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Market research for proposed Hamilton Point Luxury Apartments.

Landmark Research, Inc.

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MARKET RESEARCH FOR
PROPOSED HAMILTON POINT
LUXURY APARTMENTS

Landmark
Research
Inc.

Landmark
Research
Inc.

James A. Graaskamp, Ph.D., S.R.E.A., C.R.E.

Jean B. Davis, M.S.

October 30, 1984

MEMORANDUM

TO: Tom Klein
Madsen Corporation

FROM: James A. Graaskamp
Jean B. Davis
Landmark Research, Inc.

RE: Market Research for Proposed Hamilton Point
Luxury Apartments

The Madsen Corporation has hypothesized a deluxe six-story apartment building with a two-level parking ramp for a parcel facing Lake Monona, at the foot of South Hamilton and South Henry Streets. Intended as a rental project with construction costs requiring rents in excess of \$0.75 per square foot, the client requested a preliminary survey of rents and competitive alternatives. Landmark Research defined existing housing alternatives for potential tenants as:

1. Remodeled mansion units in the Isthmus featuring architectural bric-a-brac and high ceilinged spaces such as the Van Vleck House.
2. Renovated apartment projects with high rents and professional marketing in the Isthmus such as Nichols Station and Doty School Condominiums.

3. Newly constructed, subsidized renewal projects reaching the upper end of the market such as Capitol Centre and Fauerbach Condominiums.
4. Established apartment projects throughout Madison recognized as high status, luxury units such as Whitcomb Square and the Normandy.

To identify these alternatives, discover the amenities associated with status and higher rent, and profile tenant types, it was necessary to inventory a large number of representative projects as detailed in Exhibits 1 and 2, mapped on Exhibit 3, and generally represented by photographs in Appendix A.

A discussion of rental unit data follows, but a major conclusion of Landmark is that the real competitive alternative for a downtown luxury rental unit is ownership of a \$100,000 single family home or condominium townhouse in the suburbs. Assuming resale prices remain flat, interest rates high, and resale costs exorbitant in the event of relocation or changing preference, the prospect may find renting more cost effective than buying. For those tenants who still need tax shelters, the Madsen Corporation could sell a partnership unit in some project tailored to the size of a \$20,000 to \$40,000 down payment in a home purchase.

EXHIBIT 1

SUMMARY OF
MADISON AREA APARTMENTS

NAME/ADDRESS	YEAR BUILT	NO. STORIES	NO. UNITS	UNIT TYPES BR/BA	RENT/MONTH	UTILITIES HEAT ELEC. WATER	SQUARE FEET	PRICE/ SQ.FT.	VACANCY RATE	AMENITIES	PARKING	LAKE VIEW/ACCESS	TENANT PROFILE	REMARKS
LAKE AND ISTHMUS APARTMENTS														
1 CAPITOL BAY 523 W. Wilson	1970	3	24	14-Eff./1 10-1Br./1	\$237.50-255 \$300-325	T T O	N.A.	---	Low	Sleeve A.C. Some drapes	Surface @ \$25	Some view	Students-under and grad	
2 THE DIPLOMAT 507 W. Wilson	1972	7 Elevator	49	7-Eff./1 28-1Br./1 14-2Br./1	\$280 \$345-375 \$500	T T O	400 650 860	0.70 0.53 0.58	Low	Sleeve A.C. Dishwasher Drapes	Surface @ \$25	Some view	Grad students Younger professionals working downtown	Some have been here entire 12 years
3 SHORECREST 139 W. Wilson	1962	5 Elevator	26	26-1Br./1	\$325-375	O T O	N.A.	---	Low	Sleeve A.C.	4 surface @ \$30	Some view	Mostly professionals (State, county, city workers) A few retired & students	First floor is office, storage, laundry. Second floor is office & 2 apts. Also there is a bomb shelter.
4 TOWNHOUSE 111 W. Wilson	1956	8 Elevator	60	28-Eff./1 24-1Br./1 8-2Br./1	\$225 \$325-350 \$500	O T O	450 800 1200	0.50 0.41 0.44 0.40	Low	Sleeve A.C.	Surface @ \$10 Underground @ \$20	Some view	Mostly working, some retired	
5 BELLEVUE 29 E. Wilson	1910	5 Elevator	36	36-1Br./1	\$340-380	O T O	650	0.52 0.58	Low	Fireplace	16 surface @ \$35	8 apts-view	Varies from grad student to retired who have lived here a long time	Sunporches in all
6 SHORECREST EAST 1029 Spaight	1964	2-3	26	25-2Br./1.5	\$435 \$450 \$465	T T O	1030	0.42 0.44 0.45	Low	Central A.C. Dishwasher	Surface A few carports	View/access	Variety: retired, working, younger, professional	Near public beach; land slopes to lake; units closer to lake pay more; more residential area
7 1115 Rutledge	1914	2	4	4-1Br./1	\$600	O O O	>1000	0.60	1 vacant	Dishwasher Fireplace	On the street, no problem	View/access		Owner wants to rent his unit, moving out of town; has refinished all oak floors; large porch across the first floor, which is towards the lake
8 1219 Rutledge	1964	2	5	4-2Br./1 1-3Br./1(furn.)	\$525	O T O	1200	0.44	2 vacant	2 sleeve A.C. Dishwasher Free laundry Fireplace	Surface	View/access	Two retired, one widow present; will rent a 3b.r.-furn. to 3 grad students	

