

**The Case for Mepkin Place**  
Written by Brad Rundbaken  
December 11, 2008

Anyone who has read my website [www.charlestonmarketreport.com](http://www.charlestonmarketreport.com) is aware that I have been brutally honest and bearish regarding the local and national real estate market, stock market and the economy since I started publishing my analysis on the website over two years ago. Although the economy and real estate market still have problems I firmly believe there are unique buying opportunities in this beaten up market. It is also impossible for anyone to pick a bottom in the real estate market. When certain conditions present themselves I feel it is important for you, your financial advisor, CPA and real estate professional to help you with your due diligence on an investment that makes the most sense to you.



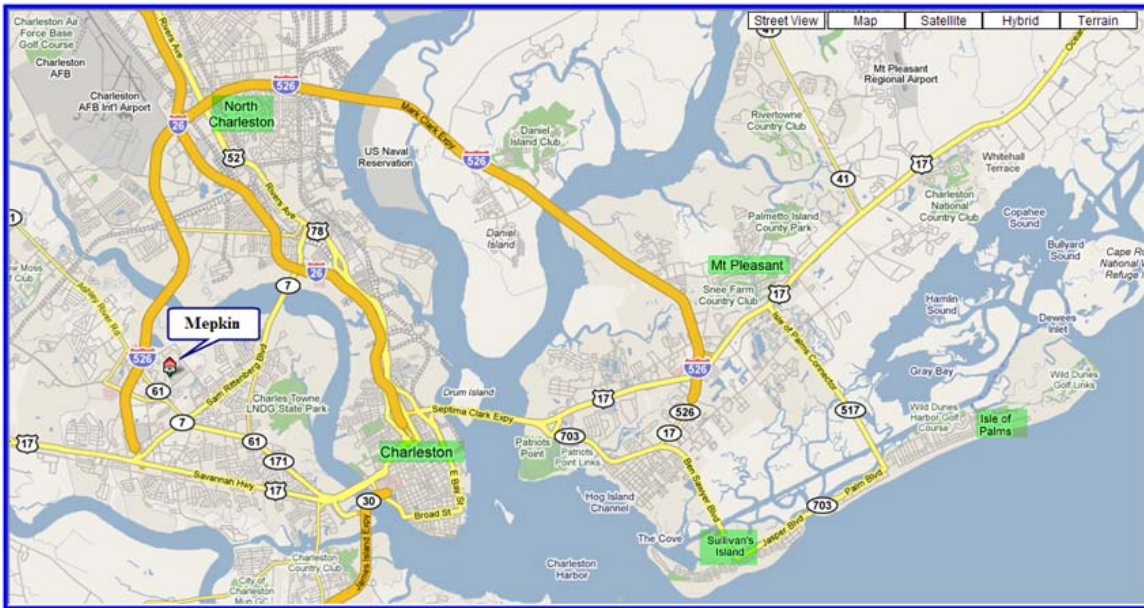
These buying opportunities are often hard to find but I would like to present the case for Mepkin Place for anyone who is qualified and is looking for a long term investment that is affordable and

in a wonderful location. Just remember that good buying opportunities often present themselves when the market conditions are at their worst and everybody is bearish.

Here are some of the main points regarding Mepkin Place.

**Convenience/Location**

- ❖ Literally minutes from anywhere; downtown, beaches, C of C, MUSC, Interstates 526,26,17,61, Charleston International Airport, North Charleston, Mt.Pleasant, etc.



**Lifestyle**

- ❖ There is a 5 acre park/green space between the buildings and the community backs to a 12 acres wooded/wetland area.
- ❖ Owners can enjoy all that life has to offer at all of the nearby attractions and not spend their days off raking leaves and mowing lawns, painting, caulking, power washing, sealing, painting, cleaning gutters, etc
- ❖ It is low maintenance with no yard work or building upkeep.

