

QOZ INCOME PRODUCING PROPERTY WITH DEVELOPMENT POTENTIAL



SITE

432 W ALLEGHENY

Fairhill, Philadelphia 19133

» Development Opportunity

» Located in QOZ

» Easement w/access and parking

432 W ALLEGHENY AVENUE

Fairhill, Philadelphia 19133

Opportunity Highlights

Price \$ 7,200,000

Located in QOZ

Lot Size: 88,165 SF

Zoned ICMX

THE OFFERING

432 W Allegheny Avenue is an overbuild development opportunity to add residential units to the existing 86,415 SF building plus 2,500 SF ancillary building. The rents from the current tenants, Acelero Learning and Legacy Furniture, would be used to offset costs while developing the second floor of the building. If necessary, the space occupied by Legacy Furniture can be delivered vacant. The small building to the east, currently leased by a dental clinic, can be demolished for a parking and delivery entrance to be developed for apartments above. ICMX zoning which doesn't allow residential development. Seller will work with Buyer to gain approvals for zoning variance. The Seller owns the adjoining shopping center.

PARKING: There's parking to the east of the main building between the furniture store and the dental clinic and parking to the west with 38 space.

EXISTING INCOME

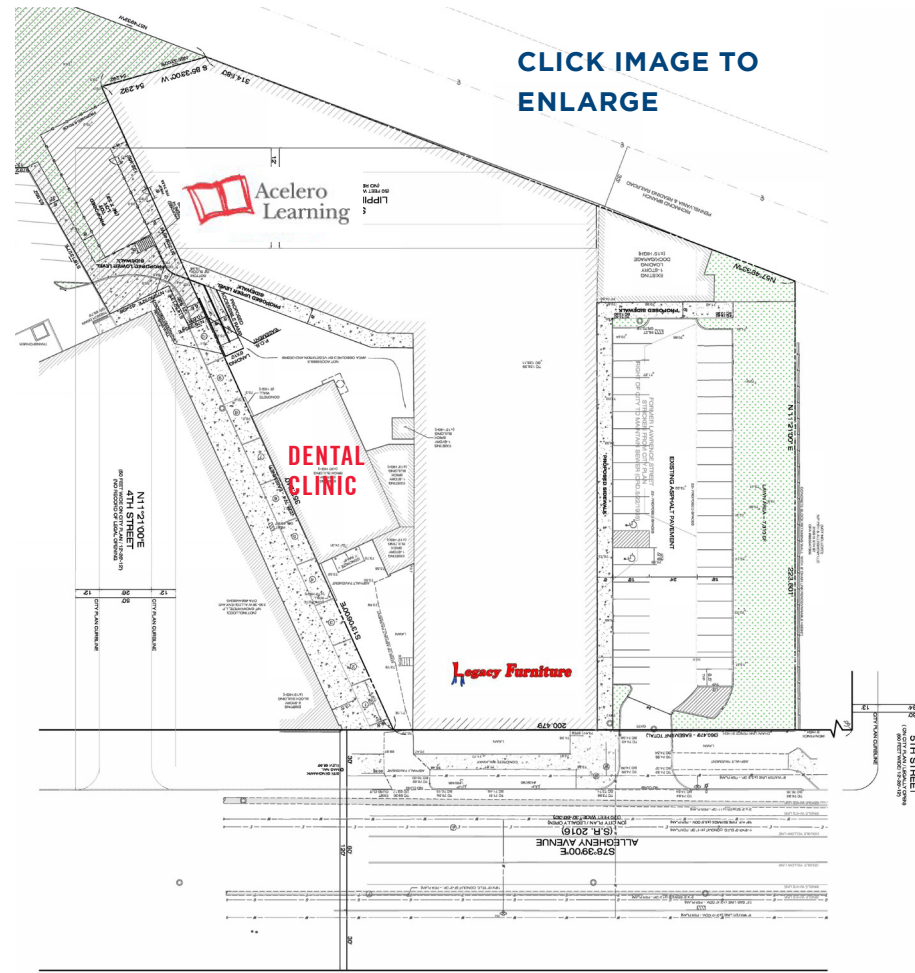
Legacy Furniture - 30,000 SF \$115,000/yr gross (less than 3 yrs left on a 5-year lease)

Acelero Learning - 14,000 SF \$230,000/yr + \$2.50 PSF NNN (7 yrs left on a 10-yr lease)

[Click here for proposed plans for residential development.](#)

THE SITE

432 W Allegheny Avenue is a 88,165 SF Industrial Commercial Mixed-Use parcel located along Allegheny Avenue between the highly developing neighborhood along Allegheny from 2nd Street to 5th Street. The site is adjacent to Plaza Allegheny, which is a fully developed neighborhood shopping center. See next page for existing



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Opportunity Highlights

EXECUTIVE SUMMARY

Property Address	432 W Allegheny Avenue Philadelphia PA
Neighborhood	North Philadelphia
Price	\$5,950,000
Current Number of Units	3 w/residential development potential
Parking Spaces	38 onsite, additional potential