NAME/ADDRESS	YEAR BUILT	NO. STORIES	NO. UNITS	UNIT TYPES BR/BA	RENT/MONTH	UTILITIES HEAT ELEC. WATER	SQUARE FEET	PRICE/ SQ. FT.	VACANCY RATE	AMENITIES	PARKING	LAKE VIEW/ACCESS	TENANT PROFILE	REMARKS
LAKE AND ISTHMUS APARTMENTS														
9 LAKESHORE APTS. 122 E. Gilman	1952	6 Elevator	53	1-Eff./1 46-1Br./1 5-2Br./1 1-3Br./3	\$270 \$340-395 \$530 \$915	O O O	N.A. 525 700-800 3000	0.65 0.75 0.66 0.76 0.31	Waiting list	Dishwasher in 2,3-Br.	34 surface @ \$25	Some view	Half are grad students; half are professional; only 4-5 undergrad	Manager lives in 3-Br., but this is not part of compensation
10 VAN VLECK HOUSE 519 N. Pinckney	1905 Renovation in 1984	3	5	1-1Br.+den/1 1-1Br./1 1-2Br./2 1-2or3Br./1.5 1-2Br.+den/1.5	\$750 \$790 \$970 \$970 \$1300	T T T	1155 1056 1417 1550 1868	0.65 0.75 0.69 0.66 0.70	Under construction	Central A.C. Fireplace Dishwasher	8 surface, Potential for garage	Partial view; easement to lake	Owner feels all are coming from outside Isthmus area because of diversity of the downtown area (culture, U.W., employment, and shopping)	Renovation of 80 yr. old house; ITC credits for buyer; selling from \$99,000-149,000; keeping "old" elegant and romantic dynamics
11 424 N. Pinckney	1900	3	9	-2Br./1	\$485	O O O	N.A.	—		Sleeve A.C.	None	None	Professional	
12 AMBASSADOR 522 N. Pinckney	1934	5 Elevator	45	34-Eff./1 11-1Br./1	\$270 \$330	O O O	400 500	0.68 0.66	Waiting list	Drapes	None	3rd & up have view; public access at end of street	Grad students and professionals	
13 1 East Gilman	1937	4	26	17-Eff./1 6-1Br./1 3-2Br./1	\$210-295 \$315-325 \$320,380,420	O O O	N.A.	—	2 vacant (arscn)		None	None	Long term residents, older in age who want to live downtown; only 4-5 students	Owner is older and knows it needs updating; but has no plans to do so
14 NICHOLS STATION Johnson/Gorham	1984 (renab)	2-3	34	Variety 20 floor plans Ex.: 1Br./1+ loft	\$450-845 \$775	T T O	460-1400 1072	9 rented Aug. 1984 0.72		Central A.C. Heat pumps each unit Dishwasher Some fireplaces Some blinds	Surface Underground in 2nd phase	Some view	Variety: older retired, younger	Will be completed Oct. 84; some have private entries; exterior unappealing See Exhibit 2 for details of unit type and rents
15 Two Langdon St.	1900-1984	3-5	36	N/A-flats N/A-lofts 14-2Br./2	\$360-380 \$335-390 \$450-575	T T O	375-750 395-500 N.A. (smaller are more)	0.54-0.80 0.78-0.94	2 vacant	Blinds Some fireplaces	None	Some view/ all access	Some working, upper classmen, grad students	

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LAKE AND ISTHMUS APARTMENTS														
16 10 Langdon St.	Renovated		14	14-1Br./1 Ex.: 1Br./1 (loft)	\$320-450 \$420		650	0.65-.87 0.65		3 fireplaces 1 spiral stairs Sauna, jacuzzi	None	Some view	40% grad or workers, 60% undergrad	Former tenant described this as cozy & unique; would have considered purchasing if available, bought house near Canal Place.
17 CAPITOL CENTRE	1981		150	85-1Br./1 29-1Br./1 plus den 20-2Br./1 16-2Br./1 (T.H.)	\$355-390 \$430-465 \$465-515 \$525	T T O	506-550 725-728 834-905 1100	0.68-.70 0.59-.62 0.54-.57 0.48	1 vacant	Sleeve A.C. Dishwashers Blinds	Underground @ \$35	None	35% students, 10% elderly, 3% independent, 52% "yuppies"	
18 MONONA SHORES 1513 Simpson	1966		295	N/A-1Br./1 N/A-2Br./1 N/A-3Br./1 N/A-3Br./1.5	\$290-309 \$304-306 \$350 \$460(T.H.)	T T O	650-800 900+	0.42 0.33	None	1-sleeve A.C. 1-Br. 2-sleeve A.C. or central 2-Br. T.H.-fireplace	Surface 1-Br. Carport 243-Br. Garage for T.H.	Townhouse only-view/ all access	Mostly 20-30 yrs. old; some bldgs. reserved for families	
19 MONONA LAKEVIEW 3803 Monona Dr.	1962	3	206	N/A-1Br./1 N/A-2Br./1 N/A-2Br./2	\$350 \$425 \$495	O T O	650 1000 1000	0.54 0.43 0.50	Low	Sleeve A.C.	Surface Underground @ \$25	only 12-view/Majority are retired; like the convenience of area; lake does not seem important		Advertised as "quiet secure adult living"
20 RIVERWOOD APTS. 6431 Bridge Rd.	1969	2-3	66	N/A-1Br./1 N/A-2Br./1 N/A-2Br./2	\$350-370 \$390 \$480	O T O	675-750 864 1136	0.49 0.52 0.45 0.42	N.A.	Sleeve A.C. Dishwasher Drapes	Surface	None/ dock access	Variety of tenants; 2 bldgs. reserved for families	Well-maintained
21 CAMELOT I, II 1614 Fordem	1978	3 Elevator	406	N/A-1Br./1 N/A-1Br./1.5, 2 N/A-3Br./2 N/A-Eff./1	\$335-385 \$400-435 \$495-515 \$295-305	T T O	525-739 863-968 1215 420	0.52-.64 0.44-.46 0.42 0.71	Low	Sleeve A.C. Dishwasher Laundry in each unit	Surface Underground @ \$25	None	Half are elderly; some students	
22 CAMELOT TOWERS Fordem Ave.	1982	8 Elevator	104	1-1Br./1 99-2Br./1.5 4-3Br./1.75	office \$425-470 \$875	T T O	800-850	0.53-.55	15% down 5% from June	Sleeve A.C. Dishwasher Blinds Laundry in some units	Surface Underground @ \$25	Some view	Cross-section of people	