**Quality/Condition**

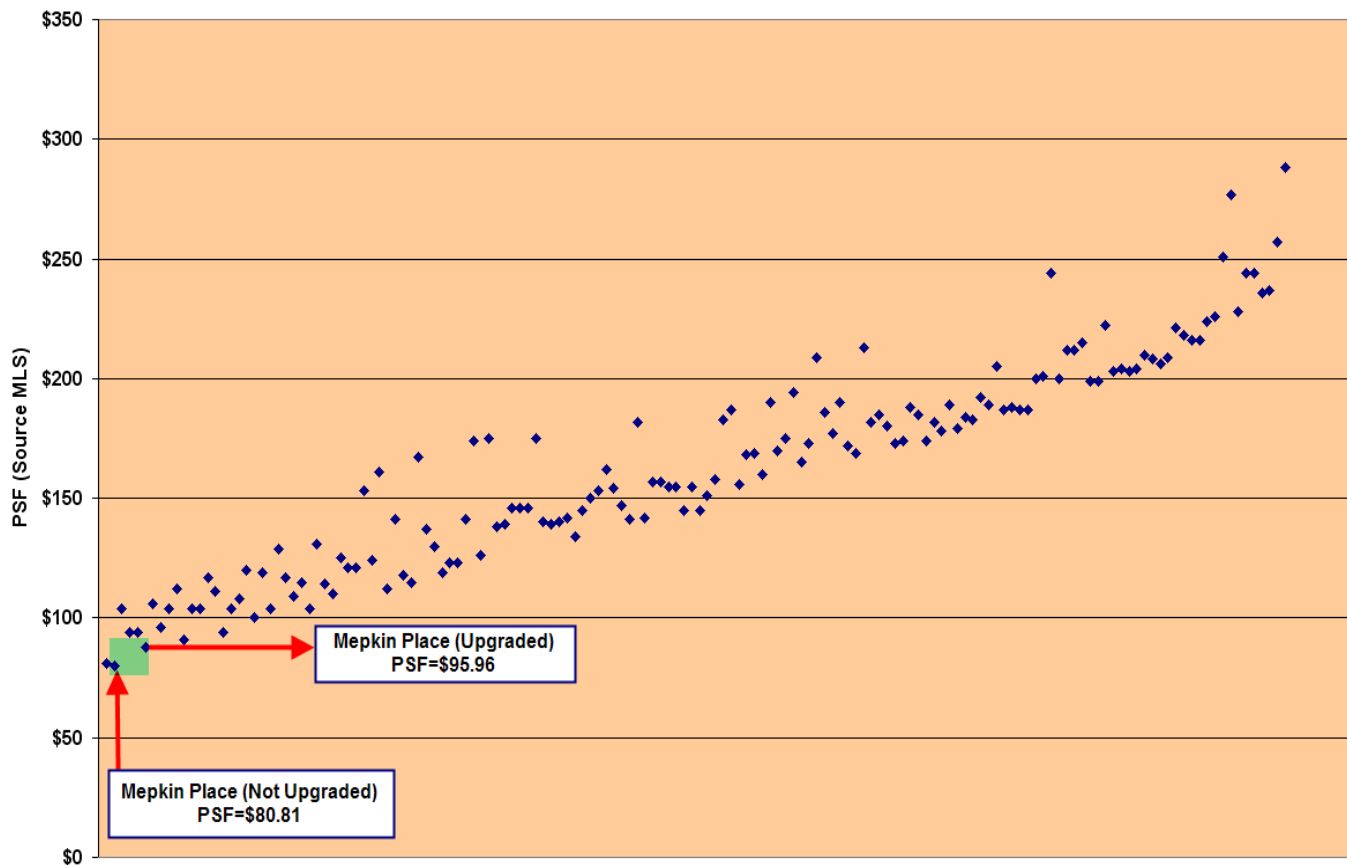
- ❖ Everything is NEW!

<b><u>New Additions to the Interior</u></b>	<b><u>New Additions to the Exterior</u></b>
Ceramic Tile Foyers	Front Doors
Carpet & Vinyl	Windows
Bath Vanities	Shutters
Kitchen Countertops & Cabinets	Sliding Glass Doors
Appliances	Screened in Porches
Interior Doors and Hardware	Roofs
Crown Molding and Chair Rails	
Heating and Air	