THE SITE

Site Area	88,165 SF
Zoning	ICMX

Real Estate Taxes

2027 Real Estate Assessment	\$5,444,100
2027 Real Estate Taxes	\$76,207

THE BUILDING

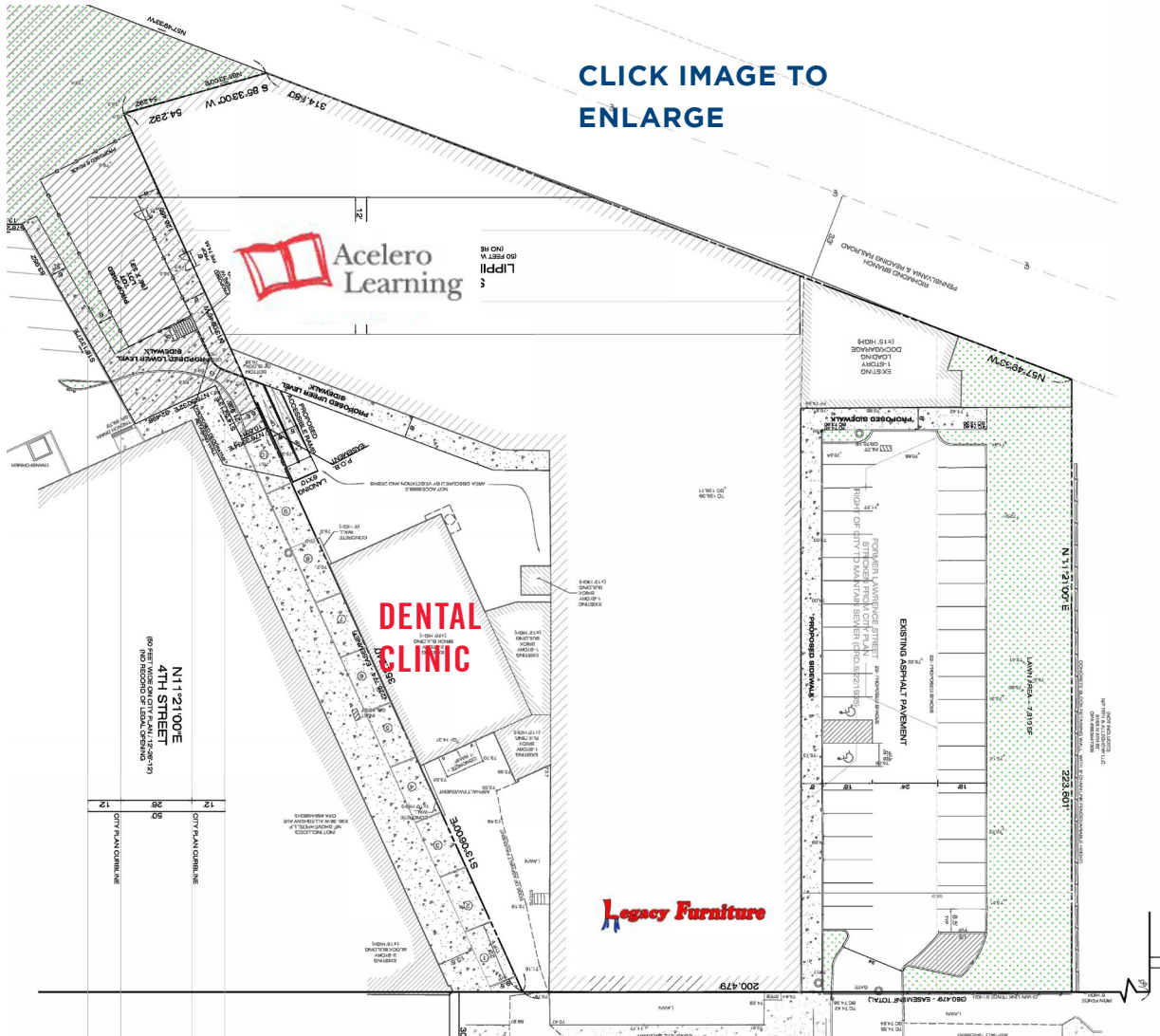
Building Area	86,415 SF (main) 2,500 SF (ancillary)
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432 W ALLEGHENY AVENUE Fairhill, Philadelphia 19133

Current First Floor/Site Plan

CLICK IMAGE TO
ENLARGE



1300-34 Callowhill Street

Federal Opportunity Zones

Definitions

Opportunity Fund: An investment vehicle organized as a corporation or partnership for the purpose of investing in Opportunity Zone property.

Opportunity Funds will be self-certified per IRS guidelines. They must be organized for the purpose of investing in Opportunity Zones

Opportunity Funds are required to invest 90% or more of their capital as EQUITY in Opportunity Zone property

Opportunity Zone property includes stock, partnership interest, or business property in an Opportunity Zone

Investor Incentives

OPPORTUNITY ZONE INVESTMENTS PROVIDE AN IMMEDIATE BENEFIT

to investors of deferring payment of the capital gains tax that would be paid in 2018 until 2026. Further incentives are linked to the duration of an investor's commitment to Opportunity Fund investments.

THE OZ TAX INCENTIVE WILL ALLOW a modest reduction in capital gains taxes in exchange for holding Opportunity Fund investments for five to seven years.

IF INVESTMENTS ARE HELD 10+ YEARS, gains accrued on the Opportunity Fund investment during that 10-year period will not be taxed, further incentivizing patient capital.

*Information provided by: **DuaneMorris** **KPMG**

1300-34 Callowhill Street

Federal Opportunity Zones

Timeline for Opportunity Zone Investments

Investment Year	Year 5	Year 7	Year 8	Year 10
2018	2023	2025	2026	2028
Tax on Capital Gain Invested	Gain realized and invested in Opportunity Fund within 180 days*	10% reduction of capital gains tax	15% reduction of capital gains tax	All taxes due on 12/31/26. Investor pays tax on 85% of original gain
* Tax is deferred until the earlier of investment liquidation (return of capital) or 12/31/26				
Tax on Opportunity Fund Investment	Any gain realized on Opportunity Fund investment is fully taxable if liquidated	Any gain realized on Opportunity Fund investment is fully taxable if liquidated	Any gain realized on Opportunity Fund investment is fully taxable if liquidated	Any gain realized on Opportunity Fund investment is tax free**

