Chestnut Street 99 units**

	Unit Size		Unit Price Point		Price/SF	
	Low	High	Low	High	Low	High
Studio	No Studios					
1br	650	950	725	950	\$ 1.12	\$ 1.00
2br	965	1,400	850	1,200	\$ 0.88	\$ 0.86
3br	No 3BRS					

**Armory Commons 246 units**

	Unit Size		Unit Price Point		Price/SF	
	Low	High	Low	High	Low	High
Studio	395	475	395	475	\$ 1.00	\$ 1.00
1br	675	800	675	800	\$ 1.00	\$ 1.00
2br	875	1,100	875	1,100	\$ 1.00	\$ 1.00
3br	1,100	1,100	900	1,200	\$ 0.82	\$ 1.09

**Morgan Square 266 units**

	Unit Size		Unit Price Point		Price/SF	
	Low	High	Low	High	Low	High
Studio	450	600	585	645	\$ 1.30	\$ 1.08
1br	600	790	710	825	\$ 1.18	\$ 1.04
2br	700	885	820	975	\$ 1.17	\$ 1.10
3br	No 3BRS					

Source: D.A.B Appraisal Services

***Stockbridge Court Apartments***

45 Willow Street, Springfield, MA

Tel: 413-737-2697



Stockbridge Court is located within the South End neighborhood boundaries as defined in this report. It is on Willow Street, adjacent to downtown Springfield. The property consists of a former warehouse building that was renovated during the 1980's to provide 233 studio, one and two-bedroom apartment units. The property is in excellent condition. Site amenities include a fitness center, kitchen and conference facilities, a roof-top deck, 24-hour maintenance service, laundry facilities, gated parking and on-site management. The units include a disposal, dishwasher and microwave in each unit. Utilities are not included. The property was 98% occupied as of our most recent inspection conducted for this report.

<u>Stockbridge Court</u>	Unit Size		Unit Price Point		Price per Square Foot	
	Low	High	Low	High	Low	High
Studio Unit	470	590	\$632	\$687	\$1.34	\$1.16
One Bedroom Unit	560	800	\$693	\$896	\$1.24	\$1.12
Two Bedroom Unit	790	970	\$1,005	\$1,056	\$1.27	\$1.09

***Keys to success: Professionally managed; secured parking; building to parking walk is safe; perception as relatively safe; large units***

***Pearl Street Apartments***

202-212 Pearl Street, Springfield, MA

Tel: 866-859-8537



The Pearl Street Apartments are located approximately one-half mile north of the northwest boundary of the South End along Pearl Street in downtown Springfield. This apartment community contains 49 studio, one and two-bedroom apartment units. Site amenities include on-site parking and a laundry facility. Units include a stove, refrigerator and hardwood flooring. Heat and hot water are included. The property was 95% occupied as of our inspection for this report.

<u>Pearl Street Apts</u>	Unit Size		Unit Price Point		Price per Square Foot	
	Low	High	Low	High	Low	High
Studio Unit	450	450	\$500	\$525	\$1.11	\$1.17
One Bedroom Unit	610	610	\$600	\$675	\$0.98	\$1.11
Two Bedroom Unit	750	750	\$700	\$800	\$0.93	\$1.07

***Keys to success: stable neighborhood***

***Cumberland Homes***

36 Cumberland Street, Springfield, MA

Tel: 413-733-7894



The Cumberland Homes units are located approximately 1.70 miles west of the western boundary of the South End proximate to the Bay State Medical Center. Cumberland Homes was originally constructed in 1914 and renovated in 1982 and again in 1999. The four story brick apartment building contains 76 one and two-bedroom units. Site amenities include laundry facilities and on-site parking. The units include a disposal and dishwasher. Heat and hot water are included. The property was 96% occupied as of our most recent inspection for this report.