NAME/ADDRESS	YEAR BUILT	NO. STORIES	NO. UNITS	UNIT TYPES BR/BA	RENT/MONTH	UTILITIES HEAT ELEC. WATER	SQUARE FEET	PRICE/ SQ.-FT.	VACANCY RATE	AMENITIES	PARKING	LAKE VIEW/ACCESS	TENANT PROFILE	REMARKS
CONDOMINIUMS														
21 2801 Century Harbor Condominium	1974	2		N/A-1Br./1	\$475	T T	970	0.49		Central A.C. Dishwasher Laundry in unit Drapes	Underground	None/ all access	Rent started at \$545 and was lowered	Includes association dues
24 MARBELLA Mineral Point Rd.	1976	2		N/A-1Br./1N	\$450	T T O	940	0.48		Sleeve A.C. Dishwasher Drapes	Garage	None	Some older, some young business	Includes association dues
25 DUNSWANE University Ave.	1982 renovation	3-4 Elevator	24	N/A-2Br./1 N/A-1Br./1 + den	\$625-650 \$625	T T O	1000-1100 1000	0.59-.63 0.63	3 vacant	Central A.C. Dishwasher Laundry in each Fireplace	Underground Garage	None	Professors, professional couples, medical students, single parent	Owner is paying utilities for winter months this year; 16 units are rented, the rest owned; includes association dues
26 EPERWAY Old Sauk/Garmon	1977	2		N/A-2Br./1	\$420	T T O	1100	0.38		Dishwasher	Garage	None	Young professionals (dentist, sales rep) Peaceful, oak trees	
27 TAMARACK 7333 Tree Lane	1981	2		N/A-2Br./2	\$650	T T T	1560	0.42		Central A.C. Dishwasher Fireplace	Garage-single	None		Owner moved out of city; option to purchase possible; association dues included

NAME/ADDRESS	YEAR BUILT	NO. STORIES	NO. UNITS	UNIT TYPES BR/BA	RENT/MONTH	UTILITIES HEAT ELEC. WATER	SQUARE FEET	PRICE/SQ.-FT.	VACANCY RATE	AMENITIES	PARKING	LAKE VIEW/ACCESS	TENANT PROFILE	REMARKS
OUTLYING MADISON AREA APARTMENTS														
28 NORMANDY APTS. 4715 Sheboygan	1969	3 Elevator		N/A-Eff./1 N/A-1Br./1 N/A-2Br./1 N/A-2Br./2	\$296-343 \$397-430 \$464-516 \$530-725	O T O	406-627 675-980 899-1050 1036-1500	0.55-.73 0.44-.58 0.49-.52 0.48-.51	None	Sleeve A.C. Dishwasher Drapes	Surface Underground @ \$25	None	Young professionals; a few grad students; elderly	Attractive, nicely landscaped, near Hilldale S.C.
29 HILDALE TOWERS 4817 Sheboygan	1964	8 Elevator	160	128-1Br./1 32-2Br./1	\$355-360 \$414-420	O T O	N.A.	—	Low	Central A.C. Drapes	Surface Underground @ \$20	Some view Higher rent	Half professionals; 25% retirees; 25% grad students	
30 CAROLINAS 4849 Sheboygan	1968	3 Elevator	286	166-1Br./1 122-2Br./1	\$387-395 \$452-469	O T O	621 864	0.63 0.53	Low	Sleeve A.C. Dishwasher Drapes	Surface Underground @ \$25	None	30% elderly; young professionals (nurses, teachers)	
31 YORKTOWN APTS. Mineral Point Rd.	1978	2		N/A-2Br./1.5 N/A-2Br./1.75	\$540	T T O	980-1080	0.50-.55	Low	Sleeve A.C. Dishwasher Laundry in each Some fireplaces	Garage some double	None	Variety of residents, young, old	Some have built-in china cabinets or bookshelves; some have fireplaces; colonial style with crown moldings, panel doors
32 YORKTOWN TOWNHOUSES Mineral Point Rd.	1979	2		N/A-2Br./1.75	\$585	T T T	N.A.	—		Central A.C. Dishwasher Hookup for laundry Fireplace	Garage	None	More family oriented	
33 HIGH POINT COMMONS	1984	2	32	32-2Br./1	\$425-540	T T O	960-980	0.44-.56	New	Sleeve A.C. Dishwasher Some fireplaces	Underground	None	Young professionals; older couple moving from s.f.homes; few work downtown	Like newness, good for entertaining, westside location; beltline access. Unit rents vary by size of garage, up or down, presence
34 HIGH POINT MEADOWS 601 High Point Rd.	1984	2	78	N/A-1Br./1 N/A-2Br./1 N/A-2Br./1.75	\$395 \$455-465 \$455-540	T T O	630-732 900 852-966	0.54-.63 0.51-.52 0.50-.53	New	Sleeve A.C. Dishwasher Laundry in each Blinds	Surface	None	More families than High Point Meadows Apts., cars having various state licenses	
35 WHITCOMB SQUARE 4901-11 Whitcomb Dr. 4914 Whitcomb Dr.	1970	2	16 10	16-2Br./2 8-2Br./2 2-2Br./2 plus den	\$410-495 \$640 \$900	O T O	>1000 >1000 1900	0.41-.50 0.64 0.47	Waiting List	Sleeve A.C. Dishwasher	Underground 2/unit Surface	None	Majority are retired, many widows	Owner has gone to 2 yr. leases
36 6 Whitcomb Circle	1970	2	16	16-2Br./2	\$575-640	O T O	>1000	0.58-.64	Waiting List	Sleeve A.C. Dishwasher Laundry in each	Underground Surface	None	Majority are retired, many widows	Owner has gone to 2 yr. leases
37 PARK RIDGE Garmon Rd.	1982-84	2	66	66-2Br./1.5	\$495-540	T T T	2nd-1250 Mid-1050	0.47-.51	A few	Central A.C. Dishwasher Hookup in each Fireplace	Single-older Double-newer	None	Young couples, 1 child, singles, 28-40 yrs. old	40 have sold as condos; agreement between developer and rental management; if developer sells his portion, may then start selling rental units
38 ELIZABETH MANOR 2051 Allen Blvd.	1960	4 Elevator	28	28-1Br./1	Starts at \$310	O T O	990	0.31	Waiting list	Sleeve A.C. Dishwasher	30 garages Surface	Half-view	Older, retired, professional	Owner knows rents are low, but believes it a trade-off for no vacancies; has no mtg. on bldg.; Small turnover of tenants-like the security, quietness, garages, and good maintenance