** Any appreciation on Opportunity Fund investment is tax free if held > 10 years

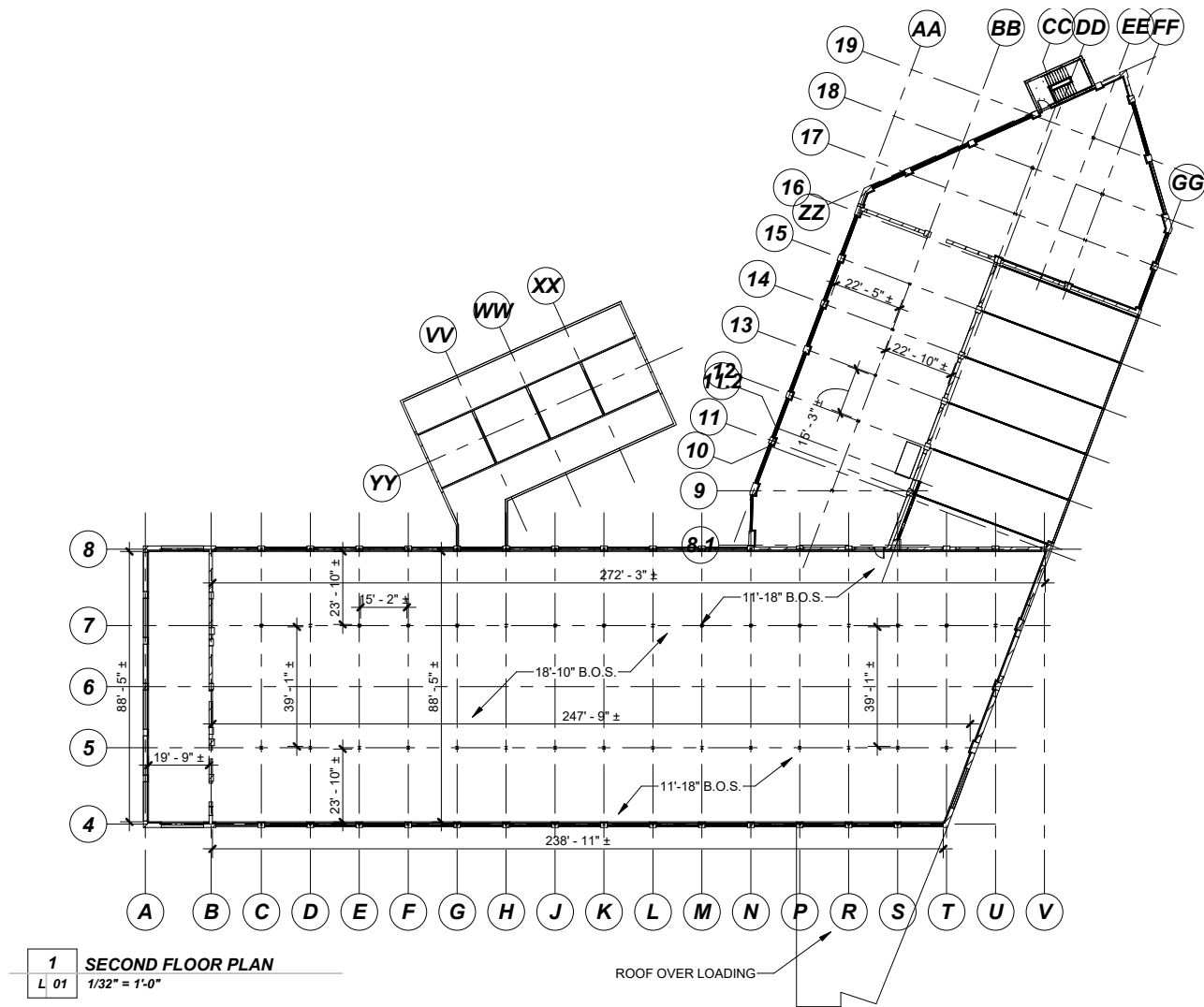
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Current Second Floor

