THE SOLSTICE

48-02 QUEENS BLVD, NEW YORK

YOLA WONG | MSRED CAPTSONE DEAL BOOK | MAY 5, 2025

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

M. S. REAL ESTATE DEVELOPMENT

Development Case Studies

By

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EXECUTIVE SUMMARY

EXCLUSIVE OPPORTUNITY TO CAPTURE VALUE IN AN UP-AND-COMING NEIGHBORHOOD.

Location: 4802 Queens Blvd, Queens, NY

Neighborhood: Sunnyside

Lot Size: 19,000 sf | ZFA: 95,190 SF

Asset Type: Mixed-use Multifamily

Expected Competition: March 2027

Total GFA: 93,650 SF | Floors: 11

Number of Units: 105 (Including 20% affordable units)

Estimated Project Cost: $62.6M | $668 PSF

Total Equity: $ 28.2M

LP Equity Requirement: 90% ($ 25.3M)

Project Level IRR: 21.01% | LP IRR: 19.21%

Project Level EM: 1.92x | LP EM: 1.73x

Holding Period: 5 Years

We are excited to present a real estate investment opportunity in Sunnyside, a quickly rising neighborhood that is just one stop away from Long Island City.

The Solstice presents a rare and compelling opportunity for transformative mixed-use redevelopment in the vibrant heart of Sunnyside, Queens. Ideally situated along a major commercial corridor with excellent access to public transportation and neighborhood amenities, the site offers a unique canvas to create a dynamic, community-focused destination. By thoughtfully blending residential, retail, and community spaces, this project aims to meet the evolving needs of Woodside's diverse population while unlocking significant value for investors and stakeholders alike. This deal book outlines the vision, potential, and strategic advantages of redeveloping 4802 Queens Blvd into a cornerstone of the neighborhood's continued growth and revitalization.

Our 11-story mixed-use development at 4802 Queens Blvd in Sunnyside, Queens, encompasses 93,650 square feet of total floor area, featuring 105 residential rental units with 20% designated as affordable housing, complemented by ground-floor retail spaces that activate the streetscape and serve community needs.

We aim to complete construction by the end of Year 2 and hold the property until Year 5 to maximize value and stability. Our financial projections indicate strong returns, with a 1.92x equity multiple and 21.01% IRR.

INTRODUCTION

Located in one of Queens' most dynamic and rapidly evolving neighborhoods, the Solstice stands at the crossroads of tradition and transformation. With a rich history as a longstanding commercial site and direct access to major transit lines, this property is uniquely positioned for a new chapter as a vibrant mixed-use development. Our vision for the Solstice is to create a modern, inclusive, and sustainable community hub that seamlessly integrates residential living, retail vitality, and essential neighborhood services. This deal book details our strategic approach, market insights, and the compelling opportunity to reimagine this site as a catalyst for growth and community enrichment in Sunnyside.

VISION AND CONCEPT

Our vision for the Solstice is to deliver a transformative, community-driven mixed-use development that elevates the quality of life in Sunnyside and sets a new standard for neighborhood living.

Contemporary Living

We will introduce thoughtfully designed residential apartments tailored for today's lifestyles, addressing the pressing need for modern, high-quality housing in a neighborhood where most buildings date back to the 1930s. This infusion of new homes will expand Sunnyside's housing options and enhance overall livability.

Community Health & Family Support

Recognizing the urgent need for accessible maternal healthcare, our ground floor will feature a dedicated maternal clinic and daycare center. By providing these essential services on-site, we enable local families to access high-quality care without leaving the borough, supporting stronger, healthier families and responding to the overwhelming demand for family-friendly amenities in mixed-use communities.

Vibrant Open Spaces

Our plan maximizes public open space, creating inviting areas for social connection and outdoor wellness. Features such as a children's playground and an open area fostering social interaction, active lifestyles, and community well-being in successful mixed-use developments.

Long-Term Value

By blending residential, healthcare, childcare, and recreational amenities, our development will serve as a vibrant community anchor, ensuring long-term value for both residents and investors. This holistic approach not only meets critical local needs but also positions the Solstice as a catalyst for neighborhood growth and vitality.

SITE CONTEXT

KEY TAKEAWAY

Sunnyside offers a rare combination of high-income, professional renters, limited new supply, and strong rent growth underpinned by historically low vacancy rates. This market dynamic ensures resilient cash flow, pricing power, and long-term value appreciation for multifamily investors.

STRONG DEMAND

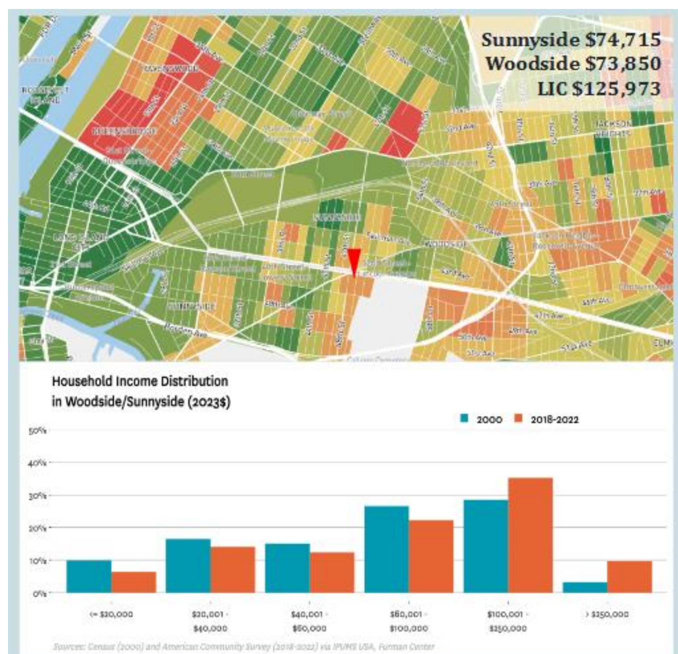
The Sunnyside market is defined by a strong, upwardly mobile renter demographic and constrained housing supply, making it highly attractive to investors. The area's median age is 37.4, with a workforce that is 83% white-collar and concentrated in stable sectors like healthcare, construction, and public administration. Median household income has grown sharply to $89,569-a 12.1% increase in one year-with the largest share of households earning between $100,000 and $250,000. Most residents are renters (76%), and the majority of households are small and without children (77%), reflecting the urban professional profile.