	Unit Size		Unit Price Point		Price per Square Foot	
	Low	High	Low	High	Low	High
<u>Cumberland Homes</u>						
Studio Unit	-	-	-	-	-	-
One Bedroom Unit	550	550	\$593	\$629	\$1.08	\$1.14
Two Bedroom Unit	750	750	\$756	\$799	\$1.01	\$1.07

***Keys to success: Professionally managed; proximity to Bay State Medical; part of well maintained immediate area***

***122 Chestnut Street***

122 Chestnut Street, Springfield, MA

Tel: 413-781-1220



122 Chestnut is approximately 0.36 miles west of the western boundary of the South End and is located in the downtown area. The property was originally constructed in 1926 and renovated in 1986-87. The eight story-brick apartment building contains 99 one and two-bedroom units. Site amenities include laundry facilities, fitness area, community room, and on-site parking. The units include a disposal and dishwasher. Heat and hot water are included. The property was 95% occupied as of our most recent inspection for this report.

<u>122 Chestnut</u>	Unit Size		Unit Price Point		Price per Sqaure Foot	
	Low	High	Low	High	Low	High
One Bedroom Unit	650	750	\$725	\$950	\$1.27	\$1.12
Two Bedroom Unit	965	1,400	\$850	\$1,200	\$0.86	\$0.88

***Keys to success: Professionally managed; part of well-maintained neighborhood***

***Armory Commons***

69 Winter Street, Springfield, MA

Tel: 413-739-9629



The Armory Commons are located approximately 0.36 miles north of the western boundary of the South End just north of downtown Springfield. Armory Commons consists of 246 units in fourteen multi-story, red historic brick buildings in downtown Springfield. The property contains a mix of studio, one and two-bedroom units. Site amenities include on-site laundry, on-site management, storage facilities and off-street parking. Units include a stove and dishwasher and some units have a fireplace. Heat and hot water are included in the rent. The property was 95% occupied as of our most recent inspection for this report.

<u>Armory Commons</u>	Unit Size		Unit Price Point		Price per Square Foot	
	Low	High	Low	High	Low	High
Studio Unit	395	425	\$525	\$550	\$1.33	\$1.29
One Bedroom Unit	525	675	\$600	\$675	\$1.14	\$1.00
Two Bedroom Unit	780	1,100	\$725	\$1,000	\$0.93	\$0.91