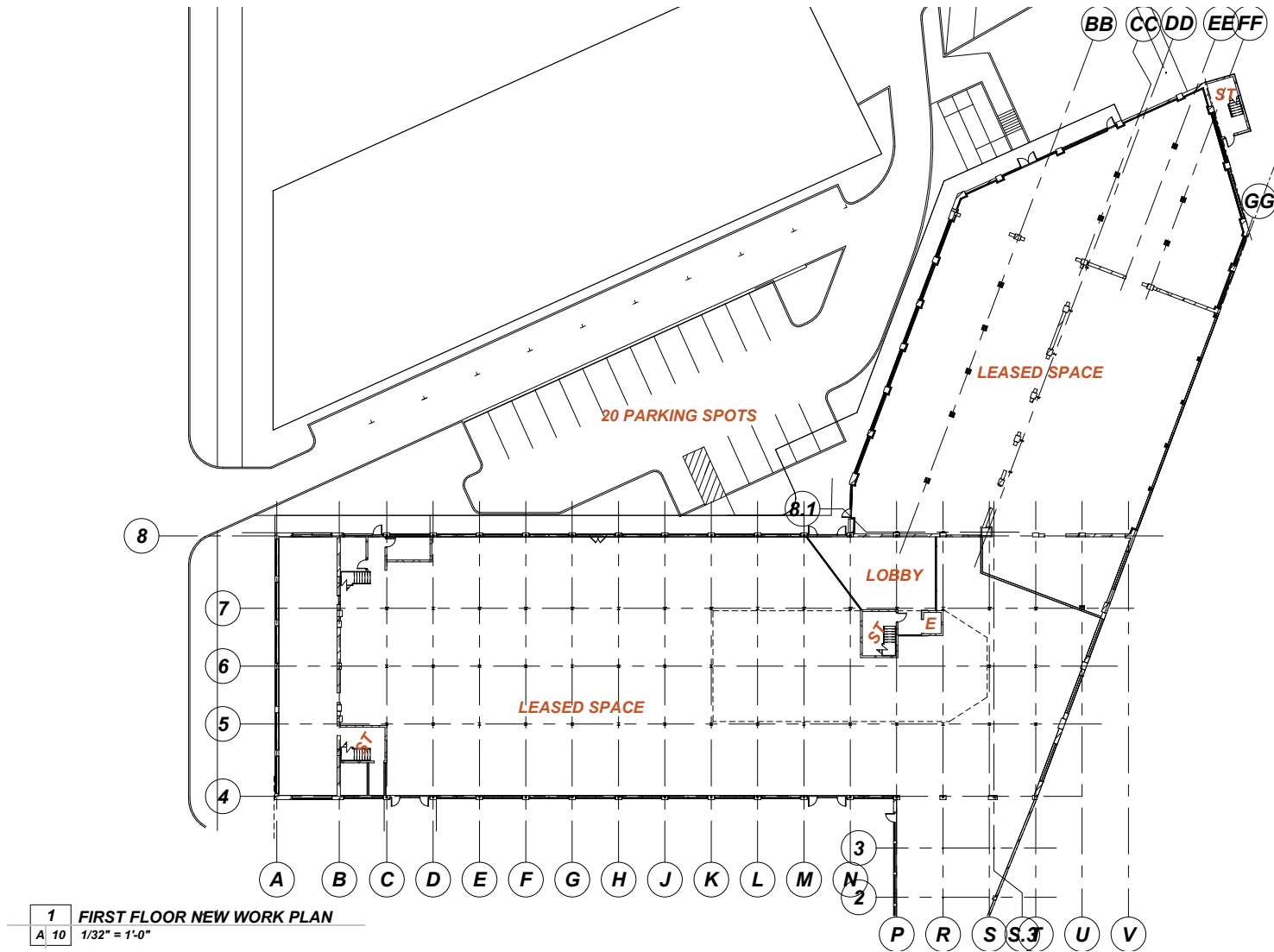


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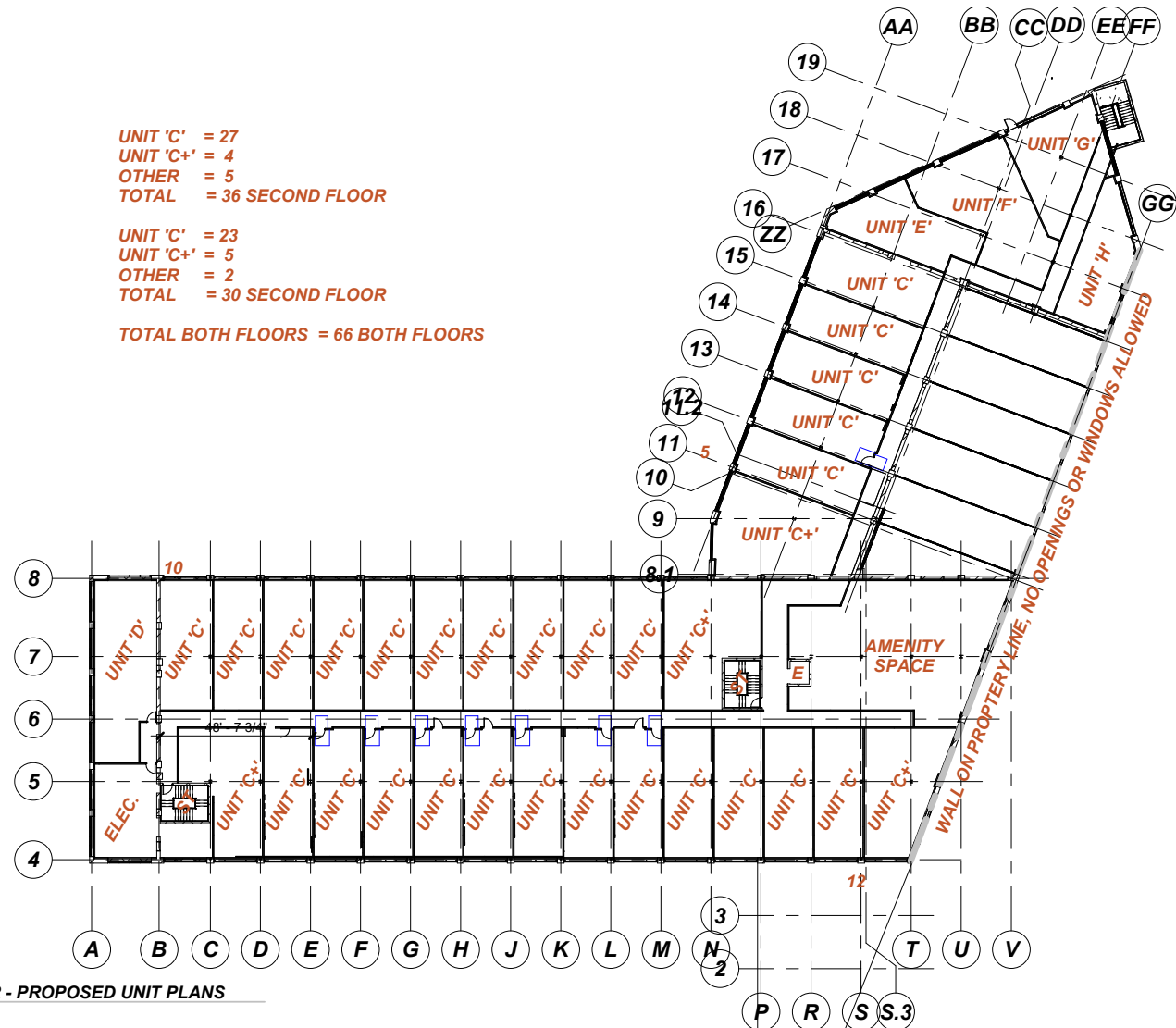
Overbuild Concept Proposal: First Floor



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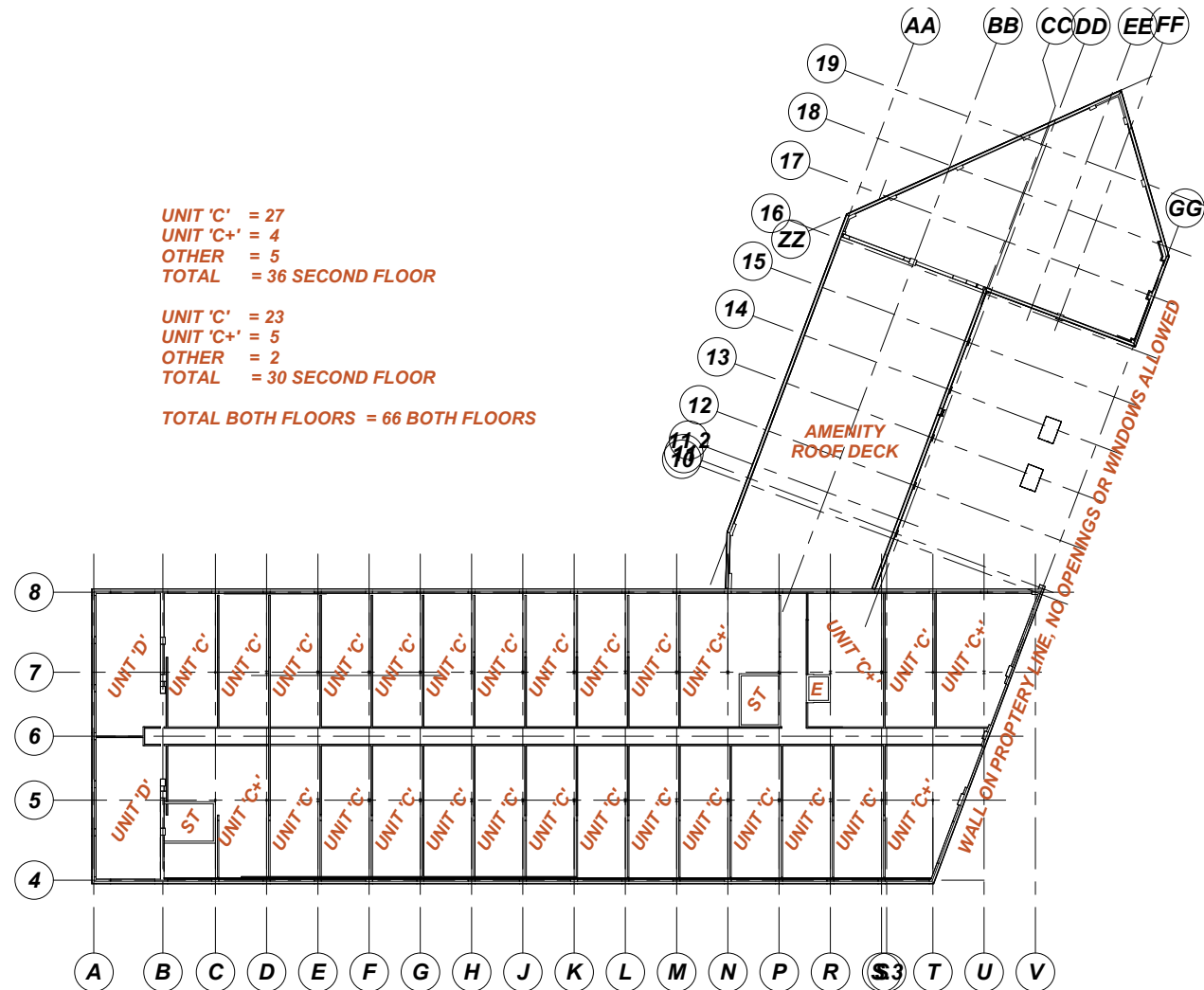
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Overbuild Concept Proposal: Second Floor



