



*Assessing relative value across the public and private, debt and equity commercial real estate quadrants*

## **GULF STATE OPPORTUNITIES PANEL**

### ***WHY INVEST IN THE GULF STATES REGION?***

**MORTGAGE BANKERS ASSOCIATION**  
Monday, February 5, 2007

***“Investing In The Future Of  
The Gulf Coast States”***

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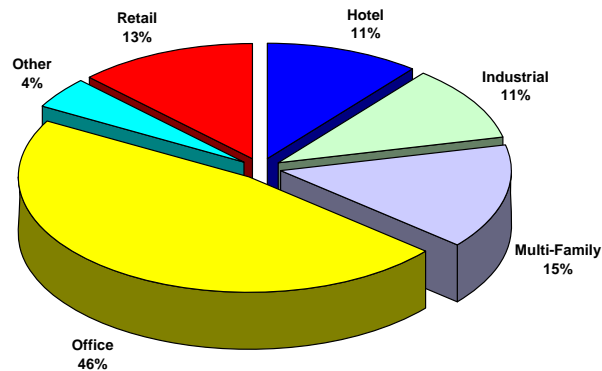
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# QUADRANT REAL ESTATE ADVISORS

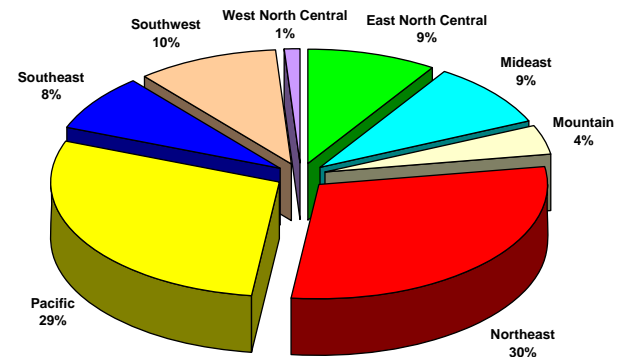
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Quadrant Real Estate Advisors is an SEC Registered Investment Advisor with \$2.5 Billion of commercial and multi-family real estate assets under management.

AUM  
By Property Type



AUM  
By Region



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# QUADRANT REAL ESTATE ADVISORS

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- Seek Best Relative Value for Clients
- Public, Private, Debt and Equity Assets/Markets
- Whole Loans, Construction/Permanent Loans, B-Notes, Mezzanine Loans, REIT Common, REIT Preferred, Preferred Equity and CMBS.

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# QUADRANT REAL ESTATE ADVISORS

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- Clients include Pension Funds and Insurance Companies
  - Include CALPERS, State of Minnesota, Colorado PERA, AXA Equitable, Nippon Life and TIAA-CREF.
- Manage Commingled and Single-Client Accounts

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# THE OPPORTUNITY

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## ■ **OBJECTIVES:**

- Market Rate of Return – Targeting Mid-Teens or Better
- 4- to 7-year Holding Period
- Prudent, Economically Sound, Market-Justified Real Estate Investments
- Assist with the Recovery in Markets Impacted by Natural Disasters (directly or indirectly)

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# THE OPPORTUNITY

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## ■ **STRATEGY:**

### ➤ What:

- Capital for development, redevelopment and renovation

### ➤ Where:

- Texas, Louisiana, Mississippi, Alabama and Florida
- From the coast approximately 250 miles inland
- Census tracts with MHI up to 120% of MSA MHI
- “Housing on Higher Ground”

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# THE OPPORTUNITY

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## ■ **STRATEGY:**

### ➤ Who:

- Local, regional and national developers
- Those with ability to navigate public/private partnerships

### ➤ How:

- Equity, Preferred Equity and Mezzanine Loans – up to 90% of cost
- Utilize conventional and subsidized financing available in the market

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# THE OPPORTUNITY

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## ■ PROPERTY TYPES

### ➤ Housing

- Land for Single-Family
- Single-Family for Sale
- Multi-Family for Sale or Rent

### ➤ Commercial

- Neighborhood Retail
- Medical Office/General Purpose Office
- Industrial (including land)
- Other

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# RISK/SUCCESS FACTORS

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- ✓ Partners: Pick the Right Partners
- ✓ Government Guidelines: Flood Zone, Density, Impact Fees
- ✓ Factors of Production: Costs and Availability
- ✓ Environmental: Focus on Clean Sites
- ✓ Over Building: Cyclical Business
- ✓ Natural Disasters: 2006 Mild Season

# U.S. POPULATION GROWTH

Good news, coastal areas of the Gulf Coast States have experienced population growth rates at or above the National average.