***Keys to success: Professionally managed; immediate area is secure***

***Morgan Square***

15 Taylor Street, Springfield, MA

Tel: 413-732-9759

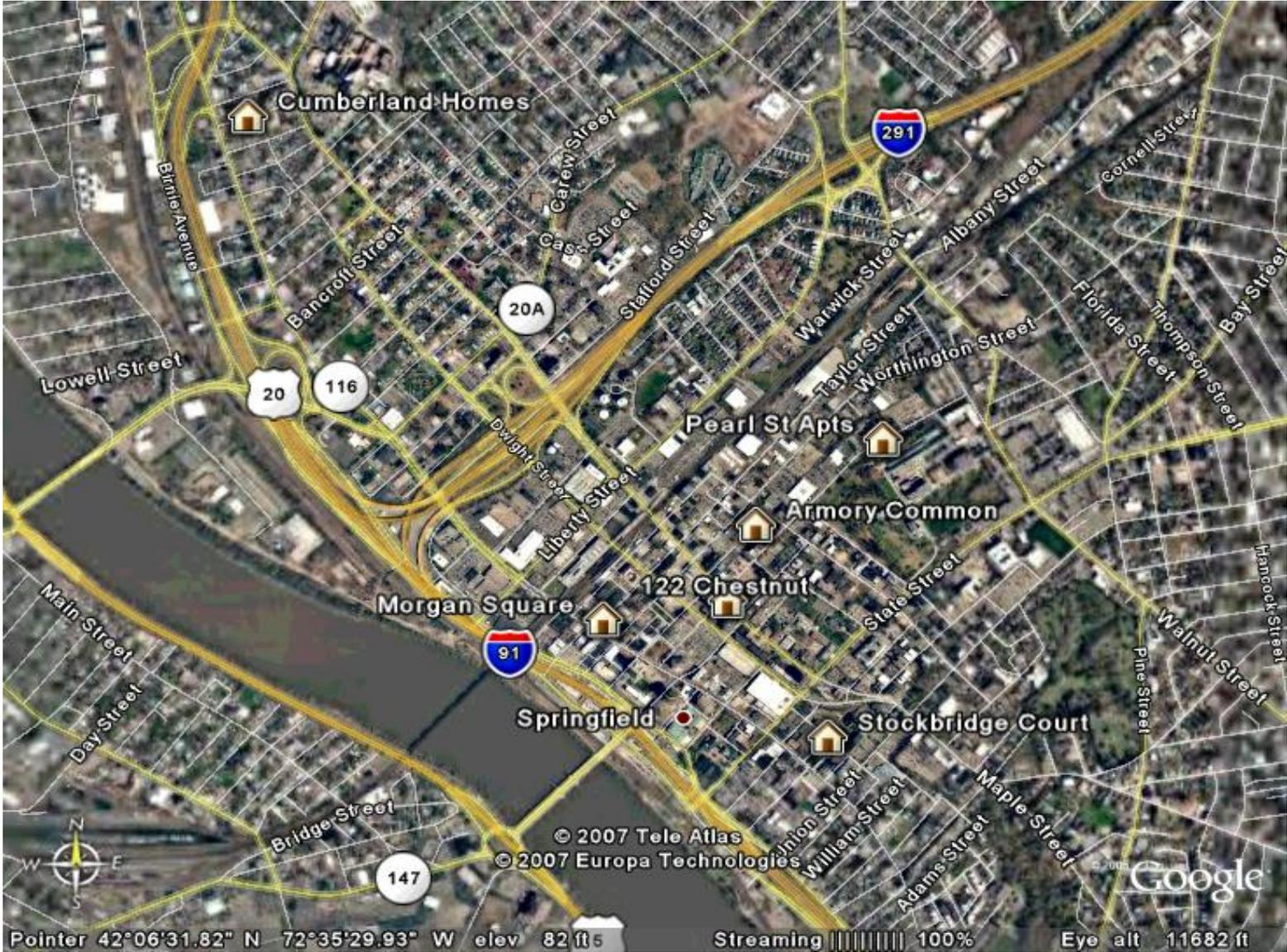


This property is located less than one-half mile west of the South End’s western boundary on Taylor Street in downtown Springfield. The property consists of a several three-story, garden-style apartment buildings with 266 studio, one and two-bedroom units. Site amenities include a fitness center, a laundry facility, on-site management and garage parking (for an additional fee). Units include a stove, refrigerator and a dishwasher. Utilities are not included. The property was 96% occupied as of our most recent inspection for this report.

<u>Morgan Square</u>	Unit Size		Unit Price Point		Price per Square Foot	
	Low	High	Low	High	Low	High
Studio Unit	550	600	\$585	\$645	\$1.06	\$1.08
One Bedroom Unit	700	710	\$710	\$790	\$1.01	\$1.11
Two Bedroom Unit	850	1,000	\$820	\$870	\$0.96	\$0.87

***Keys to success: Professionally managed; enclosed nature of building, managed parking lot***

### Map of Rental Comparables



APPENDIX: Table 4a

**Rental Rehabilitation Analysis**

*Hypothetical Springfield, MA Rental Development Portfolio*

*September 2007*

	<b>Conservative</b>	<b>Moderate</b>
Units	100	100
Square Feet	900	900
Rent Per Square Foot	\$ 1.00	\$ 1.10
Months	12	12
Potential Gross Income	\$ 1,080,000	\$ 1,188,000
Occupancy	95%	95%
Adjusted EGI	\$ 1,026,000	\$ 1,128,600
Operating Costs Per Unit	\$ 6,500	\$ 6,000
Total Expenses	\$ 650,000	\$ 600,000
NOI	376,000	528,600

**Maximum Loan Amount**

Debt Service Coverage	1.20	1.20
NOI Available for Debt Service	\$ 313,333	\$ 440,500
Interest Rate	7.00%	7.00%
Amortization Period	30	30
Maximum Loan	(\$3,888,166)	(\$5,466,183)
Maximum Loan Per Unit	(\$38,882)	(\$54,662)

**Cap Rate Approach**

NOI	\$ 376,000	\$ 528,600
Cap Rate	8.5%	8.0%
Capped Value	\$ 4,423,529	\$ 6,607,500
Capped Value Per Unit	\$ 44,235	\$ 66,075

**Sale Prices, Single Family and Condominium Units**  
 Springfield, MA 2005,2006, 2007

**Single Family Homes**

Year	Single Family Homes - Citywide	Price	Market Days	SF	Price/PSF
2005	1483	\$ 151,000	58	1,500	\$ 101
2006	1321	\$ 158,000	69	1,400	\$ 113
2007	1087	\$ 152,265	76	1,408	\$ 108
Average	1,297	\$ 153,755	68	1,436	\$ 107