LIMITED SUPPLY

The market remains extremely tight, with only 300 new rental units added annually and a vacancy rate of just 1.08%, nearly 2% below the NYC average. Rent growth is strong at 1.5% year-over-year, outpacing the city, and the average one-bedroom rent in Queens is $3,048, underscoring sustained demand. The housing stock is mature, with a significant portion built before 1939, ensuring limited risk of oversupply. Critically, Sunnyside benefits from its strategic location adjacent to Long Island City (LIC), a neighborhood experiencing rapid population growth. This proximity enhances the area's attractiveness and creates significant spillover demand, further strengthening the market's long-term investment appeal.

TARGET DEMOGRAPHIC

- Prime working-age, urban professionals (median age 37.4)
- High proportion of white-collar workers (83%), commuting to Midtown Manhattan
- Predominantly renters (76% renter-occupied), ensuring steady demand
- Affluent households, median income $89,569; the largest segment earns $100,000–$250,000
- Small households, mostly without children (77%), average size 2.43
- Strong spillover demand from professionals seeking alternatives to rapidly growing Long Island City (LIC).

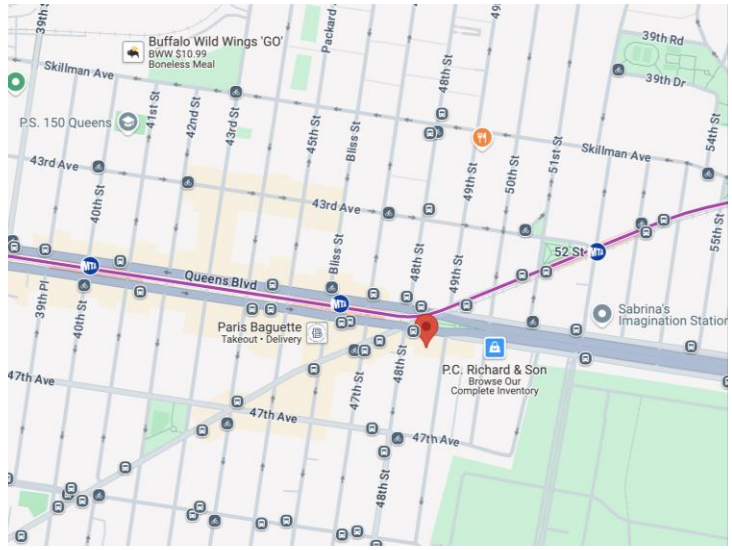


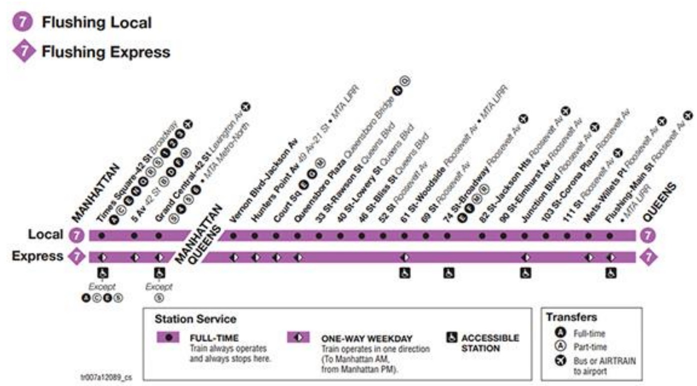
ACCESSIBILITY

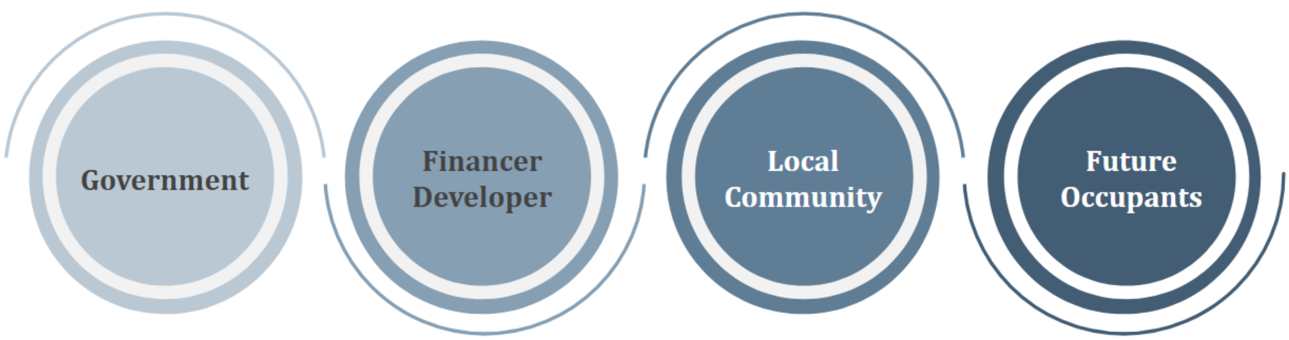
Public Transport Access:
7 Train: Midtown Manhattan to Flushing
Bus Line, proximity to the largest office base
Q60: Midtown Manhattan to Jamaica

4802 Queens Blvd offers outstanding transit access, with the 7 Train just steps away for a direct 20-minute ride to Midtown Manhattan, and the Q60 bus providing 24-hour service along Queens Boulevard to Jamaica. Multiple bus lines and proximity to Queens' largest office base further enhance connectivity, making this a premier, transit-oriented location for both residents and businesses. Queens Boulevard serves as a main route for both cars and trucks, offering direct connectivity to major highways such as the Brooklyn-Queens Expressway (I-278) and the Long Island Expressway (I-495)

The area is characterized by exceptionally high retail activity, driven by both its location on major transit lines and its dense, built-in customer base. Businesses here benefit from high visibility and foot traffic, allowing them to organically attract clients without heavy marketing expenditure. The constant movement of people, whether commuting to work, shopping, or visiting local attractions-creates a dynamic environment where new and established businesses can thrive.