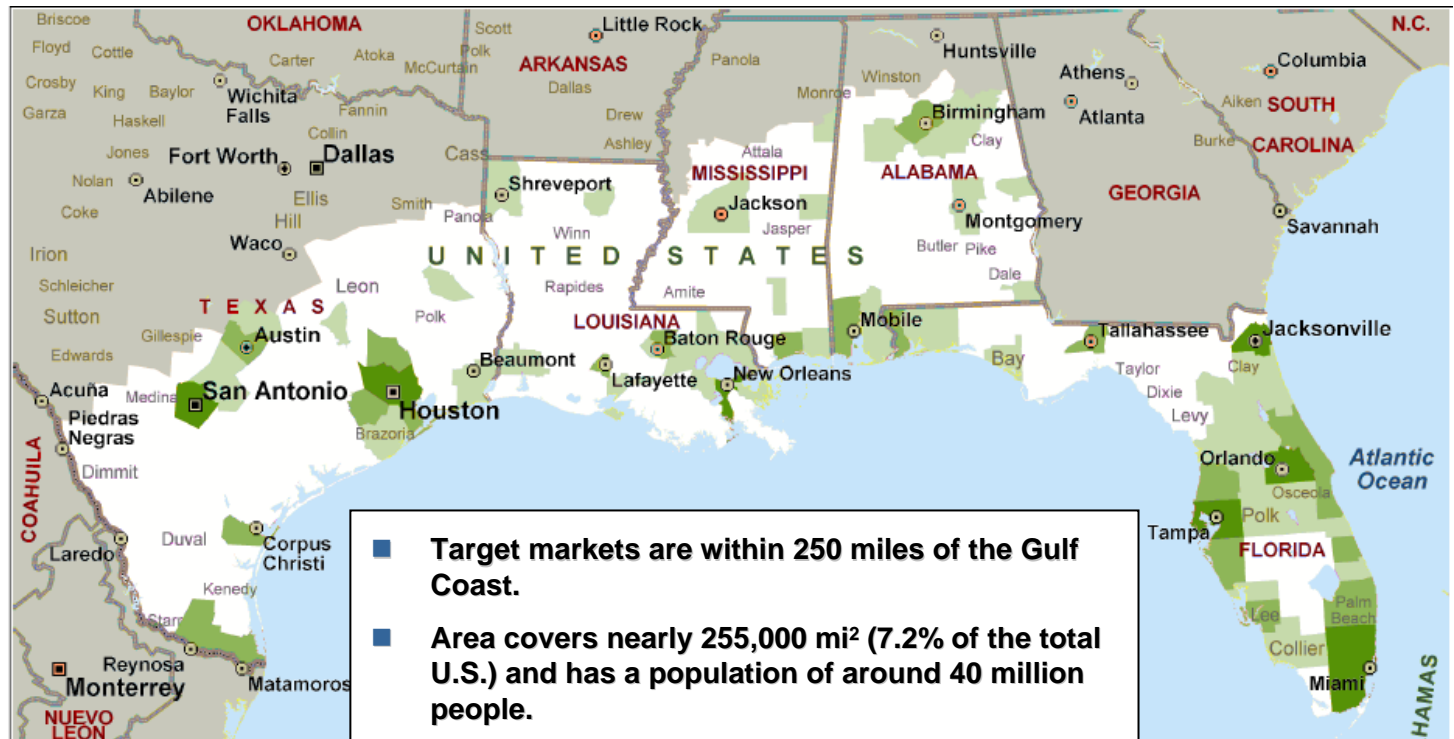
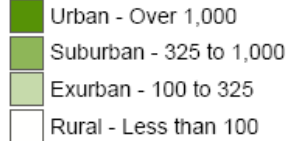
# U.S. UNEMPLOYMENT

Good news, unemployment in four of the five Gulf Coast States is below the National average – Mississippi being the exception.



# POPULATION DENSITY BY COUNTY

## Population By County (persons/square mile)



- Target markets are within 250 miles of the Gulf Coast.
- Area covers nearly 255,000 mi<sup>2</sup> (7.2% of the total U.S.) and has a population of around 40 million people.
- Includes 16 of the 100 largest U.S. MSA's.
- 91 of the 323 counties meet the "Up to 120% of MSA MHI" guideline; Covers approximately 75,000 mi<sup>2</sup> and 33 million people.
- Includes all U.S. Ports along the Gulf Coast.