SUMMARY OF NICHOLS STATION APARTMENTS
AS OF SEPTEMBER 15, 1984

DESCRIPTION	AMENITIES	SIZE /SF	RENT	RENT/SF	ABSORPTION
ONE BR	CAPITOL SIDE	807.00	\$525.00	0.65	
ONE BR	CATHEDRAL CEILINGS	790.00	\$515.00	0.65	RENTED
ONE BR	CAPITOL SIDE	725.00	\$510.00	0.70	
ONE BR	CAPITOL SIDE-CORNER	682.00	\$515.00	0.76	
ONE BR	INNER COURTYARD	660.00	\$545.00	0.83	
ONE BR	LAKEFRONT-F/P-CORNER	690.00	\$620.00	0.90	RENTED
ONE BR	LAKEFRONT-F/P-CORNER	659.00	\$610.00	0.93	RENTED
ONE BR	LAKEFRONT	452.00	\$450.00	1.00	
ONE BR	LAKEFRONT	452.00	\$450.00	1.00	
ONE BR & DEN	TWO FLOORS-COURTYARD	1025.00	\$625.00	0.61	
ONE BR & DEN	TWO FLOORS-COURTYARD	981.00	\$615.00	0.63	
ONE BR & DEN	TWO FLOORS-COURTYARD	812.00	\$595.00	0.73	
ONE BR & DEN	TWO FLOORS-COURTYARD	812.00	\$595.00	0.73	
ONE BR & DEN	INNER COURTYARD	768.00	\$595.00	0.77	
ONE BR & LOFT	THREE FLOORS-F/P-CAPITOL SIDE	1216.00	\$715.00	0.59	
ONE BR & LOFT	THREE FLOORS-F/P-CAPITOL SIDE	1152.00	\$695.00	0.60	
ONE BR & LOFT	THREE FLOORS-CAPITOL SIDE	1072.00	\$675.00	0.63	
ONE BR & LOFT	THREE FLOORS-F/P-OFFICE	964.00	\$645.00	0.67	RENTED
ONE BR & LOFT	THREE FLOORS-F/P	964.00	\$645.00	0.67	
ONE BR & LOFT	THREE FLOORS-F/P-LAKEFRONT	1152.00	\$795.00	0.69	
ONE BR & LOFT	THREE FLOORS-LAKEFRONT-CORNER	1072.00	\$775.00	0.72	RENTED
ONE BR & PENTHOUSE	LAKE & CAPITOL VIEW-F/P	703.00	\$558.00	0.79	
ONE BR & PENTHOUSE	LAKE & CAPITOL VIEW-F/P	703.00	\$558.00	0.79	
ONE BR & PENTHOUSE	LAKE & CAPITOL VIEW-F/P	703.00	\$558.00	0.79	
ONE BR & PENTHOUSE	LAKE & CAPITOL VIEW-F/P	703.00	\$558.00	0.79	
ONE BR & PENTHOUSE	LAKE & CAPITOL VIEW-F/P	703.00	\$575.00	0.82	RENTED
ONE BR & PENTHOUSE	LAKE & CAPITOL VIEW-F/P	703.00	\$575.00	0.82	
TWO BR	THREE FLOORS-F/P-LAKEFRONT-BALCONY	1409.00	\$845.00	0.60	
TWO BR	CATHEDRAL CEILINGS	970.00	\$600.00	0.62	RENTED
TWO BR	THREE FLOORS-F/P-LAKEFRONT	1216.00	\$815.00	0.67	
TWO BR	THREE FLOORS-F/P-LAKEFRONT	1020.00	\$785.00	0.77	
TWO BR	THREE FLOORS-F/P-LAKEFRONT	1020.00	\$785.00	0.77	
TWO BR	LAKEFRONT	737.00	\$695.00	0.94	
TWO BR & SUNDECK	LAKEFRONT	873.00	\$815.00	0.93	

Sutcliffe Research, Inc.