Healthy Community, Healthy Society
Resolving Housing Crisis
City of Yes Initiative

High demand for quality housing
Essential services: inelastic demand, consistent occupancy, recession-proof
Financial Viability: long term tenant with stable cash flow

Healthcare Needs
Support Community
Stability & Working Parents
Economic Growth & Job Opportunities
Increase foot traffic

Target: Young Family
Improve quality of life
Uplift and modern housing and amenities
Affordable Housing
Accessibility

COMMUNITY NEEDS

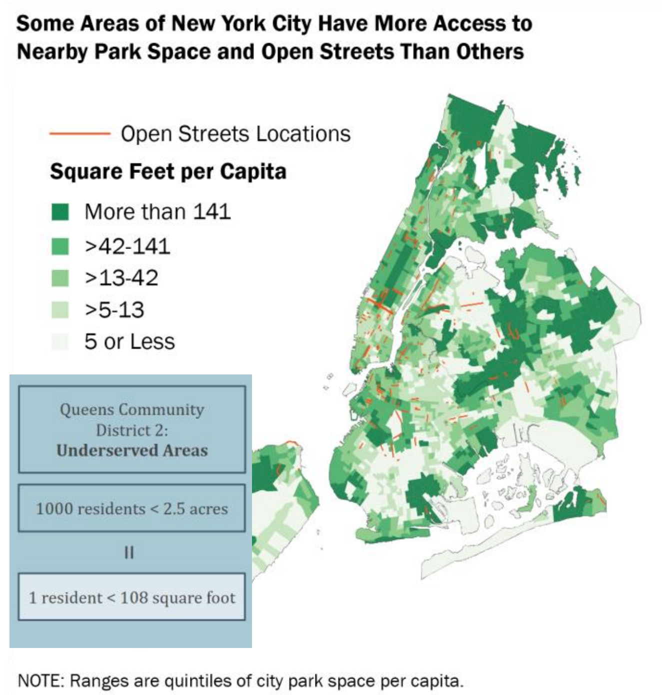
Community demand in Queens, particularly within Community District 2, presents a compelling opportunity for investment in healthcare, child daycare support, and open space infrastructure.

MATERNAL HEALTH CARE

On the healthcare front, the area faces significant unmet needs. Notably, 7.9% of residents have no access to prenatal care. A figure that is 1.2% higher than the citywide average. The preterm birth rate stands at 9.0%, also exceeding the city average by 0.3%. Within a five-mile radius, only two major healthcare facilities - Elmhurst Hospital and NYU Langone Ambulatory - serve this growing population. Recognizing these gaps, recent investments have included a $3 million allocation to Elmhurst Hospital to enhance maternal services, signaling both a public commitment and a clear need for expanded maternal healthcare infrastructure. Additionally, the local population of households with children has surged by 11.6% year-over-year, reaching 22.69% as of 2022. This demographic trend points to a growing base of young families, yet the area remains underserved in terms of daycare and childcare center supply.

DAYCARE

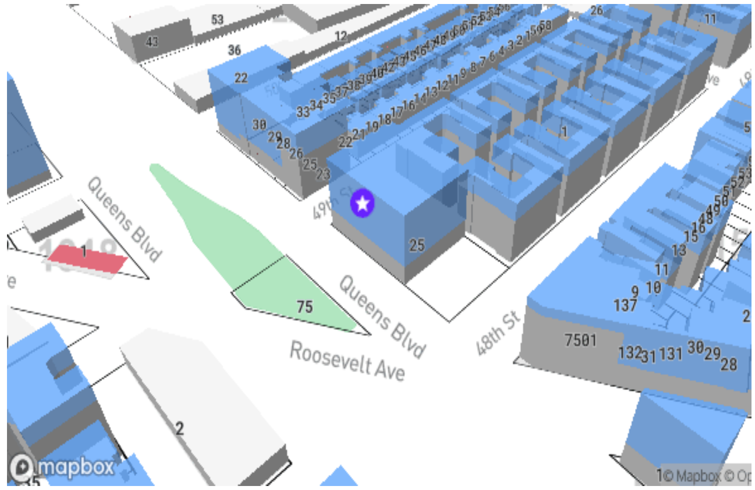
The need for daycare in Queens is acute and growing, particularly as the number of young families in the area rises. Despite a year-over-year increase of 11.6% in households with children, access to affordable, high-quality childcare remains limited. Many neighborhoods, including rapidly developing areas like Long Island City, are considered "childcare deserts," where the scarcity of daycare options is not just an inconvenience but a barrier to economic stability and workforce participation. Currently, the city's childcare infrastructure can only serve about 46% of children under five, forcing families to compete for limited spots and often pay prohibitively high costs. This shortage not only impacts parents' ability to remain in the workforce but also represents a significant missed economic opportunity for the city, with childcare gaps estimated to cost New York City $23 billion in lost economic output annually. Expanding daycare capacity in Queens is essential to meet community demand, support working families, and unlock the area's full economic potential.



OPEN SPACE

Open space is another critical area of need. According to the latest needs assessment by Queens Community Board 2, the top three pressing issues are land use trends, parks and open space, and other environmental concerns. The district is classified as an underserved area, with fewer than 2.5 acres of open space available per 1,000 residents-equating to less than 108 square feet per resident. This shortage of accessible green space underscores the urgent demand for new parks and recreational areas.

ZONING OVERVIEW



C4-4A(R7A)
Zoning District

5.01
Max FAR

19,000 SF
Lot Area

11 STORIES
Max No. of Stories (IH)

115 FT
Max Building Height (IH)

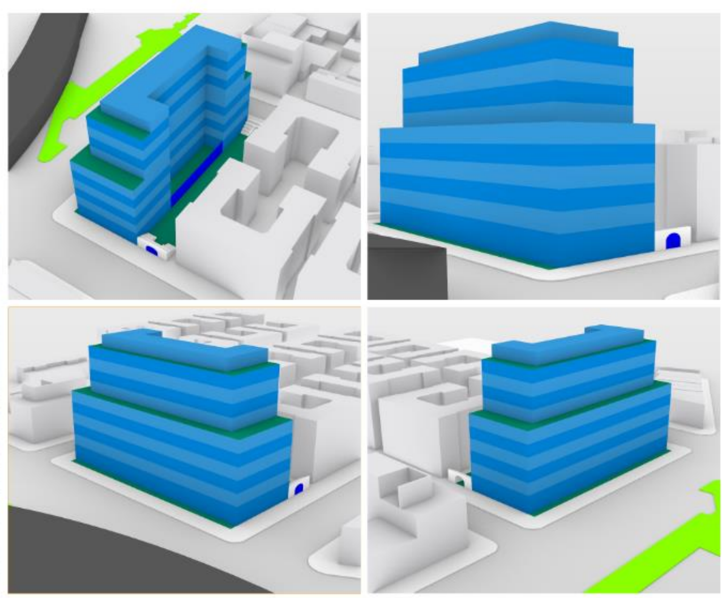
95,190
Max ZFA (UAP)

BOROUGH | BLOCK | LOT	QNS | 2281 | 25
STREET TYPES	**Front**: Narrow – Roosevelt Ave (66') **Left:** Narrow – 49th St (60’) **Right**: Wide – 48th St (80’)
LOT TYPE	Corner (190’ x 100’)
DESIGNATIONS	Inclusionary Housing Zone, Environmental Designation