# 16 MSA's IN U.S TOP 100

- ✓ Permanent population shifts; e.g. Houston, Baton Rouge, Lafayette, Jackson, Biloxi, Mobile, Birmingham, Tampa and others; especially areas inland.
- ✓ Work Force housing and commercial real estate in demand to support growth.

Population Rank	MSA	Estimated Population	Annual Growth Since 2000	Current Unemployment	Go Zone Designation
-	UNITED STATES	300,000,000	1.06%	4.5%	-
6	Miami-Fort Lauderdale-Miami Beach, FL	5,422,200	1.56%	3.1%	Yes
7	Houston-Sugar Land-Baytown, TX	5,280,077	2.41%	4.0%	Yes
20	Tampa-St. Petersburg-Clearwater, FL	2,647,658	2.10%	3.0%	No
29	Orlando-Kissimmee, FL	1,933,255	3.51%	2.9%	No
30	San Antonio, TX	1,889,797	2.08%	3.7%	No
39	Austin-Round Rock, TX	1,452,529	3.25%	3.2%	No
41	New Orleans-Metairie-Kenner, LA	1,319,367	.04%	4.4%	Yes
43	Jacksonville, FL	1,248,371	2.24%	3.1%	No
49	Birmingham-Hoover, AL	1,090,126	.74%	2.9%	No
68	Baton Rouge, LA	733,802	.79%	3.4%	Yes
73	McAllen-Edinburg-Mission, TX	678,275	3.82%	6.6%	No
75	Sarasota-Bradenton-Venice, FL	673,035	2.82%	2.5%	No
88	Cape Coral-Fort Myers, FL	544,758	4.71%	2.5%	Yes
90	Lakeland, FL	542,912	2.44%	3.2%	No
92	Palm Bay-Melbourne-Titusville, FL	531,250	2.31%	3.2%	Yes
93	Jackson, MS	522,580	1.02%	5.5%	Yes

# CAN THIS STRATEGY MAKE MONEY?

<b>Target:</b>	<ul style="list-style-type: none"><li>• “Work Force” or “Attainable” Housing</li></ul>
<b>Focus:</b>	<ul style="list-style-type: none"><li>• New Technology (modular housing, hurricane resistant &amp; high wind impact guidelines)</li><li>• Pro-Growth Governments</li><li>• Higher Density Development</li></ul>
<b>Goal:</b>	<ul style="list-style-type: none"><li>• Lower Construction Costs</li><li>• Shorter Development Period</li><li>• More Affordable Housing</li></ul>
<b>Example:</b>	<ul style="list-style-type: none"><li>• House and Lot Cost \$100 PSF</li><li>• Home Prices Ranging from \$115 to \$125 PSF</li><li>• \$135,000 to \$160,000 Price Tags</li></ul>

# CAN THIS STRATEGY MAKE MONEY?

## AFFORDABILITY

Gross Income	<b>\$45,000</b>	
Housing Allowance	30%	35%
<b><i>MONTHLY AFFORDABILITY</i></b>	<b>\$1,125</b>	<b>\$1,313</b>
5% Down Payment	\$6,750	\$8,000
95% Loan (6.5% coupon)	128,250	152,000
<b><i>HOME PRICE</i></b>	<b>\$135,000</b>	<b>\$160,000</b>
Principal & Interest	\$811	\$961
Taxes & Insurance	314	352
<b><i>MONTHLY TOTAL</i></b>	<b>\$1,125</b>	<b>\$1,313</b>

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# CASE STUDY: LAFAYETTE 120-UNIT MULTI-FAMILY

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Census Tract:	120% of MSA MHI
Project Cost:	\$24.3 million (\$101,561/Unit)
Equity:	\$4.37 million (18% of cost)
Debt – Conventional	\$20.0 million (82% of cost)
Est. Stabilized Value:	\$27.9 million (\$116,000/unit)
Current Market Rents:	\$.99 PSF/month
Stabilized NOI:	\$1,981,274
Expense Ratio:	35%
IRR:	14.0% Levered after Fees
<b>Answer:</b>	<b>Yes, Subject to Cost of Insurance</b>

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# CONCLUSION

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Tremendous Opportunity for the Disciplined Investor.

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# END NOTES

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