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Architecture: How to maximize your return on real estate assets using an architect

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Real estate development in New York City is getting hotter and hotter right now for a variety of different reasons. There is a simple way of using an architect to develop real estate without spending a tremendous amount of money or time. Find properties that meet your criteria in terms of location, cost and potential real estate investment needs. There's been a lot of up-zoning along public transportation hubs in the city of New York under the Bloomberg administration in order to encourage use of public transportation. Some of these areas in Queens include Jamaica Ave. and Queens Blvd. You can hire an architect or you can go into partnership with an architect and not pay them anything upfront and once the property is sold you split the profits with the contractor or the architect. The reason this is a good idea is because you have lowered your risks and you increased your rewards. The architect could be the planner and designer to get your ideas met.

Use this simple formula based on floor area and potential floor area ratio:

* Price of building/net floor area = net price per s/f;

* Cost per s/f of construction x total s/f of construction = total construction cost;

* Sale price of building/gross floor are = price per s/f.

The sale price per s/f must be at least 25% greater than the average of the cost per s/f of construction and net price per s/f in order the make the project financially feasible for an existing building with a new addition.

One has to realize that the cost for developing floor area and the price for renting/selling that area is a major factor in any pro forma analysis. One needs to use an architect who is trained in urban planning and urban design to figure out ways of maximizing the floor area to get the best return on your investment. One could search for properties in areas that already had zoning increases. The real estate market is starting to take off so there are bargains to be had all over the city especially in areas in Queens and in the Bronx that have been hard hit after the real estate bubble. You can find properties that are worthy of development and are fairly priced by looking at sites such as PropertyShark.com.

Here's a step-by-step guide on how to go about finding a good property and maximizing the return on capital using architectural services.

Step one: Locate a property that you have an interest in: either one you own or one that you are purchasing. Determine the total existing s/f of the property and the potential s/f. A very helpful site for this is PropertyShark.com which allows you to figure out the floor area ratios and the underutilized s/f based on the floor area ratio.

Step two: Contact an architect to do a feasibility study to evaluate the buildings structural, mechanical, electrical and architectural capabilities so as to determine how the layout can be improved or an addition constructed to maximize the return on investment for the property.

Step three: Prepare plans and specifications to determine the construction cost once the plans are approved and contractor bid on the project you have an excellent idea of the actual construction cost to do what you're interested in doing.

Step four: Determine if your return on equity is greater in doing this work or simply buying government treasury bills of 3.5% return. If it turns out that you're in a desirable area and there's a demand for the building that you're developing and you can get significantly high returns on rent or even the purchase of your units to warrant 25% return on asset investment then real estate development is a very simple decision because you can get your money back in probably four or five years which is the goal most developers.

Step five: Hire an architect as the project manager to build and execute your design so that things go smoothly and there isn't as many issues with contractors or the building department. The architect is very familiar with the legal process and with negotiating with contractors because they speak their language. It's always wise to have someone on your side that can manage a very complex project for you.

These are just some basic ideas of how you can maximize your return on real estate assets using an architect. Please feel free to contact ArchitectureStudio.com for further questions.

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