

Attic extensions in Germany

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Attic extensions

Investment application

City: Hamburg
Property: Ahrensburger Straße 61, 61 a-c
Object Number: 7107

Investment key facts

Type of Investment: New Attic Storey
New sqm: 331
- Investment Costs: 635 T€
Total Project Costs: 635 T€
Yield [on Total Project Costs]: 7.0%
Net Present Value (40 years) [on Total Project Costs]: 35 T€
Discount Rate: 7.5 %
Internal Rate of Return (40 years) [on Total Project Costs]: 7.92 %

Preamble

The property Ahrensburger Straße in Hamburg was bought in February 2008, consisting of 22 apartments and 7 parking slots in a basement garage. The property is located in a B-location. Hamburg-Wandsbek is well connected to the inner city of Hamburg. Supermarkets and shops for daily requirements are closely located to the property. There is a bus station in front of the property, offering quick commuting to Wandsbek Markt, a metro station and shopping mall, 10 minutes away from Hamburg central station. The estimated average residential ingoing rent level for 2010 is 6.9 € per square meter. During 2009 we have reached a new lease level of 8.9 € for 2010 we are planning for 9.0 € per square meter. The current potential is consequently 30 percent.

Project description

We are planning to add a new attic storey on the property, creating 6 apartments with 331 square meters new living space. In addition we will create 6 new parking lots on the property. The estimated costs for the attic extension including costs for the parking lots are 635 T€

Project economics

We expect an average rent level of 11.5 € per square meter. This means that the attic extension will generate a gross rental income of 46 T€ A part of the financing costs for the new attic storey would be able to be passed on to the current tenants due to insulation of the roof; a further gross rental income effect of 4 T€ Furthermore, the 6 new parking slots will generate an additional annual income effect of about 1 T€ In summary, the project will raise the yearly gross rental income by 51 T€ The maintenance costs assumed to be 10.0 € per square meter annually, administration costs are expected to be 8.4 € Based on these assumptions, we hope to reach a yield of 7.0 percent. Furthermore, we have a net present value of 35 T€, when discounting by 7.5 percent and assuming a 40 year life expectancy.

Budget

This calculation is part of the budget for 2010. There are small deviations, higher total costs, 30 T€ or 4.8 percent, and a lower yield, 7.0 instead of 8.0 percent. The yield deviates due to the higher costs and higher maintenance and administration costs than assumed in the budget.

Timetable

We will start the project immediately, and expected completion is at the end of 2010.

Risks

We expect no risk in the expected rent level and only a low risk from a technical point of view.

Decision proposal

The managing director will be given the assignment to conduct the proposed investment, amounting to 635 T€ and yielding 7.0 percent.



Appendix - Calculation

Project Calculation

	T€	€/sqm
Gross Rental Income:	51	154,0
<i>Vacancy:</i>	-0,5	-1,5
<i>Vacancy Ratio:</i>	1,0%	1,0%
Net Rental Income:	50	152,4
Maintenance:	-3	-10,0
Administration:	-3	-8,4
Total Costs:	-6	-18,4
Net Operating Income:	44	134,0
Maintenance Costs:	0	0
Investment Costs:	635	1.918
Total Project Costs:	635	1.918
Yield:	7,0%	

Market and Book Value, Before and After Project

	Current Value,		Project	Value after Project	
	T€	€/sqm		T€	€/sqm
Gross Rental Income:	124	85,4	51	175	98,2
<i>Vacancy:</i>	0	0,0	-1	-1	-0,3
<i>Vacancy Ratio:</i>	0,0%	0,0%	-1,0%	-0,3%	-0,3%
Net Rental Income:	124	85,4	50	174	97,9
Maintenance:	-15	-10,0	-3	-18	-10,0
Administration:	-10	-7,2	-3	-13	-7,4
Total Costs:	-25	-17,2	-6	-31	-17,4
Net Operating Income:	99	68,2	44	143	80,5
Market Value:	1.876	1.294	845	2.722	1.528
Yield:	5,27%		5,25%	5,27%	
Book Value:	1.637		635	2.272	
Difference Book Value vs Market Value, T€:				449	
Difference Book Value vs Market Value, %:				20%	

Project Costs

	T€	Comments
Investment: New Attic Storey	635	
Total Project Costs:	635	

Gross rental income increase from new attic storey

We are assuming an average rent level of 11.5 €per square meter, this will yield a yearly gross rental income of 46 T€ The calculation is shown in the table below.

	No. of sqm		Lease Level €/sqm/Month		No. Of Months in a Year	=	Gross Rental Income p.a., T€
Attic Extension:	331	x	11,50	x	12,00	=	46

Gross rental income increase derived by pass on to tenants

About 35 T€of the costs are able to be passed on the current tenants. The pass on rate is 11 percent which means that the derived gross rental income increase is 4 T€

	Share of Costs possible to Pass On, T€		Share of Tenants		Pass on Rate	=	Gross Rental Income p.a., T€
Insulation:	35	x	100%	x	11%	=	4

Total gross rental income increase from project

As the table below shows the total gross rental income will increase by 51 T€

		Gross Rental Income p.a., T€
Attic Extension:		46
Insulation:	- Rental Increase for Current Tenants	4
Other Income:	- 6 parking slots (20 € per month per slot)	1
Total		51

Property development

The plan of an attic extension on paper is simple but it might be difficult and risky to realize it in reality.

