

CASE STUDY ON VALUE-CAPTURE IN REAL ESTATE – APPLYING AMENITY PREMIUMS TO THE PRO FORMA FOR A SINGLE-FAMILY RESIDENTIAL DEVELOPMENT PROJECT

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ABSTRACT

There is growing literature regarding the amount of premium real estate consumers are willing to pay for certain amenities. Examples of amenities include open space, clubhouses, gated neighborhoods, sustainability, and technological features. This case study will take the findings of recent research in this area and apply them to a single-family residential project currently being planned in the Fresno-Clovis metropolitan area. Currently, development firms have difficulty modeling the potential increase in sales prices or rents that could be attained by providing additional amenities. This makes it difficult for investors to justify the additional cost of those amenities. The study will analyze scenarios “with” and “without” amenities in an attempt to better quantify the value capture potential of certain amenities. This study aims to create 1) more accurate financial modeling of real estate projects, and 2) a methodology whereby real estate firms can better assess the benefit of providing amenities in their development projects.