EXHIBIT 2

MAP SHOWING MADISON AREA APARTMENT LOCATIONS

DOWNTOWN MADISON STREET DIRECTORY

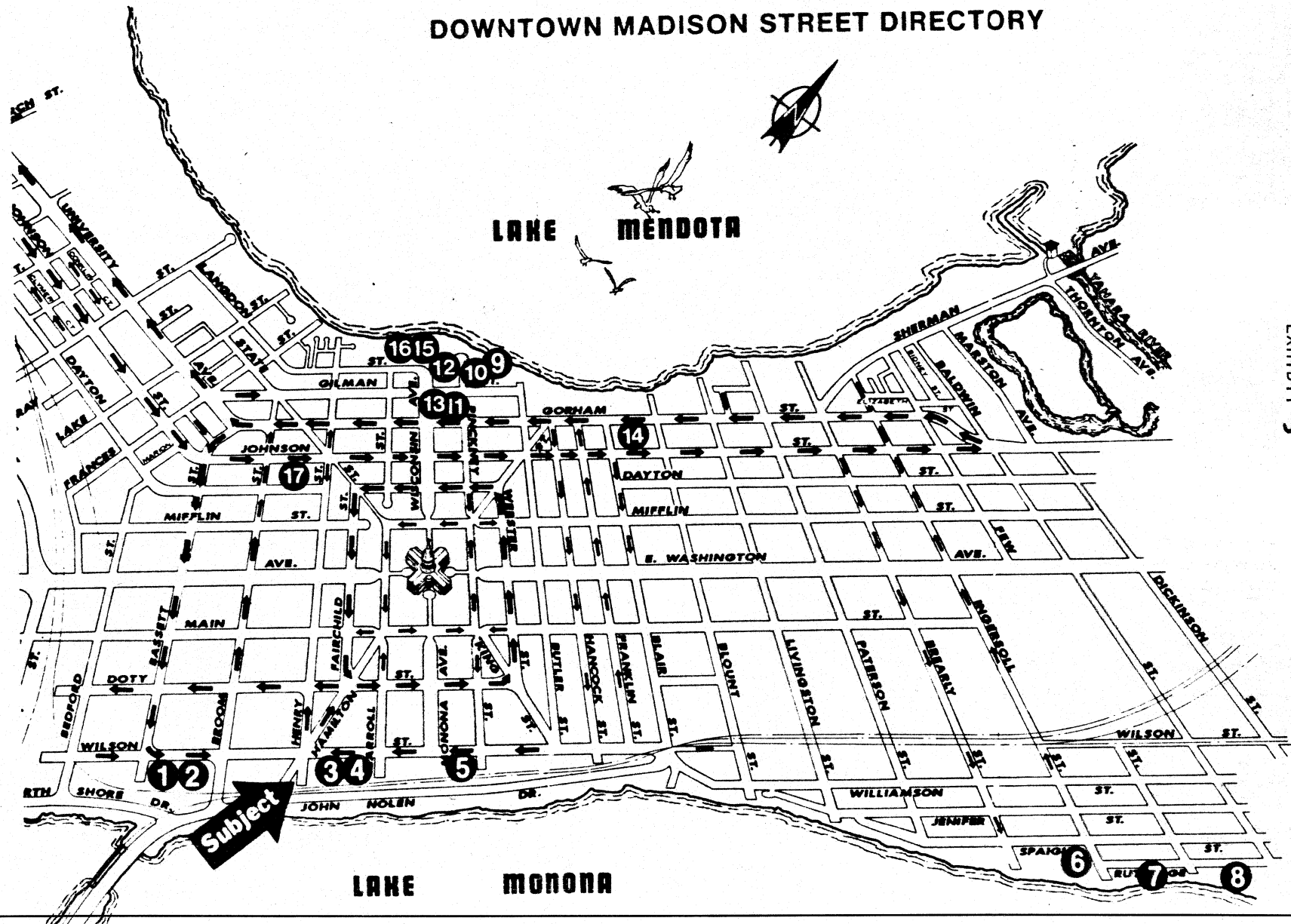


EXHIBIT 3

Stadman Research, Inc.



ISTHMUS/LAKE AREA APARTMENTS

Analysis of the one-bedroom and two-bedroom unit rentals in the Isthmus/lake area suggests that the more luxury-type units in the upper end rental are located in Nichols Station and the Van Vleck House.

Nichols Station, which houses 34 units in a recently renovated building, is being promoted as having elegant, stylish, special apartments in the heart of the city. Nine of the apartments are one-bedroom units; rents range from \$0.65 to \$1.00 per square foot per month with the smaller units renting at the higher price per square foot. (The range of unit sizes and rents are shown in Exhibit 2.) Since marketing began in July, at least three of the one-bedroom units have been rented. Two of these apartments are the most expensive at \$0.90 and \$0.93 per square foot per month. All three of these rented units have at least one special feature such as cathedral ceiling, corner location, or fireplace.

Nichols Station is also offering a variety of combinations in the two-bedroom category. These include one-bedroom plus den, one-bedroom plus loft, one-bedroom with a penthouse, and two-bedroom units. Rent per month ranges from \$0.60 per square foot per month for a 1,409 square foot unit to \$0.94 per square foot per month for a 737 square foot unit. Amenities such as a fireplace, lakefront view, and/or corner location play a part

in the rental price determination. At least four are now rented. Only surface parking is offered at this time. Thirty additional units are being planned which will include underground parking.

The renovated Van Vleck House is a turn-of-the-century mansion recently divided into five units. These are presently being marketed as either rental or sale units. By preserving as much of the old architecture, such as the fireplaces and detailed woodwork, and adding new bathrooms and kitchens, this renovation promotes the image of nostalgic elegance. Each unit is unique and has eye appeal--stained glass windows, antique fireplaces, and oak moldings and trims. The one-bedroom unit has a proposed 1985 rent of \$0.52 per square foot per month that jumps to \$0.75 per square foot per month in 1986. Four two-bedroom units that vary according to number of baths and presence of a den have proposed 1985 rents of \$0.44 to \$0.49 per square foot per month and are expected to increase in 1986 to \$0.65 and \$0.70 per square foot per month. Surface parking is available for all units.

One-bedroom units at Lakeshore Apartments, Ten Langdon, Two Langdon, Ambassador Apartments, and Capitol Centre rent from \$0.54 to \$0.94 per square foot per month. Two-bedroom units at Capitol Centre rent at \$0.48 to \$0.57 per square foot per month. With the exception of Capitol Centre, these are located

towards Lake Mendota in the Mansion Hill District, which is the more prestigious side of the Isthmus area. Lakeshore Apartments is located off Gilman Street on Lake Mendota. It offers lake access and convenience to Langdon Street and fraternity row. A waiting list exists; about one-half of its tenants are graduate students. Both Ten and Two Langdon also draw heavily from the student population. Ease of access to the University of Wisconsin campus is a positive factor in their attraction to tenants. The units are basically commanding higher rents because of this campus linkage, not because they are particularly luxurious in any of their amenities.

The one-bedroom apartment units located on the Lake Monona side of the Capitol Square do not command as high a monthly rent per square foot as those on the Lake Mendota side. Although the monthly rents are comparable for both sides of the Isthmus, the units located near Lake Monona are slightly larger.

The Townhouse, an older eight-story attractive apartment building, which offers a view of Lake Monona similar to that of Hamilton Point's, has 24 one-bedroom units that rent at a low level of approximately \$0.42 per square foot per month. The highest rent near Lake Monona, excluding efficiency-type units, is \$0.60 per square foot per month and is located at 1115 Rutledge Street. This larger unit of approximately 1,000 square

feet is the first floor of an older, subdivided house that has retained the charm of its architecture (a library, a fireplace, and veranda across the lake side of the house). Furthermore, the unit has been upgraded and maintained better than other units because it was formerly occupied by its owner who had remodeled the kitchen and refinished much of the interior.

Shorecrest East, a project with 25 two-bedroom units, offers both a view of and access to Lake Monona, and is located in a residential area. This project has a low rental of \$0.42 per square foot per month.

The analysis of more high-style luxury units would exclude those projects located on the eastern side of Lake Monona, such as Monona Shores, Monona Lakeview, and Riverwood Apartments, for several reasons. Monona Shores and Riverwood, adjacent to each other, are large complexes located near the busy South Beltline Highway and have little relationship to Lake Monona. While all Monona Shore residents have lake access, only the townhouse units are located close enough to the lake to fit this category and only one townhouse has a partial view of the lake. The entire complex appears in need of exterior maintenance and thereby negates a luxury image. Monona Lakeview caters to an older, retired market, and the manager reports that the lake does not seem to be an important factor to the

selection of these units by tenants. Only a few of these units have a lake view.

CONDOMINIUMS

Though few in number, condominiums for rent are an alternative for someone looking for luxury-type living. The condominium units summarized in Exhibit 1 were found in the classified section of the newspaper. The units are most frequently offered by individual owners who need only to be able to cover their costs of a mortgage payment, real estate taxes, monthly maintenance charges, and insurance. Some owners are also offering an option to purchase. The rents per square foot per month are low at \$0.38 to \$0.49. The exception to this is the Dunsinane project with rents reaching higher levels of \$0.59 to \$0.63 per square foot per month. This project is now two-thirds owned by an investor. Clearly, all of these condominiums offer the amenities associated with a more luxury-type unit, although Century Harbor is the only one with lake access.