## Value

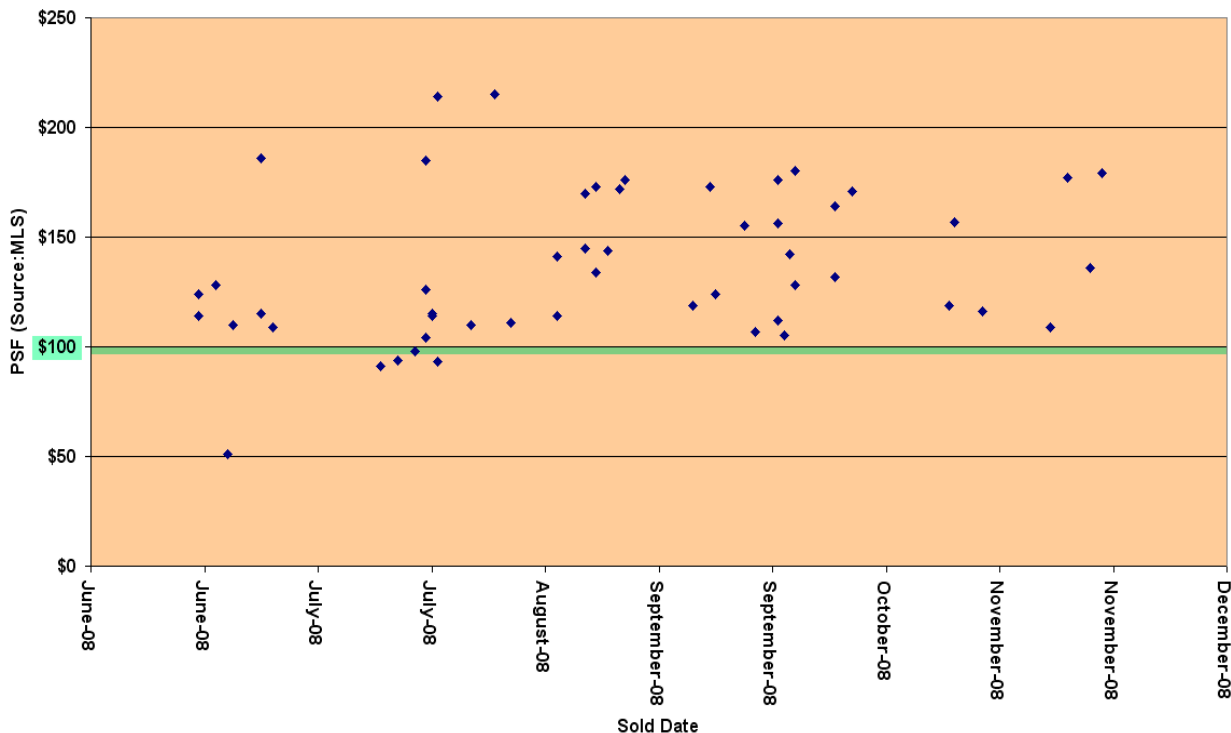
- ❖ Incentives include \$2500 towards closing costs, 1 year HOA fees and 1 year AHS Warranty.
- ❖ In the current local Charleston real estate market I believe it is safe to say that approximately 8 out of every 10 homes listed for sale in the MLS are priced to high. There are various scenarios for this problem which we will not get into right now.
- ❖ If you can find a home priced correctly in the Charleston market and buy it in the next 3-4 months I do not believe you will ever see an opportunity like this again in most of our lifetimes. The developers have dropped the price of Mepkin Place Condos by 23% since they first began selling them in 2006. When I compare similar condos that have sold and are actively listed for sale in West Ashley, James Island, Johns Island and Mount Pleasant, Mepkin Place shows up as one of the most affordable condos by price per square foot.
- ❖ The graph below demonstrates the average price per square foot of **all 2 BR condos between 550-1100 sq ft** currently listed for sale in West Ashley inside 526 (Area 11), West Ashley outside 526 (Area 12), James Island (Area 21), Johns Island (Area 22), Mount Pleasant North of Hwy 41 (Area 41) and Mount Pleasant South of Hwy 41 (Area 42).

Avg Price Per Sq Ft of Listed 2 BR Condos  
(Data pulled from Areas 11,12,21,23,41,42)



- ❖ The next graph below demonstrates the average price per square foot of **all 2 BR condos between 550-1100 sq ft** sold in the past 6 months in West Ashley inside 526 (Area 11), West Ashley outside 526 (Area 12), James Island (Area 21), Johns Island (Area 22), Mount Pleasant North of Hwy 41 (Area 41) and Mount Pleasant South of Hwy 41 (Area 42).
- ❖ You will notice most sales are well above \$100 per square foot in the above areas of Charleston County.

**Avg Sold Price Per Sq Ft of 2 BR Condos**  
(Data pulled from Areas 11,12,21,23,41,42)



- ❖ One of the hardest affordability tests to pass in the Charleston real estate market is the following: Can you buy cheaper than you can rent? The answer regarding Mepkin Place is a resounding YES.
- ❖ The next important factor in making a buying decision right now is that we have some of the lowest mortgage rates ever. I firmly believe that in the next three months we will see rates drop even lower than they are right now which will reduce a homebuyer's monthly payment even more. Based on the government's incentive to drive down mortgage rates and the activity in the bond market **the word on the street is we will see 4.5% mortgage rates in the next three months.**
- ❖ A plan being floated by the U.S. Treasury would push mortgage rates down to 4.5 percent. The plan, reported by the *Wall Street Journal*, would utilize Fannie Mae and Freddie Mac to buy mortgages at around 4.5 percent and finance the purchases with 3 percent Treasury debt. The Treasury's move could be a shot in the arm for the ailing U.S. real estate market.