Year	Single Family Homes - South End, Downtown	Price	Market Days	SF	Price/PSF
2005	22	\$ 136,000	58	1,500	\$ 91
2006	20	\$ 126,000	69	1,400	\$ 90
2007	12	\$ 82,000	80	1,411	\$ 58
Average	18	\$ 114,667	69	1,437	\$ 80

Year	Single Family Homes - Old Hill, Upper Hill, Bay	Price	Market Days	SF	Price/PSF
2005	247	\$ 125,000	65	1,425	\$ 88
2006	223	\$ 133,000	69	1,425	\$ 93
2007	178	\$ 118,000	79	1,481	\$ 80
Average	216	\$ 125,333	71	1,444	\$ 87

**Condominiums**

Year	Condominiums - Citywide	Average Price	Market Days	SF	Price/PSF
2005	128	\$ 105,000	53	934	\$ 112
2006	106	\$ 121,000	71	1,000	\$ 121
2007	73	\$ 121,000	83	995	\$ 122
Average	90	\$ 121,000	77	998	\$ 121

Year	Condominiums - South End, Downtown	Average Price	Market Days	SF	Price/PSF
2005	10	\$ 64,000	57	780	\$ 82
2006	5	\$ 85,000	24	1,060	\$ 80
2007	7	\$ 73,000	63	1,022	\$ 71
Average	6	\$ 74,000	48	954	\$ 78

Year	Condominiums - Forest Park	Average Price	Market Days	SF	Price/PSF
2005	34	\$ 166,000	44	800	\$ 208
2006	27	\$ 151,000	60	835	\$ 181
2007	21	\$ 161,000	93	1,025	\$ 157
Average	24	\$ 156,000	77	930	\$ 169

Source: D.A.B. Appraisal, Multiple Listing Service (MLS)

## APPENDIX: Figure 6a

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## Investors buy into Springfield

Posted by The Republican Newsroom September 16, 2007 22:25PM

By **STEPHANIE BARRY**

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SPRINGFIELD - They hardly scream blue-chip investment.

The multiunit affairs are scattered across the City of Homes, often tucked in little enclaves of disrepair and despair.

Across the country, though, aging apartment buildings ripe for refinancing or new management, with guaranteed income through government subsidies, are piquing the interest of investors, say housing experts.

And Springfield is no exception.

Two investors from New York's Westchester County recently pledged nearly \$10 million for 398 units in some of the city's most troubled neighborhoods - many in the curiously-named Hollywood section in the South End.

The purchase earned the men a place among Springfield's largest landlords, city officials say. They took over ownership and management of the units from the Meriden, Conn.-based real estate giant Carabetta Management.

Carabetta has had a troubled history in this city. Since starting to buy up properties here in the 1970s, its housing stock swelled to the largest privately held group in the city. Over the years, its buildings fell into disrepair and the company received poor reviews from housing regulators.

In recent years, however, city officials said Carabetta's track record had improved. But there has never been a major overhaul of its buildings to any large degree.

Affordable housing advocates say they are now hopeful the new investors will take on much-needed improvements at the properties.

"We've seen dramatic changes in properties with changes in property management, sometimes for the good and sometimes not," said Peter A. Gagliardi, executive

SOUTH END, City of Springfield

Residential and Retail Analysis

## APPENDIX: Figure 6a

director of the Housing Alliance Project, the region's affordable housing partnership for Hampden and Hampshire counties. "I'd be looking for significant capital reinvestments . . . perhaps new roofs and heating systems, kitchens and bathrooms."

One of the recent investors, Genaro Morales, of New Rochelle, N.Y., said they intend to replace many windows and doors and install security cameras. Other repairs will be made as needed, Morales said.

"You want to always increase the living conditions," he said during a recent interview.

Morales said he and his partner, Sam Zherka, also of New Rochelle, own and manage low-income housing projects in the Bronx and other communities across New York and in other states.

