

For further information, please contact:

**Hayden W. Wren, CCIM, SIOR, CPA**

hwren@corp-realty.com

504-581-5005 • 504-585-2605 (fax)



201 Saint Charles Avenue, Suite 4411

New Orleans, LA 70170

www.corp-realty.com



## *Avenue Garden Hotel*



CORPORATE REALTY

NEW ORLEANS, LOUISIANA



# Avenue Garden Hotel

THE OWNERSHIP GROUP OF THE AVENUE GARDEN HOTEL HAS RETAINED CORPORATE REALTY AS ITS EXCLUSIVE REAL ESTATE AGENT TO MARKET THE PROPERTY AT 1509 ST. CHARLES AVENUE.



The Avenue Garden Hotel, located at 1509 St. Charles Avenue, is a quaint thirty (30)-room boutique hotel snugly nestled around the southwest corner of St. Charles Avenue and Martin Luther King Jr. Boulevard in the upper Garden District of New Orleans, Louisiana. The hotel is ideally located on the St. Charles Avenue streetcar line. It is just minutes away from the New Orleans Central Business District, the historic French Quarter, the New Orleans Superdome, the Ernest N. Morial Convention Center, and the Warehouse Historic District that features numerous art galleries on Julia Street, retail shopping at the Riverwalk and Canal Place, and entertainment at Harrah's Casino.

## NEW ORLEANS CENTRAL BUSINESS DISTRICT OVERVIEW:

The New Orleans Central Business District is a tight, well-defined pocket of bustling activity that combines a strong tourism base, anchored by 20,000 downtown hotel rooms and world-class restaurants all within walking distance. It also includes a state-of-the-art convention center (the Ernest N. Morial Convention Center), the world-class National World War II Museum, and is a center for financial, legal, accounting, oil and gas and major banking institutions.

Additionally, the CBD has a strong residential community of approximately three thousand eight hundred (3,800) residents located primarily in the Lafayette Square and the Warehouse Historic Districts. This residential market has

matured into New Orleans' hottest submarket. It is apparent that the convenience of downtown living with its close proximity to work, dining and entertainment and access to public transportation are all appealing. The New Orleans Central Business District is very much alive, twenty-four (24) hours a day. The Avenue Garden Hotel is a mere five (5) blocks from the CBD.

**PROPERTY ZONING:**  
C-1A General Commercial District

**TAX INCENTIVES:**  
The Gulf Opportunity Zone Act (Go Zone) offers developers and investors tax incentives for development projects. Under the Go Zone legislation, bonus depreciation equal to 50% of the property's entire depreciable base can be deducted the first year the property is placed in service.

Equally appealing to developers is the opportunity to finance the project with the Gulf Opportunity Zone Bonds (Go Zone Bonds). The Go Zone Bonds are exempt from both federal and state income taxes and exempt from inclusion in the federal alternative minimum tax. Interest rates are significantly lower (150 to 200 basis points) than available through conventional financing. It should be noted, however, that Go Zone property cannot qualify for both tax-exempt bond financing and the fifty percent (50%) bonus depreciation. Additionally, the property must be placed in service before December 31, 2010.

## FINANCIAL SNAPSHOT\*:

	<u>2004</u>	<u>2006</u>	<u>Through 9-30-2007</u>
Revenues	\$491,681	\$841,870	\$274,909
Cost of Sales	(19,185)	(21,930)	(4,943)
Gross Profit	\$472,496	\$819,940	\$269,966
Expenses	(361,306)	(348,642)	(255,862)
<b>EBITA</b>	<b><u>\$111,190</u></b>	<b><u>\$471,298</u></b>	<b><u>\$14,104</u></b> **
Occupancy:	69.28%	61.17%	51.85%
ADR:	\$62.53	\$125.20	\$63.82
RevPar:	\$43.32	\$76.58	\$33.10

\* 2005 not included due to Hurricane Katrina.

\*\*Annualized = \$18,805

## PROPERTY UPSIDE:

The Avenue Garden Hotel has entitlements in place to construct a third floor addition to the existing improvements that front Martin Luther King Jr. Boulevard. A total of seven (7) additional keys can be added. Also, an additional three (3) rooms directly above the kitchen in the courtyard area can be constructed, bringing the hotel up to a total of forty (40) rooms. Cost of the additional ten (10) rooms, including furnishings, is estimated to be \$400,000, \$40,000 per key, or approximately \$160 per square foot (based upon average room size of 250 square feet).

With additional room revenue from the expansion and assuming occupancy rates of 65%, 70% and 72.5%, and an ADR of \$65.00, projected EBITA is shown below:

	65%	70%	72.5%
Occupancy	65%	70%	72.5%
Revenues	\$616,850	\$664,300	\$688,025
Expenses (60%)	(370,110)	(398,580)	(412,815)
Rent	(13,250)	(13,250)	(13,250)
<b>EBITA</b>	<b><u>\$233,490</u></b>	<b><u>\$252,470</u></b>	<b><u>\$261,960</u></b>

Using an overall capitalization rate of 8.5%, the capitalized value produced in each of the above scenarios computes to \$2,746,941, \$2,970,235 and \$3,081,882 respectively.

Assuming sixty-five percent (65%) debt is placed on the property at a rate of 7.5% amortized over twenty-five (25) years, the return on equity<sup>1</sup> ranges between 13.85% and 17.55%:

EBITA	\$233,490	\$252,470	\$261,960
Debt Service	(126,811)	(126,811)	(126,811)
Cash Flow	<u>\$106,679</u>	<u>\$125,659</u>	<u>\$135,149</u>
<b>Return</b>	<b>13.85%</b>	<b>16.32%</b>	<b>17.55%</b>

<sup>1</sup> Acquisition Cost	\$1,800,000
Cost to Add 10 Rooms	\$400,000
Total Cost	<u>\$2,200,000</u>
<b>Equity (35%)</b>	<b>\$770,000</b>
Debt (65%)	<u>\$1,430,000</u>
	<u>\$2,200,000</u>

## MARKETING PRICE:

\$1,800,000. All Cash at the Closing of the Act of Sale.