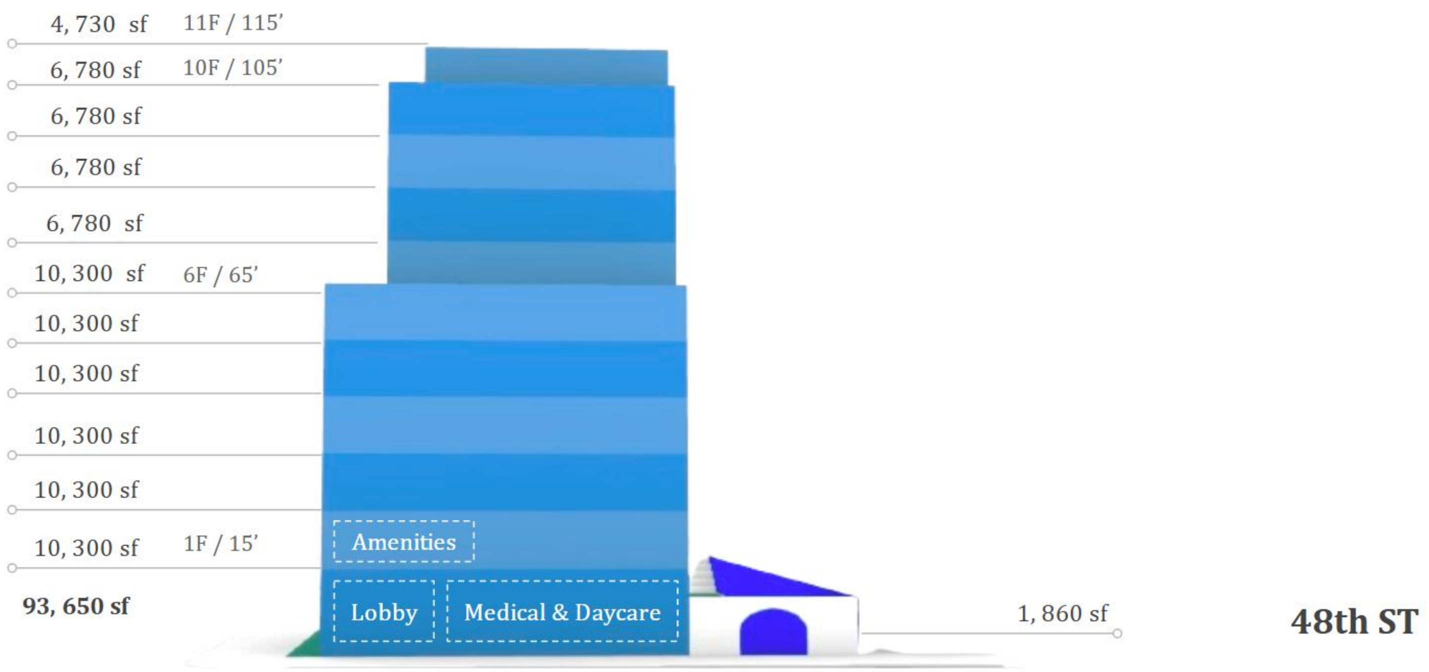
DESIGN


DAYCARE


CENTRAL MARKET



STACKING DIAGRAM

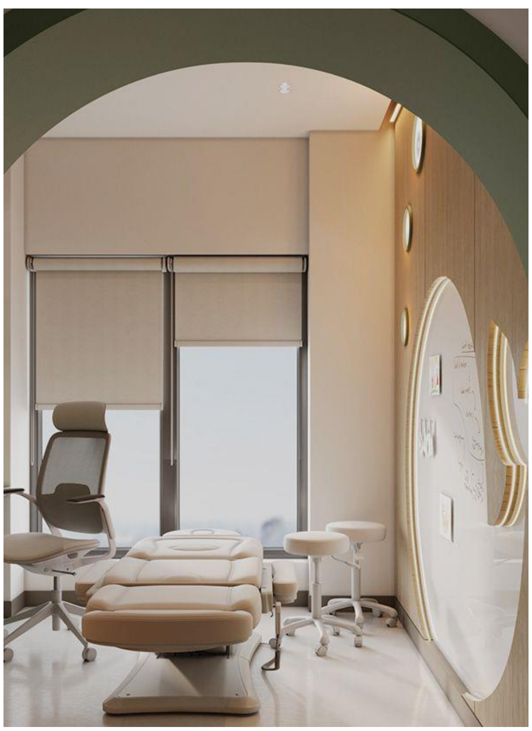


The Solstice is a highly efficient, mixed-use development opportunity with a total buildable area of 95,190 square feet across 11 stories, reaching a maximum height of 115 feet. The ground floor is thoughtfully designed to maximize both tenants and community value, featuring a spacious lobby with access from Queen’s Boulevard and commercial space ideal for medical offices or daycare facilities-ensuring strong demand from essential service providers and enhancing the building’s appeal to families and professionals alike. Special Street Tree Requirement along Roosevelt Avenue mandates the planting of street trees at regular intervals. This requirement enhances curb appeal, promotes a vibrant streetscape.

Floors two through six each offer expansive floor plates of 10,300 square feet, providing optimal layouts for residential units or commercial uses. Amenities are also provided on the second floor for residents’ use. Above the sixth floor, the building steps back, with floors seven through ten each comprising 6,780 square feet, and the eleventh floor offering 4,730 square feet, allowing for premium units with enhanced light, views, and privacy.

This design maximizes rentable area while complying with zoning requirements, and the stepped massing above the sixth floor creates opportunities for outdoor terraces or amenity spaces. The efficient layout and diverse programming potential make this site uniquely positioned to attract a mix of high-quality tenants and end-users, supporting robust long-term returns for investors.