432 W ALLEGHENY AVENUE Fairhill, Philadelphia 19133

Overbuild Concept Proposal: Third Floor



1 THIRD FLOOR - PROPOSED UNIT PLANS
A 12 1/32" = 1'-0"

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Property Photos ([click here for more photos](#))



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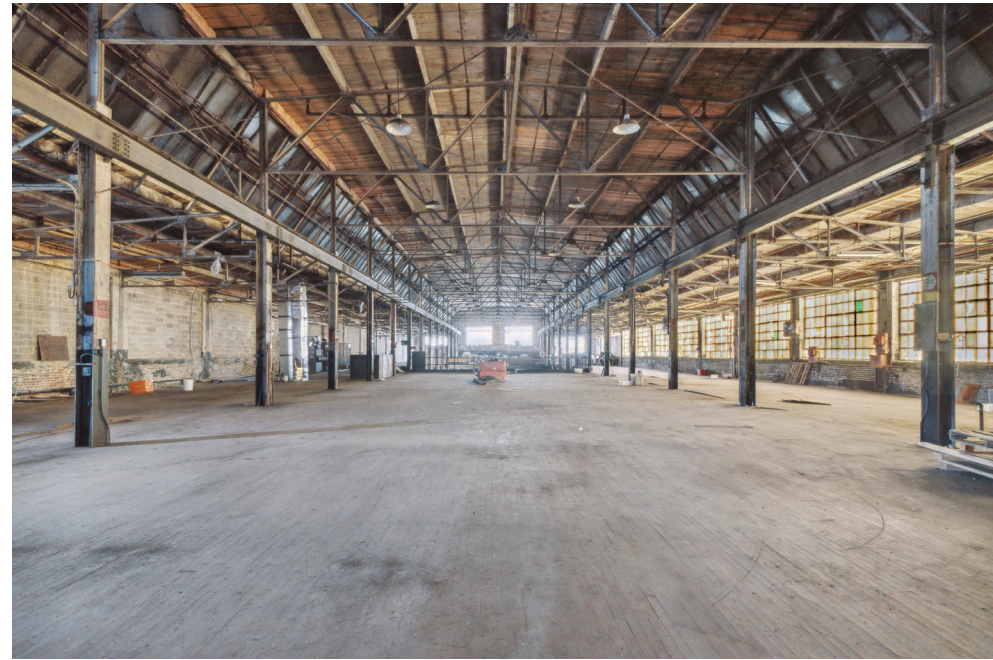
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Zoning

ICMX INDUSTRIAL COMMERCIAL MIXED-USE

ICMX

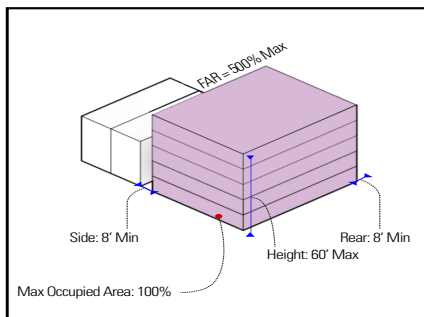
Table 14-701-4: Dimensional Standards for Industrial Districts



Max. Occupied Area	100%
Min. Front Yard Depth	0 ft. [3]
Min. Side Yard Width	8 ft. [3]
Min. Rear Yard Depth	8 ft. [3]
Max. Height	60 ft.
Max. Floor Area Ratio	500%

Table Note:

[3] Where the lot abuts a residential district, front yards, side yards, and rear yards shall be provided on the lot on the sides abutting the residential districts. The minimum requirements for those yards shall be either those for the industrial district, or those for the residential district on the abutting side, whichever is larger.



Qualified Opportunity Zone

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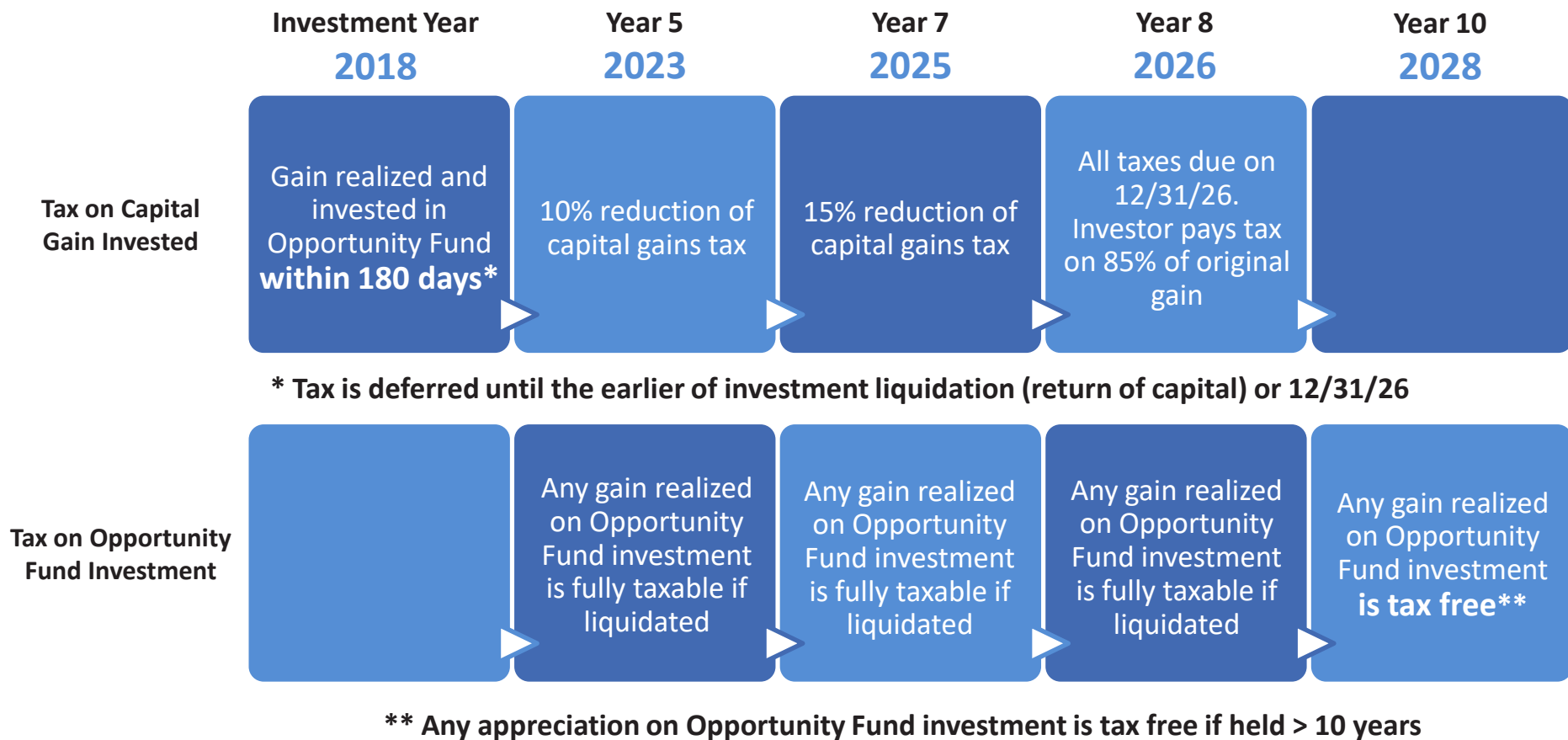
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Qualified Opportunity Zone

