Commercial Real Estate Redevelopment Model Summary

453 Market Street, Lowell MA - 20-Unit Mixed-Use Redevelopment Project

This financial model evaluates the full acquisition, demolition, construction, and financing structure for a 20-unit residential redevelopment project with supplemental parking revenue. The analysis covers total development cost, stabilized NOI, capital structure, unlevered and levered returns, debt coverage ratios, and long-term cash flow performance through Year 11.

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1. Project Overview

The project consists of converting a 15,000-sqft parcel (previously a Greek restaurant/social club) into a three-story, 20-unit multifamily building with 32 occupants, parking revenue, and updated site infrastructure. Revenue is driven by a unit mix of **8 one-bed units ($1,600/month)** and **12 two-bed units ($2,400/month)**, plus **25 parking spaces at $125/month**.

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2. Development Budget & Capital Structure

Total Complex Costs: $7,213,391.70
This includes:

- Land/Social Club acquisition: **$1.25M**
- Demolition & Site Work: **$153K**
- Hard Construction: **$3.5M**
- Soft Costs & Permits: **~$900K**
- Garage upgrades & mechanical additions: **$1.0M+**
- Contingency (7%): **~$405K**
- Financing costs: **$225K**

Financing Mix:

- Loan-to-Cost (LTC): **60%** ⇒ **Debt: $4.33M**
- Equity Contribution: **20%** ⇒ **$1.44M initial investor capital**
- Interest Rate: **4%, 30-year amortization**
- Annual Debt Service: **$247,952.41**

An amortization schedule (360 months) tracks principal, interest, and ending loan balances.

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3. Operating Performance

Stabilized Year-1 Revenue: $882,300
Composed of:

- Rental revenue: **$844,800**
- Parking revenue: **$37,500**
- Annual growth assumption: **3%**

Vacancy: 5%
Property Taxes: 1.15% of stabilized value (growing annually)
Maintenance: 2%
Insurance: $4,000/year
CapEx Reserve: 2% of revenue

Net Operating Income (NOI):

- Year 1 NOI: **$722,515**
- NOI margin: **~86%**
- Adjusted NOI (post-reserves): **$650,264**

NOI grows consistently with rent escalations, reaching **~$971,000** by Year 11.

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4. Project Returns

The model calculates both unleveraged and leveraged returns across the projected hold period.

Unlevered IRR: 4.17%
Based solely on cash flow vs. total development cost.

Levered IRR: ~30%
Driven by:

- Low 4% interest rate
- Significant leverage (60% LTC)
- Strong Year-1 and forward net cash flows
- Modest equity requirement ($1.44M)

Cash-on-Cash Returns (Leveraged):

- Year 1: **27.9%**
- Year 5: **32.1%**
- Year 10: **41.6%**
- Year 11: **43.4%**

These returns are unusually strong for multifamily projects, primarily due to favorable financing, high stabilized NOI relative to equity, and absence of sale/exit costs in the current model.

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5. Capitalization Rate & Debt Coverage

Cap Rate (Year 1):
NOI / Total Cost = **10.02%**

DSCR (Debt Service Coverage Ratio):
Year 1: **2.91×**
Year 5: **3.18×**
Year 10: **3.69×**
Year 11: **3.92×**

These coverage levels indicate *excellent* debt capacity and low underwriting risk.

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6. Overall Assessment

The model reflects a **financially strong, cash-flow-positive redevelopment** with high leveraged returns, strong DSCR, and consistent NOI growth. While unlevered returns are modest due to total cost size, the **leveraged return profile is highly attractive**, especially considering a 4% fixed rate and stable rent escalations.

This project would appeal to investors seeking:

- Steady long-term cash flow,
- Strong DSCR buffers,
- High annualized leveraged yields,
- A low-risk multifamily asset in a growing market.