ROUND FLOOR DESIGN

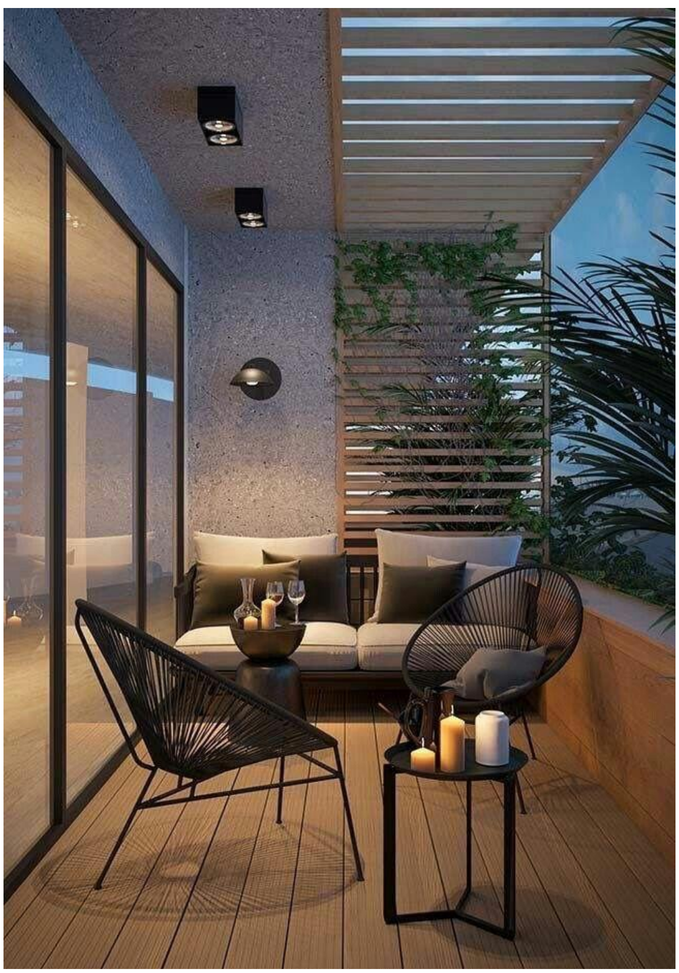


The ground floor plan is designed to accommodate two retail tenants according to our market research: an OB-GYN clinic and a daycare center, the latter featuring a secure, private play area located directly behind the retail spaces. Just south of this play area, a public open space is accessible from both 48th and 49th Street, offering valuable recreational amenities for the surrounding community. This open space is thoughtfully programmed with static recreational activities to minimize noise and disruption to tenants and residents, ensuring a harmonious environment for all building occupants.

UNIT MIX

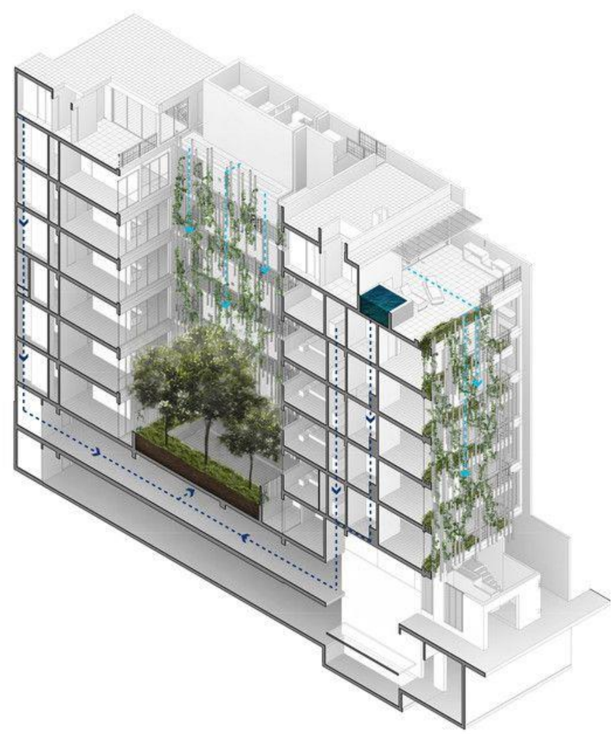
Unit Type	# of unit	% of Total Units	Avg SF
Studio	38	36.19%	500
1B	57	54.29%	600
2B	10	9.52%	800
Total Units	**105**		

The proposed unit mix- 36% studios, 54% one-bedrooms, and 10% two-bedrooms directly reflects the needs of Sunnyside's core demographic, consisting of young professionals and small households seeking affordability, flexibility, and proximity to Manhattan. Our market research shows that most local renters are singles or couples without children, driving strong demand for studios and one-bedrooms. By prioritizing these unit types, the project is positioned to maximize occupancy, attract the largest pool of renters, and support stable, long-term cash flow. This targeted mix also ensures the property stands out against older inventory and the higher-priced offerings in Long Island City. This unit mix meets the expectations of today's urban renter, increasing the potential return for investors.



SUSTAINABILITY

The design for the Solstice places a strong emphasis on sustainability and environmental responsibility. The building incorporates high STC-rated windows, walls, and floors to ensure superior sound insulation and energy efficiency. A green terrace planted with low-maintenance native species enhances biodiversity and reduces water usage. High-efficiency windows are used throughout to maximize natural light and minimize energy loss, directly lowering utility costs. Smart HVAC and ventilation systems further optimize indoor air quality while reducing overall energy consumption. Additionally, the project prioritizes sustainable materials, selecting recycled and locally sourced finishes wherever possible. Together, these features create a healthier living environment, reduce the building's environmental footprint, and appeal to eco-conscious residents and investors.



FLOOR PLANS

G/F

The ground floor plan accommodates two retail tenants. Including an OB-GYN clinic and a daycare center, with a secure, private play area situated directly behind them. South of the play space, a public open area is accessible from both 48th and 49th Streets, providing much-needed recreational space for the community. Thoughtful landscaping, including a row of trees along Queens Boulevard, creates a buffer between the site and the street, enhancing safety and fostering a welcoming atmosphere. The residents' lobby is prominently located along Queens Boulevard, ensuring convenient access for building occupants.

2/F

The second floor features a mix of one-bedroom and studio apartments arranged along a double-loaded corridor, with amenities located at the northwest corner. The design maximizes unit count and natural light, offering residents modern, comfortable living in a prime location.

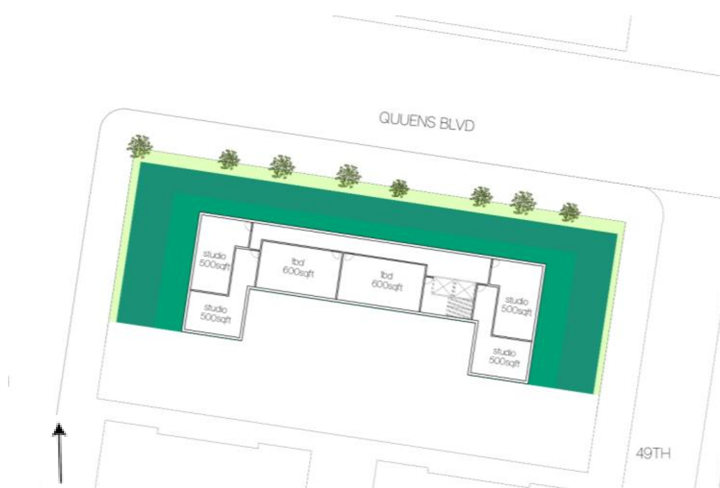
3-6/F

Floors three to six feature a mix of one-bedroom and studio apartments. The building follows the same core, and units are arranged on a double-loaded corridor, maximizing the number of apartments and ensuring ample natural light.

