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Ms. Vidhi Anderson
Executive Director of Housing & Land Development
Presby's Inspired Life
Community Support Center
2000 Joshua Road
Lafayette Hill, PA 19444

Dear Ms. Anderson:

In accordance with our engagement letter, Real Estate Strategies, Inc. (RES) is pleased to submit this preliminary market evaluation for Witherspoon Senior Apartments (the Subject Property), a proposed 60-unit new construction apartment building for low-income seniors age 62 and older to be located at 2050 South 58th Street in the Kingsessing neighborhood of Philadelphia. Presby's Inspired Life (Presby) is developing the building on a portion of a campus that includes three existing affordable senior housing properties. All units at the Subject Property will have one bedroom and one bathroom and most will have an average of 580 square feet of space. Handicapped accessible units will have 640 square feet.

When completed, the Subject Property will be leased to residents with incomes in several bands: below 20 percent Area Median Income (AMI), below 50 percent AMI, and below 60 percent AMI. Presby is applying to the Philadelphia Housing Authority (PHA) for Section 8 Project Based Vouchers (PBVs) and will apply for ACC rental assistance for the Subject Property. With ACC contracts and PBVs in place, all tenants would pay 30 percent of their household income for rent and utilities. Table 1 below shows the unit distribution and income targeting as well as tenant expense and housing expense for the subject units.

Unit Type	# of Units	Average SF	Total Tenant Expense*	Rental Assistance Payment (Up to)	Rental Assistance Source	Monthly Income per Unit
1 BR @ 20% AMI**	6	640	\$150	\$792	PHA PBV	\$942
1 BR @ 50% AMI	9	580	\$150	\$792	PHA PBV	\$942
1 BR @ 50% AMI	21	580	\$175	\$500	PHA ACC	\$675
1 BR @ 60% AMI	<u>24</u>	580	\$215	\$500	PHA ACC	\$715
Total	60					

Primary Market Area

RES defined a housing market area a Primary Market Area (PMA), from which the Subject Property is expected to draw 60 to 70 percent of tenant households, to include all of ZIP codes 19153 and 19142 and parts of 19143, 19104, and 19139 as shown in the map below. This encompasses a large area of Southwest and West Philadelphia. To the north, the PMA is bounded by Baltimore Avenue to 50th Street. Because of the location of competitive affordable properties, the area west of 50th Street includes areas north to Ludlow Street. The Philadelphia city line is the western and southern boundary of the PMA and the Schuylkill River is the eastern boundary. The PMA definition was based on interviews with owners and managers of affordable housing properties, developers, and other real estate professionals familiar with the area. Property management at Presby's existing affordable senior campus indicates that a majority of tenants are drawn from West Philadelphia neighborhoods within 20 blocks of the campus. While the PMA is large in area, some portions are predominantly industrial or contain commercial uses related to the Philadelphia International Airport (located at the southern end of the market area).



ESRI, a vendor of proprietary demographic estimates and projections, estimates that there were 43,983 households residing in the PMA in 2013, of which 11,917 were headed by persons age 62 or older. ESRI projects that the total number of households will increase to 45,002 by 2018. The number of households headed by a person age 62 and older is expected to grow by 1,557—to 13,474—between 2013 and 2018. This growth reflects the aging of the large Baby Boom generation.

Demand Analysis

The number of eligible households age 62+ in each income tier was estimated using ESRI 2013-18 demographic estimates and projections. Income ranges reflect current HUD/PHFA income limits for one-person households. Table 2 details the number of age and income eligible households in each income tier as well as the capture rate required for the number of units targeted to that income tier to lease fully. Eligible households include both renter and homeowner households. Property managers at other affordable properties indicate that some tenants in those properties are former homeowners seeking lower maintenance housing.

The analysis presented in Table 2 indicates that a large pool of age- and income-qualified senior households exists in the PMA. The 60 units at the Subject Property would need to capture only 0.7 percent of eligible households to lease fully. As the Baby Boom generation ages throughout Philadelphia, demand for quality affordable senior housing will continue to increase. An analysis of the capture rates for individual income tiers suggests that there is an adequate pool of prospective tenants in each tier.

