

Commercial Real Estate Metropolitan New Orleans

- Moderator: **Patrick Beard**
Corporate Services Advisor,
NAI/Latter & Blum
- Panel:
- **Nate Pierre**
Murphy Appraisal Services
- **Paysse McWilliams**
Voelkel McWilliams Construction
Services
- **Michael Saucier**
Gulf States Real Estate Services &
Development



Sample Feasibility Rent Analysis

	2021		Current		
Sq. Ft.	13,500		13,500		
Acquisition Costs	\$1,000,000	\$74.07	\$1,000,000	\$74.07	
Construction Costs	<u>\$2,500,000</u>	<u>\$185.19</u>	<u>\$3,250,000</u>	<u>\$240.74</u>	*increase of 30%
Total Development Costs	\$3,500,000	\$259.26	\$4,250,000	\$314.81	
Capitalization Rate	7.00%		7.25%		
Net Operating Income	\$245,000	\$18.15	\$308,125	\$22.82	
Operating Expenses	<u>(\$101,250)</u>	<u>(\$7.50)</u>	<u>(\$114,750)</u>	<u>(\$8.50)</u>	*increase of \$1.00 psf (~13%)
Effective Gross Income	\$346,250	\$25.65	\$422,875	\$31.32	
Stabilized Vacancy & Collection Loss	<u>(\$18,224)</u>	<u>(\$1.35)</u>	<u>(\$22,257)</u>	<u>(\$1.65)</u>	
Feasibility Rent/sq. ft. (for construction)	\$364,474	\$27.00	\$445,132	\$32.97	*increase of ~22%
Down Payment	25%		25%		
Term (yrs.)	20		20		
Interest rate (prime)	3.25%		8.50%		*increase of ~160%
Debt service/mo.	<u>(\$14,889)</u>		<u>(\$27,662)</u>		
Net Operating Income	\$245,000		\$308,125		
Debt service/yr.	<u>(\$178,667)</u>		<u>(\$331,942)</u>		
Cash Flow/yr.	\$66,333		<u>(\$23,817)</u>		

The 3 major factors hindering development

1. Construction costs
2. Increase in operating costs due to inflation (i.e., insurance)
3. Interest rates



PROPOSED COMMERCIAL DEVELOPMENT — HWY 1085
COVINGTON, LOUISIANA

3011

3-14-23