7-10/F

Floors seven through nine offer a mix of one-bedroom and two-bedroom apartments. In compliance with zoning regulations, a building setback is incorporated at these levels. The building maintains a consistent core layout, with units organized along a double-loaded corridor to maximize the number of apartments and ensure abundant natural light throughout. Additionally, these floors feature private terraces for residents, providing exclusive outdoor space and enhancing the overall living experience.

11/F



The eleventh floor features a mix of studio and one-bedroom apartments. In accordance with zoning regulations, an additional building setback is incorporated at this level. The units are arranged along a single-loaded corridor, providing residents with access to both public and private terraces.

INVESTMENT HIGHLIGHT

The project is structured to deliver strong returns for limited partner (LP) investors with a projected levered equity multiple of 1.92x. Additionally, the anticipated internal rate of return (IRR) is 21.01%, significantly exceeding the typical 15–20% target range sought by institutional investors. This compelling return profile underscores the project's attractive risk-adjusted investment potential.

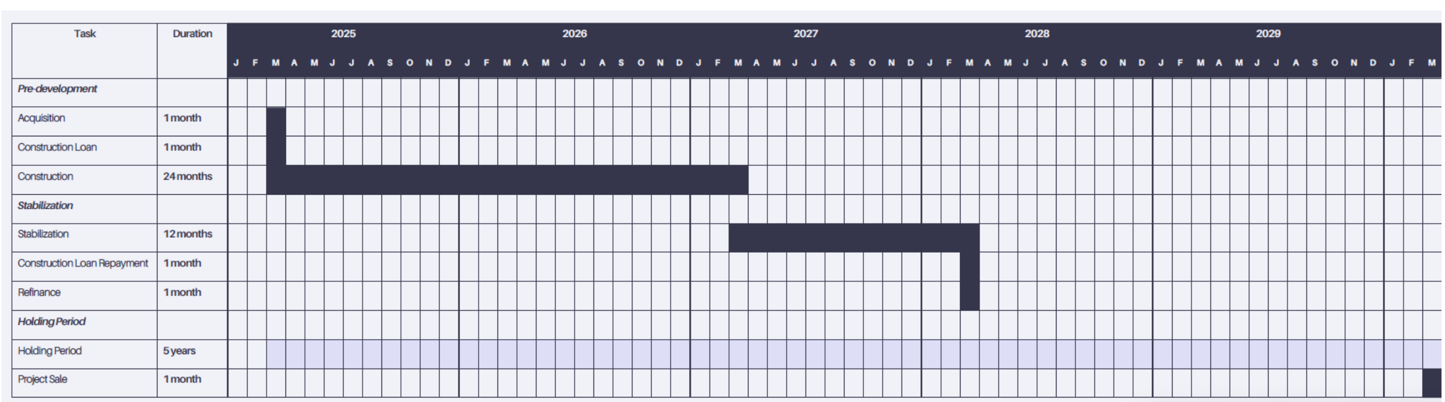
19.21%	1.73	$110 M	5 YEARS
LP IRR	LP Equity Multiple	Total Profit	Holding Period

At stabilization, the Solstice will produce an annual NOI of $ 4.6 M. The total return on development for the project is 21.01%. Over a five-year holding period, the project is valued at $98.5 M.

ACQUISITION

We are targeting the acquisition of the site for $11 million, with a total development cost of $62.3 million to construct a 93,650 GSF mixed-use multifamily property. The project is planned for a 24-month construction period, followed by an additional 12 months to achieve stabilization. Our budget assumes a construction hard cost of $508 per square foot, soft costs of $100 per square foot, a developer fee of 10%, and includes extra allowances for closing, contingency, and financing costs. Based on these assumptions and a five-year holding period with a 5.0% exit cap rate, the project is expected to deliver a levered IRR of 21.01% and an equity multiple of 1.92x at the project level. These financial metrics have the potential to be further enhanced through the strategic use of debt financing.

TIMELINE



ACQUISITIONS ASSUMPTIONS

Acquisition date	3/31/2025
Investment Hold Period	5
Exit Cap Rate	5.00%
Exit Value	$98,477,806.46
Purchase Price	$11,000,000.00
Construction Hard Costs	$47,538,725.00
Project Soft Costs	$9,365,000.00
Total Project Costs	**$67,903,725.00**
Construction Duration (months)	24
Time to Stabilization	12
Cap-Ex Reserve	$250.00
Building Operating Expense (Management)	1.00%

DEVELOPMENT COST

Development Cost	PSF	Total Cost
Site Improvement	$20.00	$380,000.00
Demolition	$10.00	$133,000.00
Pysical Development	$350.00	$32,777,500.00
Soundproofing Cost	$35.00	$3,277,750.00
		$36,568,250.00
GC fees	5.00%	$1,828,412.50
OH&P	10.00%	$3,656,825.00
General Condition	10.00%	$3,656,825.00
Hard Cost Contigency	5.00%	$1,828,412.50
Total Hard Cost		**$47,538,725.00**

Soft Cost	PSF	Total Cost
Design fees	$25.00	$ 2,341,250.00
Legal/Accounting	$5.00	$ 468,250.00
Marketing	$10.00	$ 936,500.00
Property Taxes	$10.00	$ 936,500.00
Utitlites	$10.00	$ 936,500.00
Financing Fees	$25.00	$ 2,341,250.00
Contingency	$15.00	$ 1,404,750.00
Total Soft Cost		**$ 9,365,000.00**

Developer fee	10.00%	$ 5,690,372.50
Total Development Cost		**$62,594,097.50**
PSF		$ 668.38

Physical Development	$350 PSF
Soundproofing Features	$35 PSF
Total Hard Cost	$47.5M/$507 PSF
Total Soft Cost	$9.4M/$100 PSF
Developer Fee	10%
Total Development Cost	$62.6M/$668 PSF

CAPITAL STRUCTURE

The project utilizes a balanced capital structure combining both debt and equity to optimize returns and manage risk. Total project costs are projected at $68.9 million. The initial phase is financed with a $40.7 million construction loan, representing 60% loan-to-cost (LTC), at a fixed 7% interest rate and a three-year, interest-only term. Upon reaching stabilization at month 36, the strategy is to refinance with a permanent loan sized at $62.1 million, based on a 75% loan-to-value ratio and a lower 7% interest rate, which is sufficient to fully repay the construction loan.