OUTLYING MADISON AREA APARTMENTS

Upper-end rental units are generally found on the west side of Madison. Several are clustered west of the Hilldale Shopping Center. Although there is not much variance between projects, the Normandy Apartments probably have the edge as the most

luxurious. Several Normandy residents have purchased condominiums across the street at the new Coventry project. A similar image of luxury is held by the Yorktown I and II Apartments which are located towards the West Towne area. All of the outlying projects have rental rates for one-bedroom units at \$0.44 to \$0.63 per square foot per month and \$0.48 to \$0.55 per square foot per month for a two-bedroom unit. Both the Normandy and Yorktown Apartments are attractively landscaped and have underground parking. Interiors of Yorktown apartments offer a colonial theme and have either a fireplace or built-in china cabinet.

The Whitcomb Drive area commands some of the highest rental rates for units in outlying areas (\$410 to \$900 per month), but also offers large scale units, with some as large as 1,900 square feet. The rent range is from \$0.47 to \$0.64 per square foot per month, which is similar to other projects in this area. The two-story red brick exterior with mansard style roof, underground parking, and well landscaped grounds promotes a solid, secure, and pleasant atmosphere that attracts mostly retirees who have the necessary income to live there. There is low turnover of these tenants, a waiting list exists, and two-year leases are required.

High Point Commons and High Point Meadows are new projects, each with a high-end rent of \$0.50 to \$0.56 per square foot

per month. Located west of West Towne and near the Beltline Highway, these are part of a fast growing commercial and office area. Their attraction is easy Beltline Highway access and newness with a sprinkling of extra features such as fireplaces, french doors, cathedral ceilings, and large windows. They are being marketed with large ads in the newspapers and with daily open houses of furnished models. They are very visible to newcomers in the Madison area as evidenced by at least six different state car licenses in the parking lot.

CONCLUSION

A question to be asked is whether or not a 1,200 to 1,500 square foot apartment with elegant appointments and a lake view located downtown can compete with the myth that ownership is better than renting. The actual costs of ownership must be compared to the cost to rent. Exhibit 4 details the monthly costs per square foot that recent purchasers of luxury condominiums can expect to pay.

The sale prices of the representative units assume a 20 percent down payment and a conventional fixed 30-year mortgage with an interest rate currently at 14.25 percent. While the purchaser could select an Adjustable Rate Mortgage (ARM), which has been a more popular choice recently, the initial interest rate has now risen to 12.5 percent and can increase at one percent per year for at least five years. This could make it

EXHIBIT 4

COST OF OWNERSHIP

	<u>SHACKLETON SQUARE</u>		<u>COVENTRY</u>	<u>TAMARACK TRAILS</u>	<u>DOTY SCHOOL</u>		<u>COVE</u>	<u>FAUERBACH</u>
	NEW (ASKING)	NEW (SOLD)	NEW (SOLD)	NEW (SOLD)	NEW (SOLD)	NEW (SOLD)	17 YRS OLD (SOLD)	3 YRS OLD (ASKING)
SQUARE FEET	1,578	1,656	1,405	1,500	983	1,286	1,280	1,150
PRICE	\$131,000	\$150,000	\$142,500	\$108,000	\$ 86,000	\$ 92,500	\$ 92,500	\$ 95,500
LESS: 20% DOWN PAYMENT	<u>26,200</u>	<u>30,000</u>	<u>28,500</u>	<u>21,600</u>	<u>17,200</u>	<u>18,500</u>	<u>18,500</u>	<u>19,100</u>
MORTGAGE AMOUNT	<u>\$104,800</u>	<u>\$120,000</u>	<u>\$114,000</u>	<u>\$ 86,400</u>	<u>\$ 68,800</u>	<u>\$ 74,000</u>	<u>\$ 74,000</u>	<u>\$ 76,400</u>
PAYMENT/MONTH (14.25% interest, 30-year)	\$ 1,263	\$ 1,446	\$ 1,373	\$ 1,041	\$ 829	\$ 891	\$ 891	\$ 920
ASSOCIATION DUES/MONTH	80	80	129	89	72	94	165	112
TAXES/MONTH (2.5%)	274	313	297	225	179	193	193	199
INSURANCE/MONTH (0.05%)	<u>55</u>	<u>63</u>	<u>56</u>	<u>45</u>	<u>36</u>	<u>39</u>	<u>39</u>	<u>40</u>
TOTAL MONTHLY EXPENSES	<u>\$ 1,672</u>	<u>\$ 1,902</u>	<u>\$ 1,855</u>	<u>\$ 1,400</u>	<u>\$ 1,116</u>	<u>\$ 1,217</u>	<u>\$ 1,288</u>	<u>\$ 1,271</u>
EXPENSES/SQUARE FOOT/MONTH	\$ 1.06	\$ 1.15	\$ 1.32	\$ 0.93	\$ 1.14	\$ 0.95	\$ 1.01	\$ 1.11
TAX SHELTER @ 35% BRACKET BENEFITS FROM:								
INTEREST PAYMENTS	\$ 435	\$ 498	\$ 474	\$ 359	\$ 286	\$ 307	\$ 307	\$ 316
REAL ESTATE TAXES	96	109	104	79	63	68	68	70
LESS: LOSS OF OPPORTUNITY FOR INVESTMENT @ 10% RATE (20% DOWN PAYMENT AND 1.5% ORIGINATION FEE) MINUS 35% AS TAXED INCOME	<u>(150)</u>	<u>(172)</u>	<u>(164)</u>	<u>(124)</u>	<u>(99)</u>	<u>(106)</u>	<u>(106)</u>	<u>(109)</u>
TOTAL MONTHLY SAVINGS	\$ 381	\$ 435	\$ 414	\$ 314	\$ 250	\$ 269	\$ 269	\$ 277
SAVINGS/SQUARE FOOT/MONTH	\$ 0.24	\$ 0.26	\$ 0.29	\$ 0.21	\$ 0.25	\$ 0.21	\$ 0.21	\$ 0.24
TOTAL COST/SQUARE FOOT/ MONTH	<u>\$ 0.82</u>	<u>\$ 0.89</u>	<u>\$ 1.03</u>	<u>\$ 0.72</u>	<u>\$ 0.89</u>	<u>\$ 0.74</u>	<u>\$ 0.80</u>	<u>\$ 0.87</u>

more expensive overall than a conventional mortgage. Adding in all the costs of insurance, real estate property taxes, and monthly association dues gives a monthly base cost per square foot ranging from \$0.89 to \$1.32 per square foot. Benefits for ownership are tax shelter, calculated for a 35 percent bracket, principal amortization, and appreciation that has been almost flat in the past few years or at a low level of only 1 or 2 percent. Most likely, any appreciation would be negated at sale time by the payment of the real estate commission.