Timeline for Opportunity Zone Investments



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About Philadelphia

Thanks to its affordability and its slow-growing, healthcare-driven economy, Philadelphia has long been known as one of the U.S.' most stable major apartment markets. It's extremely rare for market-wide rents to decline by more than 1% here during any given year, but even during the best years for the local economy, rent growth rarely exceeds the 1.5%-3% gains that have prevailed for the past two decades.

Fast forward to 2021 and a shortage of for sale housing, combined with unprecedented levels of federal stimulus directed to low- and middle-income households have provided the fuel for rent growth to break well out of this range, with trailing 12-month asking rent growth running at an impressive 9.6% as of 2021 Q4.

Suburban apartment performance in particular is booming. With most Center City office employers still allowing their staffs to work from home, tenants maintain a renewed interest in the less expensive, more spacious units offered in the suburbs, and the overall suburban vacancy rate is at an all-time low of 2.7%.



Suburban rent growth is currently running close to 10% year over year, after a 4% gain in 2020. This pace could slow as the impact of stimulus checks begins to fade. However, landlords will likely be enjoying a very tight market over the next several quarters, particularly as the

numbers of suburban units under construction has been cut in half since 2019, following the recent spike in prices for building materials.

Greater Center City endured a challenging 2020, with the average occupancy rate of stabilized properties dropping from 95% to

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About Philadelphia cont'd

90% and asking rents falling by 7% peak to trough. But since vaccines began to proliferate in early 2021 and major universities including Drexel, Temple, and Penn announced that they would be returning to normal on-campus learning for the fall 2021 semester, even the downtown market has made a rapid recovery. Occupancy rates are almost back to the high of 95% reached before the pandemic, and asking rents have more than recovered from their losses. Widespread concessions of one to two months free rent that proliferated here last year are being pared back.

<u>Current Quarter</u>	<u>Units</u>	<u>Vacancy Rate</u>	<u>Asking Rent</u>	<u>Effective Rent</u>	<u>Absorption Units</u>	<u>Delivered Units</u>	<u>Under Constr Units</u>
4 & 5 Star	74,528	6.1%	\$2,078	\$2,062	1,012	1,014	10,059
3 Star	151,659	2.9%	\$1,468	\$1,462	262	24	1,470
1 & 2 Star	104,058	2.8%	\$1,163	\$1,159	89	6	67
Market	330,245	3.6%	\$1,536	\$1,529	1,363	1,044	11,596

<u>Annual Trends</u>	<u>12 Month</u>	<u>Historical Average</u>	<u>Forecast Average</u>	<u>Peak</u>	<u>When</u>	<u>Trough</u>	<u>When</u>
Vacancy Change (YOY)	-2.3%	6.2%	4.1%	7.6%	2009 Q1	3.6%	2021 Q4
Absorption Units	13,400	2,851	5,726	13,329	2021 Q3	(2,176)	2003 Q4
Delivered Units	6,119	2,984	5,945	8,017	2019 Q2	639	2011 Q2
Demolished Units	132	50	66	200	2006 Q4	0	2021 Q3
Asking Rent Growth (YOY)	9.6%	1.9%	4.4%	9.5%	2021 Q4	-2.7%	2003 Q1
Effective Rent Growth (YOY)	10.5%	1.8%	4.5%	10.4%	2021 Q4	-2.7%	2003 Q1
Sales Volume	\$1.3B	\$1.1B	N/A	\$3.5B	2019 Q2	\$154.4M	2010 Q3

However, concessions will likely still remain common among the highest-end luxury properties over the next several months due to oncoming competition from new developments. Under construction volumes within the city's core remain near all-time highs, as developers have been rushing to get

their projects permitted and underway before the city's tax abatement on new construction begins to be gradually phased out starting in 2022.

— COSTAR

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Philadelphia: The Economy

Philadelphia's economy is clawing its way back to recovery after being hit by the fastest and deepest dropoff in employment in its modern history. During the worst of the local coronavirus outbreak in April 2020, total employment in the metro area was down by 16%, or 470,000 jobs, compared to year-end 2019 levels.

The government's most recent employment data release shows that heading into late 2021, the Philadelphia metro area's employment had recovered almost two thirds of its initial losses, and was down by 5% or 150,000 jobs compared to pre-pandemic levels, worse than national employment, which was down by 2.7%. For context, during Philadelphia's most painful two recessions in recent memory, the early 1990s recession and the global financial crisis, employment was down by 5% during the worst months of both downturns.