The remaining $28.2 million of project costs will be funded through equity, with 90% provided by limited partners (LP) and 10% by the general partner (GP). This structure is designed to maximize investor returns while maintaining financial stability throughout the development and operational phases.

The projected exit value is $98 million, calculated using a 5.0% exit cap rate and a five-year hold period. This approach ensures the project is well-capitalized from acquisition through disposition, aligning with institutional best practices for ground-up development.

Construction Loan	
LTC	60%
Interest Rate	7%
Year Term	3
Origination Fee	1%
Loan Amount	**$40,742,235.00**

Permanent Loan	
LTV at Stabilization	75%
Interest Rate	7%
Year Term	10
Origination Fee	1%
Amortization	30
Refi Month	36

Perm Loan Amount	
Stabilization Month	36
Stabilized NOI	$4,551,770.09
Refi Cap Rate	5.50%
Property Value at Refi	$82,759,456.25
Loan Amount	**$62,069,592.18**

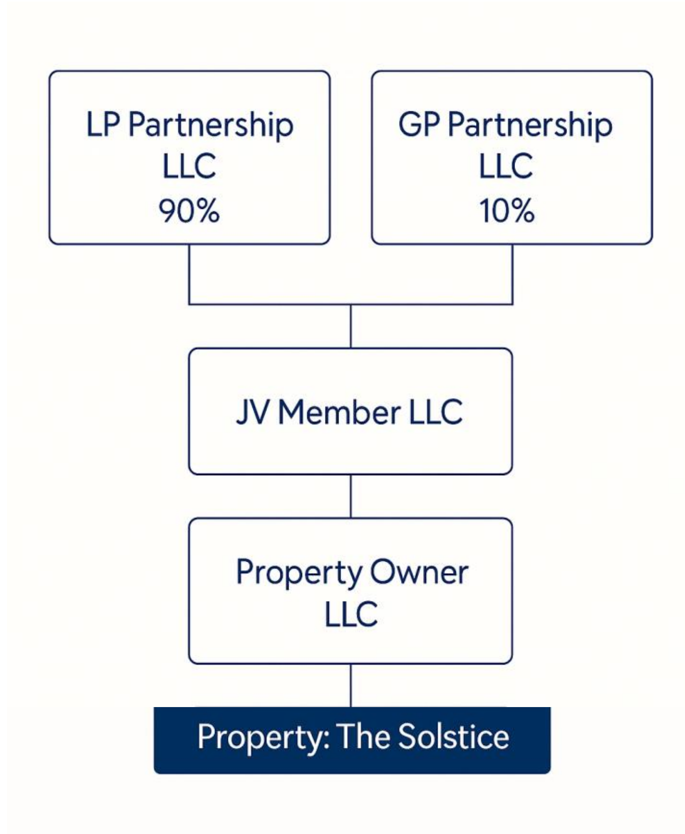
SOURCES AND USES

USES		**SOURCES**	
Purchase price	$11,000,000.00	Construction Loan	$40,742,235.00
Hard Costs	$47,538,725.00	Permanent Loan	$62,069,592.18
Soft Costs	$9,365,000.00	Equity	$28,189,608.27
Loan Cost	$1,028,118.27		
TOTAL USES	**$68,931,843.27**	**TOTAL SOURCES**	**$68,931,843.27**

PARTNERSHIP STRUCTURE

The total development cost of the Solstice is $68.9 million. An initial construction loan will contribute $40.7 million, which accounts for 65% of the total development cost. Leaving $28.2 million to be funded by equity. We are seeking an LP contribution of $25.3 million for a 90% stake in the outstanding equity. The partnership structure is as follows.

Projected cash flows and waterfall modeling indicate LPs will achieve an IRR of approximately 19.21%, with an equity multiple of 1.73x.



Distributions follow a waterfall structure:

	Hurdle	GP	LP	GP Promote	Promote %
Tier I (up to Hurdle I)	8.0%	10.0%	90.0%	0.0%	0.0%
Tier II (from Hurdle I up to Hurdle 2)	12.0%	10.0%	63.0%	27.0%	30.0%
Tier III (Above Hurdle 2)	20.0%	10.0%	54.0%	36.0%	40.0%

	Project Level	*LP*
Levered IRR	21.01%	19.21%
Equity Multiple	1.92x	1.73x

OPERATING PROFORMA

Assumptions

	Residential	*Retail (NNN Lease)*
Stabilized Occupancy	95.00%	98.00%
Rent Growth	4.00%	4.00%
Operating Expenses (as % of revenue)	28.00%	0.00%
Bad Debt Expense	1.00%	1.00%

Unit Type	*# of Market Rate Units*	*Monthly Rent (Market Rate)*
Studio	31	$3,400.00
1 Bed	45	$4,000.00
2 Beds	8	$4,800.00
Total	84	

Unit Type	*# of Affordable Units*	*Monthly Rent (Affordable)*
Studio	7	$2,445.00
1 Bed	12	$2,621.00
2 Beds	2	$3,145.00
Total	21	

Retail	
Yearly Rent PSF	$100
Effective SF	8,335

CAPITALIZATION AND EXIT

$98M
Property Sale Price

5.0%
Exit Cap Rate

5 YEARS
Holding Period

The project will be refinanced to a permanent loan at month 36 to repay the construction loan. Then we will hold until the end of year 5. The property will be sold for $98M and will repay all the loans. The Solstice will then be sold to institutional investors, Real Estate Investment Trusts (REITs), or private equity funds. Targeting buyers are highly active in the stabilized mixed-use sector and are attracted to assets with consistent cash flow, strong fundamentals, and a prime transit-oriented location.