The loss of opportunity to invest the down payment is held to 10 percent less taxes. After realizing benefits and losses, a realistic picture of actual costs emerges. The range is from a low of \$0.72 per square foot per month at Tamarack Trails to a high of \$1.03 per square foot per month at the Coventry Condominium project. Most others fall into the \$0.80 to \$0.90 per square foot per month range. It can be seen that the cost to own would be very close to the cost to rent at Hamilton Point.

What is the competitive edge that Hamilton Point can offer to lead someone to a three-year lease instead of buying a condominium? Consider:

1. Distinct location offering both a Lake Monona view and easy downtown linkages
2. Ease of liquidity; condominium investment is recovered only at time of sale
3. Potential for creation of tax shelter for tenant by some form of partnership

OTHER OBSERVATIONS RELATIVE TO DESIGN

Elegance in design could offer status not now available to those who would find it desirable to be in the Isthmus area and also compete well with projects in other areas. Elegance in design can be communicated through several forms:

A. Exterior

The approach to Hamilton Point could pick up the design elements of Stoner House. Since Hamilton Point will serve as a backdrop to Stoner House, it would be desirable to pick up a hint of roof pitch, metal roofing, and sandstone. Some walls on the parking lot of Hamilton Point could use the old sandstone walls of the Daughters of the Grand Republic Building that was disassembled and allowed to deteriorate in a field near Madison. The entry lobby could utilize architectural artifacts from that building or a double mansion door or similar element to provide a visual tie at eye level to the historical neighborhood. A more staggered and angled facade might give more units a partial view of the lake or cross ventilation. Criticism has been made of the Fauerbach Condominiums of turning their back to the neighborhood. Most people who have driven past the Nichols Station project have had a negative initial impression because of the exterior building appearance.

B. Floor Layout

Cross ventilation in a small unit is very much desired in the market as is a bay window with seat cushion or marble window sill for plants, according to Randy Alexander, renovator of Van Vleck House. The smallest units could be pulled forward to give each one a corner window or bay window which picks up some of the traditional Italianate or Victorian style of nearby buildings like Stoner House. Perhaps the entire width of the window wall could be in the form of a bay window to break the squareness of the space and the flat outside wall.

One- and two-bedroom apartments should have a spacious foyer of irregular shape. Many Chicago luxury apartments take advantage of deep bay sizes and cheap interior building space with a gallery type hall and a dogleg into the living room. Bookshelves, popular in Madison, with painting display above would be featured in the gallery. Randy Alexander indicated a thin market downtown exists for a professional unit that provides a large den near the foyer as a professional office. A dogleg entry hall would protect the privacy of the living quarters.

The master bedroom should be king size, say 17' x 20' or 15' x 20' rather than the standard 11' x 15'. Again, the master bedroom as well as the living room might have some

trapezoidal form, particularly if shaping the building would provide some cross ventilation for the middle units and more perimeter with a partial lake view.

Formal dining room is mentioned as important to the empty-nesters who entertain two or four persons at a time. Chicago units have interior kitchens with breakfast area doubling as a butler's pantry or serving area into the dining room. Double or bi-folding doors bring outdoor view and sunshine into kitchen eating area during informal hours.

The most popular unit at Van Vleck, according to Randy Alexander, has the kitchen of the first floor unit opening onto the porch as well as the living-dining area. It has a window and table area in the kitchen. Many visitors at the open house were enthusiastic about table space in the kitchen.

C. Decorating Codes

Two interior theme packages should be offered:

1. Colonial theme with its use of wood trims, window valances integrated with crown cove moldings, and heavy molded chair rail.
2. High moderne style with its streamlined look and imported kitchens.

Other symbols of elegance would be:

1. Nine foot ceilings
2. French doors rather than sliding doors

3. Double entry doors to apartment and to the master bedroom
4. Parquet or Bruce wood floors for foyer or dining room
5. Twelve to eighteen inch deep window sills with marble surface
6. Side-by-side walk-in closets so one could be converted to a room for an exercise machine
7. Fireplaces with detail such as a colonial mantle or contemporary design features
8. Two- to three-year lease where original tenant picks floor coverings from choices of wood, carpeting, or quarry tile

D. Kitchen

Kitchens could provide Hamilton Point residents with a special opportunity for glamour. In Chicago, high style units are using the imported German and Italian cabinets for a sleek formica look or a modern Danish look.

The best kitchen is one with an outside window over the sink or in the table area. Tables are preferred to booths.

To avoid the Pullman kitchen look, most interior kitchens are six-sided in the Chicago models and include recessed plastic covered ceiling light suggesting an atrium or skylight. Use of serving pass-throughs screened by bi-fold doors, and walk-in pantries are a necessity.

Olympia Centre in Chicago has kitchens with a full equipment package and are careful to choose the best appliance of multiple brands rather than creating an all GE kitchen or whatever. Refrigerators and freezers are Sub-Zero, stovetops are Thermador or Jennaire, microwaves

are Litton, disposals and dishwashers are Kitchenaid, and so on. The Coventry also mixes appliances brands. No one appliance brand has all the desired features. Disappointing in the Van Vleck House was the use of Sears appliances.

E. Baths

One bath should be compartmented, spacious, and feature a roomy dressing area with shower/tub in one compartment and toilet in a second compartment. Chicago luxuries all feature a bidet as well as toilet in the master bedroom bath. Frequent criticism of Randy Alexander's Van Vleck units was the lack of vinyl wallpaper or tile wainscoating for color and the limited use of ceramic in only the tub area. Ceramic tile or marble floors are a must--vinyl floor covering in bathroom diminishes the sense of elegance. Dimmer switches for incandescence and drop glow ceilings is one option; but pedestal basins and Victorian faucets and accessories should be a second option as part of nostalgic architecture theme. Offseason clothes storage in the apartment or on the same floor is a necessity, perhaps with cedar panelling.