Table 2
PMA Age- and Income-Qualified Households and Capture Rate Analysis

Target AMI Range	1 Person Household		Households Age 62+ in Range	Proposed Units	Capture Rate
	Minimum	Maximum			
0% to 20%	\$0	\$11,040	2,673	6	0.2%
>20% to 50%	\$11,040	\$27,600	3,812	30	0.8%
>50% to 60%	\$27,600	\$33,120	1,085	24	2.2%
0% to 60%	\$0	\$33,120	7,570	60	0.8%

Source: ESRI 2013-18 household age by income estimates and projections for the delineated PMA. Census 2010 did not collect data on household income. HUD/PHFA income limits. RES capture rate calculations.

Competitive Supply

According to PHFA’s list of LIHTC and PennHOMES properties, there are 424 affordable housing units restricted to seniors in five operating properties in the PMA. Three of these PHFA funded properties offer rent subsidies. The addition of 60 units at the Subject Property would bring the total number of PHFA-assisted units to 484. There are an additional six non-PHFA affordable senior properties in the PMA, and another property just one block outside of the PMA boundaries. All of these properties are rent subsidized and most are fully occupied with waiting lists. Table 3 on the following page summarizes information from the survey of competitive affordable supply.

RES estimates that there are 9 one-bedroom units available in an affordable inventory of 1,088 units. Of the total six vacant units at Unico Village, three were one-bedroom units. Property managers interviewed for this analysis indicate that rent subsidized units have very low turnover and only become available when a resident passes away or is moved to an assisted living facility or skilled nursing home.

Three of the rent subsidized properties surveyed are operated by Presby at the senior campus where development of the Subject Property is proposed. These developments – Mary Field Presbyterian, Greenway Presbyterian and Ann Thomas Presbyterian – maintain fully occupancy and long waiting lists. The vacancies at these properties shown in the survey table reflect turnover vacancy, not lack of demand. These units will be filled by households on the waiting lists. The number of households currently waiting for units at the Kingsessing campus (101 at Ann Thomas; 38 at Greenway; and 38 at Mary Field) could fill the 60 units proposed for the Subject Property.

The Subject Property will add 60 units to the affordable age-restricted housing inventory in a market with strong demand. Based on the estimated pool of age- and income-qualified tenants presented in Table 2, the total 1,148 operating and proposed senior affordable units would have to achieve an overall capture (penetration) rate of 15.2 percent of eligible households to lease fully. Property managers report that low income seniors in all income bands prefer rent subsidized apartments. Given the strong demand for the type of units proposed at the Subject Property, this penetration rate is reasonable, particularly given the characteristics of the market-rate housing stock in the PMA (see next section). The PBVs requested for the Subject Property would broaden the pool of income-qualified tenants who could live in the LIHTC funded units. Presby has extensive experience in providing housing for seniors and is well equipped to manage the property and attract new residents to Witherspoon Senior Apartments.

Table 3
Survey of Affordable Senior Occupancy Developments

Project Name	ZIP Code	Rental Rate	# of Units	Vacant Units	Vacancy Rate	Waiting List	Length of Wait
PHFA LIHTC Units							
Bernice Arms	19143	50% AMI	46			Did not respond	
Dunlap Apartments*	19139	rent subsidized	35	Did not respond		Yes	N/A
Holmes School**	19139	50% AMI	42	0	0.0%	5	2 years +
Reba Brown Senior Residence	19143	rent subsidized	74	0	0.0%	163	3 years +
Walnut Plaza	19139	rent subsidized	<u>227</u>	0	0.0%	50+	NA
Total Operating Units			424				
Witherspoon Senior Apts.			<u>60</u>	Proposed			
Total PHFA Units			484				
Non-PHFA Subsidized Units							
Ann Thomas Presbyterian	19143	rent subsidized	75	1	1.3%	101	1 year +
Greenway Presbyterian Apts.	19143	rent subsidized	67	1	1.5%	38	1 year +
Haddington Elderly	19139	rent subsidized	136	0	0.0%	245	6 mos-1 yr
James J. Wilson Mercy-Douglass***	19139	rent subsidized	60	0	0.0%	N/A	1 year +/-
Mary Field	19143	rent subsidized	100	2	2.0%	38	1 year +
Paschall Senior Housing	19142	rent subsidized	62	2	3.2%	104	N/A
Unico Village****	19153	rent subsidized	<u>164</u>	6	3.7%	N/A	6 mos-1 yr
Subtotal Non PHFA Units			664				
Total Affordable Units			1,148				

SOURCE: Real Estate Strategies, Inc. interviews with property management June 2014.