SENSITIVITY ANALYSIS

Exit Cap Rate	Senior Loan Interest Rate				
21.01%	6.00%	6.50%	7.00%	7.50%	8.00%
4.50%	27.36%	27.00%	26.65%	26.28%	25.92%
4.75%	24.57%	24.19%	23.81%	23.42%	23.03%
5.00%	21.83%	21.42%	21.01%	20.60%	20.19%
5.25%	19.12%	18.69%	18.25%	17.81%	17.37%
5.50%	16.44%	15.98%	15.51%	15.03%	14.55%

Construction Cost	Acquisition Price				
21.01%	$8,910,000.00	$9,900,000.00	$11,000,000.00	$12,100,000.00	$13,310,000.00
$43,458,384.00	23.83%	22.58%	21.23%	19.93%	18.54%
$54,322,980.00	23.73%	22.48%	21.13%	19.84%	18.45%
$67,903,725.00	23.59%	22.35%	21.01%	19.72%	18.35%
$81,484,470.00	23.46%	22.23%	20.90%	19.61%	18.24%
$97,781,364.00	23.31%	22.08%	20.75%	19.47%	18.11%

Acquisition Price	Exit Cap				
21.01%	4.50%	4.75%	5%	5.25%	5.50%
$8,910,000.00	29.21%	26.38%	23.61%	20.88%	18.16%
$9,900,000.00	27.97%	25.14%	22.36%	19.62%	16.88%
$11,000,000.00	26.65%	23.81%	21.01%	18.25%	15.51%
$12,100,000.00	25.36%	22.51%	19.71%	16.94%	14.17%
$13,310,000.00	24.00%	21.14%	18.33%	15.54%	12.76%

The sensitivity tables below illustrate how projected returns respond to changes in key deal variables:

- *Returns are highest (up to 27.36%) when both the Exit Cap Rate and Senior Loan Interest Rate are low and decrease to 14.55% as either or both rates increase.*
- *When both Construction Cost and Acquisition Price are low, returns reach up to 23.83%. As these costs rise, returns decline to 18.11%.*
- *Returns are maximized at 29.21% with a low Purchase Price and low Exit Cap Rate, and fall to 12.76% as both variables increase.*

RISK MITIGATION

CONSTRUCTION COST

The project includes 105 units, disqualifying it from the latest 485-x program offering tax benefits for developments under 99 units. Furthermore, the mandated $40 wage floor for construction labor significantly increases costs—by some estimates, buildings with over 100 units face a 15-25% rise in construction expenses under this program.

Tariff uncertainty is making it increasingly difficult to budget for construction. Recent U.S. tariffs have sharply raised the cost of key materials like steel, aluminum, and lumber, with steel prices up 15–25% and lumber over 17% year-over-year. The unpredictability of future tariff changes forces developers to add higher contingencies and makes it challenging to lock in prices, leading to potential delays and budget overruns. Since about 7% of construction materials are imported, these tariffs directly impact project costs, increasing financial risk and complicating planning for multifamily and mixed-use developments.

Mitigation

To ensure robust financial management throughout the project, it is essential to implement a comprehensive contingency budget, ideally set at approximately 9.4% of hard costs. Utilizing Guaranteed Maximum Price (GMP) contracts with experienced builders, combined with a phased procurement strategy, will help lock in prices early and protect against market volatility. In addition, conducting regular budget reviews and applying value engineering principles will further control expenses and optimize overall project costs.

MARKET DEMAND UNCERTAINTY

Our project is one of the few newer developments outside Long Island City, which raises questions about market demand in Sunnyside compared to LIC's established appeal. While Sunnyside offers affordability relative to LIC, there is uncertainty about whether renters or buyers will gravitate toward this location at scale.

Mitigation

Our robust market research and demand analysis would help address this risk. To achieve strong occupancy rates upon project completion, pre-leasing efforts will focus on securing commitments for at least 40% of available space before the building is finished. Offering flexible lease terms and attractive tenant incentives will help draw tenants quickly and encourage early commitments. Additionally, an active marketing campaign, combined with thoughtful tenant mix strategies, will be employed to maintain high occupancy levels and ensure a vibrant, well-balanced tenant community.

CAPITAL MARKETS RISK

A key risk for our development is uncertainty around the exit cap rate at sale. If cap rates rise due to higher interest rates, added supply, or changing investor sentiment, the property's sale price could be materially lower-even with strong operations. Even a small increase in the exit cap rate can significantly reduce sale proceeds and investor returns.

Mitigation

Given current market volatility, it is prudent to underwrite with a higher exit cap rate and regularly stress test scenarios at a higher rate to account for potential market fluctuations to help protect investor capital and project returns. To safeguard against unfavorable market conditions, liquidity reserves will be maintained, and refinancing options will be explored to allow for an extended hold period if necessary. Throughout the investment, the market will be continuously monitored, enabling flexible timing for a potential sale or refinance to maximize returns and mitigate risk.

ALTERNATE EXIT STRATEGY

Hold and Operate: Long-Term Rental Asset

If market conditions are not optimal for a sale, holding and operating the property for a longer term, for example, 10 years, offers investors the advantage of steady, ongoing cash flow. By leasing units, it can generate a reliable monthly rental income that covers mortgage payments, maintenance, and other expenses, often leaving a surplus cash flow as profit. This approach not only provides consistent passive income but also allows you to benefit from property appreciation over time, as real estate values typically rise due to urban development and economic growth. The project can pursue a refinance to return a portion of equity, providing partial liquidity and reducing holding period risk. This would enable investors to realize a substantial return while maintaining ownership for further NOI growth over an extended period. This strategy is especially appealing in stable or growing markets, where rental demand remains strong, and the assets can be held until market conditions improve for a potential sale.

Condo Conversion or Individual Unit Sales

Alternatively, if market conditions and zoning regulations are favorable, converting the property to condominiums and selling units individually can unlock significant value. Condo conversion involves transforming rental units into individually owned condos, allowing each unit to be sold separately. This approach often results in higher aggregate pricing, as condos typically command a premium on a per-square-foot basis compared to rental units. The process requires careful planning, including securing permits, updating property documents, and potentially renovating units to meet buyer expectations. By selling units individually, you can tap into a broader buyer pool-including first-time homeowners, downsizers, and young professionals-maximizing returns and diversifying our revenue streams. Additionally, this strategy offers flexibility. We may choose to sell some units while retaining others for rental income, adapting to shifts in market demand, and optimizing financial outcomes.

CONCLUSION

The Solstice presents a compelling investment opportunity grounded in clear objectives, thoughtful design, and compelling returns. Our primary investment goal is to deliver strong, sustainable returns while contributing meaningful value to the surrounding community. The project stands out for its innovative mix of residential and commercial offerings, a unique blend of private and public open spaces-including landscaped areas and accessible terraces. Located along Queens Boulevard, the project leverages proximity to major transit options, enhancing both accessibility and long-term value for residents and stakeholders.

Our partnership structure brings together experienced development, design, and operational teams, ensuring a collaborative approach that leverages each partner's strengths to maximize project success. This structure is designed to deliver strong returns for LP investors, particularly by capitalizing on the project's transit-oriented location and mixed-use design, which are proven to drive long-term value and sustained demand.

WE INVITE YOU TO JOIN US IN REALIZING THIS VISION.

Thank you for reviewing this proposal. For further discussion or questions, please contact: Ms. Yola Wong, yw4362@columbia.edu