One of the many unique aspects of the recent crisis is how heavily job losses have fallen on entertainment and hospitality workers. Heading into late 2021, aggregate employment in financial activities and professional business services is only down 2% locally compared to its pre-pandemic peak. There's nothing particularly severe about that decline, since during the last three recessions, the same industries averaged a 6% peaktrough decline. In contrast, local leisure and hospitality employment (made up mostly of restaurant, hotel, and event workers) is down a jarring 19%, or 53,000 jobs, from pre-pandemic levels compared

12 Mo. Delivered Units

6,119

12 Mo. Absorption Units

13,400

Vacancy Rate

3.6%

12 Mo. Asking Rent Growth

9.6%

to minimal declines during the previous three recessions. However, as the economy reopens that sector is now adding jobs relatively quickly, having added 45,000 jobs locally during 2021.

Looking longer term, Philadelphia is well positioned to deliver steady job growth over the course of the coming decade. From 2000-19, the metro area has averaged 0.5% annual employment growth, about two-thirds the national pace. There's potential to close that gap in the years ahead. The city's status as a powerhouse of healthcare innovation only gains renewed importance as a result of the current tragedy and will be a key economic benefit as the number of U.S. residents aged 70-plus grows at a historic rate of more than 40% over the course of this new decade.

Even during the lockdown, life sciences firms such as Century Therapeutics, Spark Therapeutics, Wistar Institute, and WuXi App Tech have all announced new local expansion plans. Innovations by researchers at Penn Medicine and Children's Hospital of Philadelphia are helping the city grow into one of the world's preeminent hubs for innovation in gene therapy

Penn Medicine's largest ever capital project, a 1.5 million-SF hospital dubbed the Pavilion, completed construction in University City during late 2021 and has a recruitment effort underway to hire more than 600 employees.

During early 2021, Children's Hospital of Philadelphia unveiled plans for two new high-rise towers, including a new 15-story expansion of Roberts Center For Pediatric Research in the Graduate Hospital neighborhood, and a new 300-bed patient center near the Wood Pediatric Center in University City. Jefferson Health recently received a \$70 million donation, bringing it closer to groundbreaking on a 225,000-SF biomedical research facility at Ninth and Locust in Center City, and it also announced plans to build a 23-story ambulatory care center at 11th and Chestnut.

The cost of living differential between Philadelphia and its nearby competitors, New York, Boston, and Washington, D.C., also remains massive. The most recent U.S. census data shows that Philadelphia County, in particular, has gradually been attracting larger net inflows of college-educated young adults moving from these places during recent years. This trend appears to be accelerating as many New York-based white-collar employers adopt permanent remote work policies in the face of the pandemic. It is only likely to continue over the long term as America's largest generation, millennials, age into their 30s and demand more affordable and spacious housing options than what are available in cities such as New York, Washington, D.C., and Boston.

— COSTAR

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Philadelphia: Multi-Family Rents

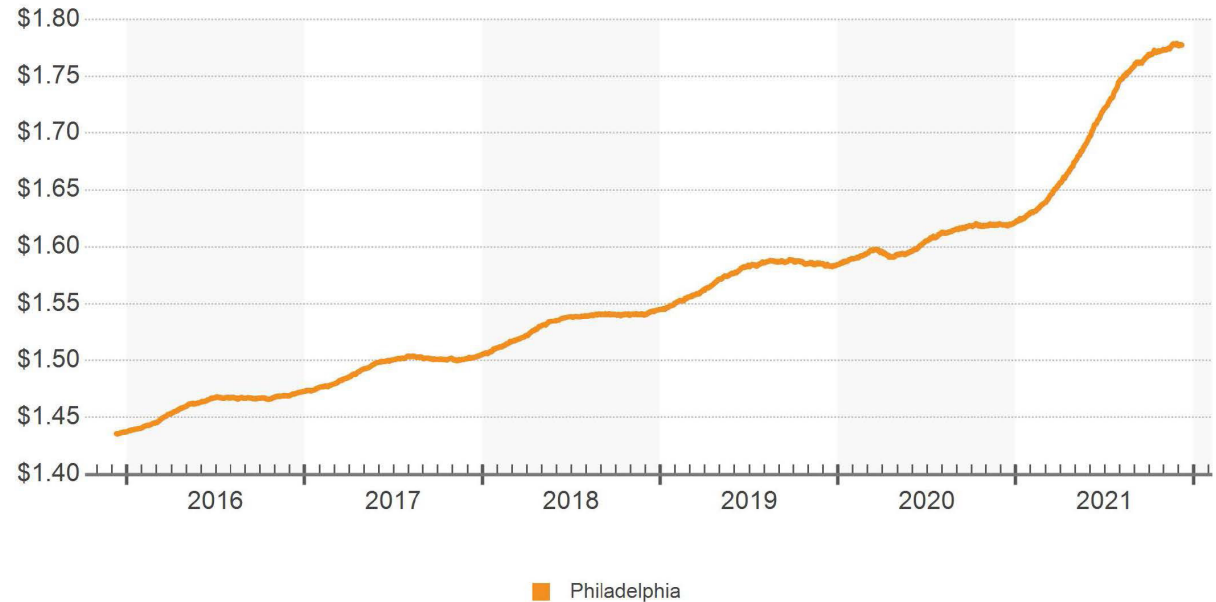
During the first several months of the pandemic, Philadelphia's apartment market has stayed true to its reputation as a reliable generator of slow but steady rent gains through the ups and downs of economic cycles.

The market finished last year with annual rent growth of 2.2%, the third-best performance among the 20 largest U.S. markets, most of which ended the year with overall rent losses.

However, as the economy has begun reopening, housing markets have tightened, and households have benefitted from three successive rounds of stimulus checks, rent growth in Philadelphia has completely blown out of its typically 1.5%-3% range. As of 2021q4, Philadelphia rents are running at an impressive 9.6%, mirroring an acceleration in rent gains now being seen in major markets across the U.S.

The strongest gains are occurring in lower-priced, outlying submarkets that are benefitted as affordability constraints, and work-from-home arrangements brought on during the pandemic are encouraging renters to venture further out from Philadelphia's more expensive, close-in submarkets. Upper Montgomery County, Conshohocken/Plymouth Meeting, and a number of submarkets in Southern New Jersey are hosting year-over-year rent gains of

ASKING RENT PER SF



12%-17%. Center City, University City, and Art Museum/Northern Liberties all have rent gains of between 7% and 8% year over year, but this comes following sharper rent losses last year, and rents in most of these urban submarkets are only 2%-4% above pre-pandemic levels.

Going forward, the pace of rent gains is likely to slow significantly as the impact of recent stimulus checks on tenants' income fades.

However, rent gains could still easily run well ahead of inflation for the next several quarters, particularly in the suburbs where the recent steep drop-off in projects under construction means landlords will be facing less competition from newly delivered projects during late 2021 and 2022.