F. Common Areas

An outdoor piazza or rooftop garden for common use may be more important than a party room.

Landmark Research concludes that a market opportunity exists for the Hamilton Point apartment project to go forward. Actual comparison of costs, as illustrated in this report, can dispel the myth that ownership is better than renting. Renting is as attractive as buying, and can be made even more so at Hamilton Point.

The market segment for Hamilton Point should not be limited to those who would consider purchasing Isthmus area projects such as the Fauerbach Condominiums or the Doty School Condominiums. It should also be expanded to include those status groups who are now considering purchase of condominiums in those luxury projects that are remote from the downtown area, such as the Coventry, the Cove, or Shacklton Square.

Hamilton Point can offer not only the same or better quality amenities as any of these condominium developments, but can also offer the advantage of a downtown location with a lake view. This, plus the possibility of creating a tax shelter by some form of partnership for the tenant, will give the necessary competitive edge that can be promoted to capture this market segment.

APPENDIX A

PHOTOGRAPHS OF MADISON AREA
APARTMENTS AND CONDOMINIUMS

PHOTOGRAPHS



The Diplomat
507 West Wilson Street



Capitol Bay
523 West Wilson Street



The Townhouse
111 West Wilson Street



Bellevue
29 East Wilson Street



Shorecrest East
1029 Spaight Street
(view from street)



Shorecrest East
(View toward lake)



1115 Rutledge



1219 Rutledge



Lakeshore Apartments
122 East Gilman Street



Van Vleck House
519 North Pinckney Street



424 North Pinckney Street



Ambassador
522 North Pinckney Street



Two Langdon Street



10 Langdon Street



Monona Shores
1513 Simpson Street



Monona Lakeview
3803 Monona Drive



Riverwood Apartments
6431 Bridge Road



Camelot I and II
1614 Fordem Avenue



Camelot Towers
1614 Fordem Avenue



Century Harbor Condominium
2801 Century Harbor
Middleton, WI



Marbella
6300 Mineral Point Road



Marbella
6300 Mineral Point Road



Dunsinane
Allen Street/University Avenue



Epernay
Old Sauk Road/Westfield Road



Tamarack
7333 Tree Lane



Normandy Apartments
4715 Sheboygan Avenue



Hilldale Towers
4817 Sheboygan Avenue



Carolina Apartments
4849 Sheboygan Avenue



Yorktowne Apartments
Mineral Point Road/Yellowstone Drive
(view from street)



Yorktowne Apartments
Mineral Point Road/Yellowstone Drive
(view from courtyard)



High Point Commons
400 High Point Road



High Point Meadows
601 High Point Road



4914 Whitcomb Drive



4801 Whitcomb Drive



6 Whitcomb Circle



Elizabeth Manor
2051 Allen Blvd.



Coventry Condominiums
601 North Segoe Road



Doty Condominiums
351 West Wilson Street

APPENDIX B

STATEMENT OF LIMITING CONDITIONS

1. Contributions of Other Professionals

- . All information regarding property sales and rentals, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental, or other conditions, prior sale, lease, financing, or withdrawal without notice.
- . Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by these analysts.

2. Facts and Forecasts Under Conditions of Uncertainty

- . The presentation and analysis of data in this report has been done in a craftsmanlike manner, but the results are only intended to suggest a potential market opportunity since ultimate achievement is conditional on so many intervening factors both within and beyond the control of the developer.

3. Controls on This Report

- . Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of the consultants or the applicant, and in any event, only in its entirety.
- . Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the authors, particularly regarding the market conclusions, and the identity of the consultants, or of the firm with which they are connected or any of their associates.

APPENDIX B (Continued)

- . This report shall not be used in the client's reports or financial statements or in any documents filed with any governmental agency; unless: (1) prior to making any such reference in any report or statement or any document filed with the Securities and Exchange Commission or other governmental agency, the consultant is allowed to review the text of such reference to determine the accuracy and adequacy of such reference to the report prepared by Landmark Research, Inc.; (2) in the consultants' opinion the proposed reference is not untrue or misleading in light of the circumstances under which it is made; and (3) written permission has been obtained by the client from the consultants for these uses.

APPENDIX C

JAMES A. GRAASKAMP

PROFESSIONAL DESIGNATIONS

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

CRE, Counselor of Real Estate, American Society of Real Estate
Counselors

CPCU, Certified Property Casualty Underwriter, College of Property
Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Management - University of Wisconsin
Master of Business Administration Security Analysis - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC AND PROFESSIONAL HONORS

Chairman, Department of Real Estate and Urban Land Economics,
School of Business, University of Wisconsin
Urban Land Institute Research Fellow
University of Wisconsin Fellow
Omicron Delta Kappa
Lambda Alpha - Ely Chapter
Beta Gamma Sigma
William Kiekhofer Teaching Award (1966)
Urban Land Institute Trustee

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, a land development company, and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness and the market/financial analysis of various projects, both nationally and locally, and for private and corporate investors and municipalities.

J E A N B . D A V I S

EDUCATION

Master of Science - Real Estate Appraisal and Investment Analysis,
University of Wisconsin

Master of Arts - Elementary Education, Stanford University

Bachelor of Arts - Stanford University (with distinctions)

Additional graduate and undergraduate work at Columbia Teachers
College and the University of Wisconsin

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

Appraising Real Property	Course 101
Principles of Income Property Appraising	Course 201

American Institute of Real Estate Appraisers

Residential Valuation (formerly Course VIII)

Certified as Assessor I, Department of Revenue,
State of Wisconsin

PROFESSIONAL EXPERIENCE

With a significant background in education, practiced in California, Hawaii and Wisconsin, Ms. Davis is currently associated with Landmark Research, Inc. Her experience includes the appraisal and analysis of commercial and residential properties, significant involvement in municipal assessment practices, and market and survey research to determine demand potentials.

M A R J O R I E A . K O Z I C H

EDUCATION

Bachelor of Science - Medical Technology,
University of Wisconsin, Madison

Currently a student in Real Estate, University
of Wisconsin, Madison

PROFESSIONAL EXPERIENCE

Ms. Kozich is currently associated with Landmark Research, Inc. Prior to this she has had a broad background as a medical technologist in both the clinical and research environments.