**Property Manager would not disclose information. PA Housing Search website indicates that property is full with a waiting list.*

***Holmes School charges rents between \$300 and \$400.*

****James J. Wilson Mercy-Douglass Residences is located one block beyond the PMA boundary.*

*****Unico Village has three vacant one-bedroom units*

Market-Rate Comparables

To identify comparable market-rate housing, the market analysts looked for rental properties with an elevator. There are few of these properties in the PMA, making identifying an appropriate apartment difficult for mobility impaired seniors. Professionally managed multifamily buildings such as Korman at International City Chalets, and Korman at International City Mews and Villas are asking monthly rents of \$830 to \$1,125 plus gas and electric for one-bedroom, one-bathroom units. University Court Apartments offer one-bedroom units at \$895, including heat and hot water. Private one-bedroom rentals in the PMA are typically in row houses that have been converted to multiple apartments. Many of these units are on the second or third floor of these walk-up buildings. RES identified several ground floor one-bedroom, one-bathroom apartments that are available for rent in the PMA. Asking rents ranged from \$600 to \$875 per month plus utilities. These apartments vary in size, quality and unit features and do not offer the security features found in professionally managed buildings.

The rental rates proposed for the Subject Property will be affordable to senior households receiving SSI and represent a significant rent advantage over market-rate units. Households with incomes below 60% AMI would be unable to afford market-rate professionally managed, secure units in the PMA.

Conclusions

Supply and demand conditions in the Primary Market Area indicate a need for additional affordable senior housing in the PMA and market support for the type of units Presby proposes for Witherspoon Senior Apartments. A pool of more than 7,500 age- and income-qualified households is present in the PMA. The size of the prospective tenant pool is expected to increase as the Baby Boom generation in Philadelphia ages. While there are a number of affordable senior housing properties in the PMA, existing buildings maintain high occupancy and long waiting lists indicating demand for additional quality affordable units. Prospective tenants typically face a wait from six months to more than three years before units become available. There are enough households on waiting lists for existing units in the three existing buildings on the Presby campus to fill all 60 units proposed for the Subject Property.

Although there are market-rate one-bedroom units available for rent in the PMA, the more affordable units are typically not suitable for occupancy by mobility impaired seniors, because they are second or third-floor walk-up apartments. Professionally managed apartments in elevator buildings are not affordable to most LIHTC-eligible seniors.

Presby is experienced in developing and managing affordable housing and will be able to leverage existing programming and supportive services at the Kingsessing senior campus to serve residents at the Subject Property.

Terms and Conditions

Our report has not ascertained the legal and regulatory requirements applicable to the project. Our report is based on estimates, assumptions and other information developed from research of the market, our knowledge of the industry and other factors, including certain information that you have provided. The sources of information and bases of the estimates and assumptions are stated in our market study. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results will vary from those described in our market study, and the variations may be material.

Further, we have neither evaluated management's effectiveness nor are we responsible for future marketing efforts and other management actions upon which actual results will depend. We will have no responsibility for updating our market study to account for events and circumstances that occur after the date of our market study, which is the date of this letter. Our report is intended solely for use in support of an application to the Philadelphia Housing Authority for Section 8 Project Based Vouchers. Otherwise, neither our report nor its contents, nor any reference to Real Estate Strategies, Inc., may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, loan, appraisal or other agreement or document without our prior written permission.

Thank you for the opportunity to assist Presby's Inspired Life with this development. If you have any questions about this report, please call us at (610) 240-0820.

Very truly yours,
REAL ESTATE STRATEGIES, INC.



Margaret B. Sowell, CRE
President