Zherka also is the publisher of the Westchester Guardian, a weekly left-leaning newspaper that takes aim at entrenched politicians, and what it sees as exploitation and injustice. Recent editions of the paper lambasted the chairman of the Yonkers Republican Committee as the "poster-boy for political corruption," and teed off on the Democratic county election commissioner for proposing to award himself and other staff \$28,000 in annual raises.

Morales said Zherka could not be reached last week because he was traveling.

Under the limited liability company Springfield Holdings they formed, the men bundled 34 addresses - all multiple apartment units - and purchased them for roughly \$10 million in private financing, deed transactions for the properties show.

Stretching from the North End through downtown to the city's South End neighborhood, Springfield Holdings' buildings sit on Oswego, Saratoga, Federal, Niagara, Bayona, Darwell, Worthington and Patton streets and on Fort Pleasant Avenue and Federal Court.

An employee in the Springfield Holdings management office described the units as a mix of subsidized and market-rate apartments. Carabetta's Web site states that the organization collects rents ranging from \$342 for efficiency apartments to more than \$1,000 for four-bedroom units in Springfield.

The U.S. Department of Housing and Urban Development regulates federally-subsidized rents. The state regulates its subsidies as well.

Developers such as Morales and Zherko also can collect management fees, according to Gagliardi.

"Nationally, there are investors actively in the market acquiring these projects, taking over the management contracts and collecting the fees," Gagliardi said. "Four-hundred units could generate in excess of \$200,000 per year. If you're building a portfolio of properties you're managing, that could be a pretty profitable acquisition."

Springfield has 10,398 low-income housing units out of a total of about 61,000 rental units, Gagliardi said.

"I wouldn't say there's anything abnormal about these properties changing hands at this time . . . It's going on across the country. The greater concern is: Do we have owners who are going to be attentive to the needs of our neighborhoods," Gagliardi said.

City officials said Zherko and Morales have met with the Office of Housing and

## APPENDIX: Figure 6a

Neighborhood Services and the Police Department, moves which they believe signal good intentions.

On a recent afternoon, one of Springfield Holdings' densest acquisitions - four large complexes on Federal Court, off Worthington Street - sported new signs advertising a management change and a pair of ladders were propped up on at least one building.

Nearby, a gleaming example of urban rehabilitation was under way. Developer Gordon A. Pulsifer's \$19 million federally funded rehabilitation of 12 buildings at Worthington, Federal and Summit streets began earlier this year.

Pulsifer said his buildings will have new roofs, new exteriors, new heating and plumbing systems and new living spaces for the project's 149 units.

"You can't expect not to fix up apartments and control the population that lives there," said Pulsifer, president of First Resource Companies.

Pulsifer has 600 units in Springfield, including 173 units at High, Union and School streets. He said he likes to keep his mortgages on the property low.

"We keep our mortgages to a minimum, therefore keeping the financial pressure low so we don't have to rent to residents that aren't qualified," he said. "When you're under financial pressure to make a mortgage payment, guess what? You don't care."

Pulsifer said he spends between \$60,000 to \$100,000 rehabilitating a single unit. And double that, if the unit requires gutting, he added.

Pulsifer said he approached Carabetta to purchase the properties at Federal Court because of their proximity to his buildings.

"They wanted to close in a month . . . Developers want to take the path of least resistance when you're in affordable housing because there's a lot of hoops you have to jump through," he said, citing government inspections, tax credits, annual income certifications for tenants and other regulations.

A phone call for comment to Carabetta Enterprises went unanswered.

Austin Miller, an affordable housing consultant who assists investors and developers, said many out-of-town investors regard Springfield properties as bargains.

"Property is so expensive in Boston and New York, they think they can't lose ... even though it might not work," Miller said.

On the other hand, Miller said he is heartened to hear new investors are coming to Springfield because he believes a long-running public corruption and white collar-crime probe, coupled with a spike in street crime and the presence of the state-run control board tainted the city's reputation with outsiders.

Pulsifer argues local or in-state landlords are better managers.

"It's just that when you live in another state - you tell me. When you live and work in the same state, I just think it ends up in a better place," he said.

Morales said surveyors reviewed Springfield's demographics and rental market and recommended it as a good bet for his partnership.

"We heard that it's an up-and-coming area," he said, adding that he expects the

APPENDIX: Figure 6a

Springfield Holdings management staff to maintain "a presence" in each neighborhood where it has apartments.

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