

# [Meyerland plaza – real estate finance](https://assignbuster.com/meyerland-plaza-real-estate-finance/)

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This paper will take Chip Douglas and Steve Clark into a big decision on how to recommend to HMC the redevelopment of Meyerland Plaza. Because of the existing problem that took place 1980’s by the lending who take advantage the practice of lending and savings loan institutions the S&L who owns one parcel of the Meyerland Plaza lot. The W&C who called Chip and Steve was confident that they could leverage their leasing and development experience into larger-scale transactions. They were willing to make a significant co-investment of their own capital into the Meyerland redevelopment a deal that they had been working on for the past three years.

Persuading the MHC to Invest in the Redevelopment of Meyerland Plaza

Meyer land Plaza’s location is situated from on a 59-acre site fronting the West loop of Interstate 610 in fully developed southwest Houston.

Meyerland Plaza is three miles from Houston’s Galleria area and the Texas Medical Center.
The site was bordered on the North by a  small strip shopping center, on the south and west by west existing residential development, an on the East by the West Loop 610 freeway.
The place has 365, 000 people (166, 000 households) with income of $48, 000 by 1999 will increase to 422, 000.

Beside the population was increasing yearly and the demand also increase. With this situation the HMC would not hesitate to invest to Meyerland Plaza as one of the promising company in the future.

Risk that the HMC consider in Investing to Meyerland Plaza

It involves big Investment of about $19. 5 million in equity and $35. 2 million in construction debt.
Most developer were wary of the exposure of closing a floating-rate construction and planning permanent, fixed-rate financing at a future undefined rate.
Another factor to consider was the relative volatility of returns to retails development deals versus office or industrial deals.
Mitigation that can be Foresee on the above Issue

The proposed redevelopment will offer the unique combination of the economics of the power center at the size of a typical regional mall.

The project generate a highly predict table cash flow given the credit quality of the tenants.

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Anticipated returns are 18% to 24% base4d on a five year holding period.

Conclusion
Chip and Steve had made a good decision in recommending to HMC because it is a good site and the populations in these areas are increasing yearly. According to the survey the community living in that area need a convenient shopping that Myer land Plaza can offer.

The location is good that located within a densely-populated, stable trade area accentuated by significant purchasing power.

Beside most power centers are on the fringe of markets demographic visibility and access from Loop-610 North & south. There is no doubt that investment of HMC will surely return in shorter period of year. In general, based on the above mitigation, if I were Chip and Steve, I also recommend to HMC in investing the redevelopment of Meyer land Plaza.

Reference

Meyerland Plaza. 2006. October 9, 2006