— COSTAR

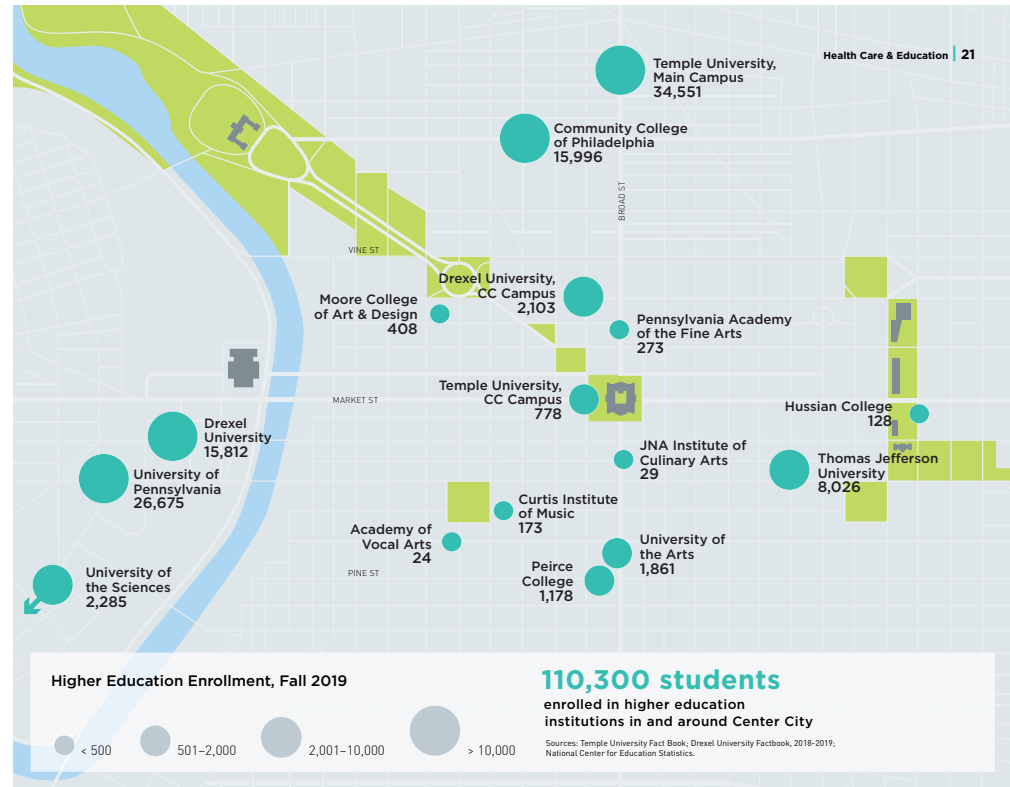
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Philadelphia's "Eds and Meds" Sector

In 2019, health care and education provided 242,800 jobs citywide in the public and private sectors, approximately onethird of all payroll employment in Philadelphia. In Center City, these sectors accounted for 18% of employment with 55,000 jobs. During the prior decade, private health care employment growth in Philadelphia reflected the expansion of ambulatory care services – offices of doctors and other health care practitioners, outpatient care centers, laboratories, and home health care services.

From 2009 to 2019, private ambulatory care employment increased 42%, while hospital employment increased 1% and nursing and residential care facilities declined 8%.

Center City's 12 institutions of higher education collectively enrolled 30,934 undergraduate and graduate students in the fall of 2019, including 16,000 at Community College of Philadelphia and 8,000 at Thomas Jefferson University. The Center City campuses of Drexel University and Temple University enrolled an additional 2,100 and 700, respectively. Including nearby institutions – Temple's main campus in North Philadelphia, and the



University of Pennsylvania, Drexel University, and the University of the Sciences in University City – the total higher education enrollment in or near Center City exceeded 110,000 in 2019. While the pandemic forced many institutions to transition to virtual learning, colleges and universities located in or near Center City estimate that 80% of students

who previously lived in Philadelphia, on campus or off, returned to the city in fall 2020. The presence of students helped sustain both the apartment market and downtown retail, making up 13% of the adult population in Greater Center City.

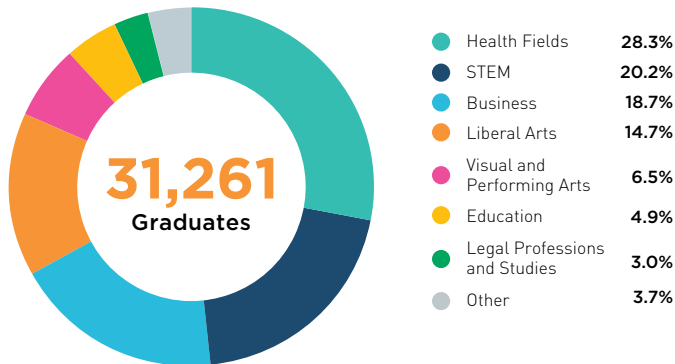
Graduates of these institutions form a critical mass of welleducated



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Philadelphia's "Eds and Meds" Sector

Degrees Conferred by Type, 2019



Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System

Nearly half of recent college graduates have degrees in health, science, technology, engineering and math.

workers, creating a powerful lure for Philadelphia's growth industries. Health sciences are the major for 28% of local college graduates; science, technology engineering and math (STEM) accounts for another 20%; business degrees are earned by 19%.

A growing number of college graduates have been staying in Philadelphia, contributing to the 44% increase since 2000 in Greater Center City of residents in the 20-34 age group. They now number more than 70,000. In 2020, Philadelphia's research institutions attracted \$1.1 billion in National Institutes of Health funding, the fourth-highest total

among major U.S. cities.

Combined research spending at Drexel, Temple, Jefferson, and Penn totaled \$2 billion in 2018. In 2020, the University of Pennsylvania, in partnership with Children's Hospital of Philadelphia and The Wistar Institute, began research on the health impacts of COVID-19 on children. These academic, research and medical institutions have helped Philadelphia emerge as a national center for life sciences, fostering new startups and attracting new businesses.

While most growth is concentrated in University City, several older buildings in Center City that can

support heavy floor loads and have good ventilation are attracting lab space. Venture capital has played a large part in the explosive growth of these small labs.

According to Bridge Bank, in 2010 there were 113 deals in Philadelphia. That number surged to 260 in 2019 and reached a high of 221 in 2020, despite the pandemic. Health care and education have therefore remained not only a mainstay of today's economy, they are laying the groundwork for Philadelphia's next economy

SOURCE: CENTER CITY DISTRICT & CENTRAL PHILA. DEVELOPMENT CORP.



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Fortune 500 Companies Here in Greater Philadelphia Region