The plan might not be implemented until President-elect Barack Obama's inauguration, the *Journal* reported. The Treasury has already announced a plan to purchase \$600 billion in agency debt – sparking a big decline in mortgage rates and a 200 percent surge in refinance

applications. That deal has the fed purchasing up to \$100 billion in direct obligations and up to \$500 billion in mortgage-backed securities over several quarters.

❖ Let’s take a look and see what financing a Mepkin Place Condo will cost if you have a mortgage at a 4.5% rate and you put 20% down. This is important because it will help you avoid PMI insurance and give you a lower interest rate.

### Rent versus Own Analysis

#### Owning an “Upgraded” Mepkin Condo @ a 4.5% Mortgage

<b>Disclaimer:</b> No guarantees of any kind. Use at your own risk.										
<b>Assumptions</b>										
Purchase Price:	95,000									
Mortgage Interest Rate	4.5									
Down Payment	19,000									
Loan Amount	76,000									
PMI Percentage	0.50%									
Appreciation per year	2.5%									
Monthly homeowner dues (fees, maintenance)	160									
Monthly homeowner insurance	50									
Yearly fees, maintenance increase	5%									
Property tax rate	1.25%									
Standard deduction	4000									
Tax Bracket	28%									
Selling fees (agent, plus excise)	8%									
Risk free rate (down payment growth)	3%									
<b>First 10 years of 30 year Amortization</b>										
<b>Year Number</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
House Value	95,000	97,375	99,809	102,305	104,862	107,484	110,171	112,925	115,748	118,642
~Outstanding Loan (start of year)	76,000	74,776	73,496	72,158	70,758	69,293	67,761	66,159	64,483	62,731
Mortgage	385	385	385	385	385	385	385	385	385	385
Principal (mid-year)	102	107	112	117	122	128	134	140	146	153
Interest (mid-year)	283	278	274	268	263	257	252	245	239	232
PMI Payment	0	0	0	0	0	0	0	0	0	0
Property Taxes	99	101	104	107	109	112	115	118	121	124
Homeowner Dues	160	168	176	185	194	204	214	225	236	248
Insurance	25	26	28	29	30	32	34	35	37	39
<b>Total Payments</b>	<b>669</b>	<b>681</b>	<b>693</b>	<b>706</b>	<b>719</b>	<b>733</b>	<b>748</b>	<b>763</b>	<b>779</b>	<b>796</b>
Yearly Tax Deduction(interest, taxes)	4,585	4,558	4,530	4,500	4,467	4,433	4,396	4,357	4,315	4,271
Useful Deduction	585	558	530	500	467	433	396	357	315	271
Tax Benefit from Useful Deduction	164	156	148	140	131	121	111	100	88	76
Monthly Tax Benefit from Useful Deduction	14	13	12	12	11	10	9	8	7	6
<b>Effective Monthly Payment</b>	<b>655</b>	<b>668</b>	<b>681</b>	<b>694</b>	<b>708</b>	<b>723</b>	<b>739</b>	<b>755</b>	<b>772</b>	<b>789</b>

The first year mortgage (PITI) would actually be \$495 per month because there would not be any HOA Dues during the first year.

A conservative estimated monthly rent for Upgraded Mepkin Condos is \$850 per month.

### Rent vs. Own?

These are simply compelling numbers to own versus renting a condo in Mepkin Place at \$850 per month when you factor in the affordable price and tax deductions from interest. The first year would save you \$355 per month or \$4260 for the year and then approximately \$187 per month or \$2244 per year in the future years once you have to pay HOA Dues. Affordability and cheap financing is a very powerful combination in any real estate market.

\* It is important to know that Mepkin is also offering an “As Is” condo that is not upgraded for a list price of \$80,000. If an upgraded condo is not in your budget this may be an alternative solution.

If this property interests you as a Realtor, Buyer or Investor I encourage you to click on the link below and take the online tour and then take a trip to Mepkin Place and check it out in person.

The onsite agent is Julia Cunningham.

Sales Office: 843.573.0336

Cell: 843.864.9111

[julia.cunningham@cbunited.com](mailto:julia.cunningham@cbunited.com)

### **Online Tour**

<http://tinyurl.com/mepkin>

### **Mepkin Place Website**

<http://mepkin.com>

### **Disclaimer**

The real estate market is cyclical and will have its ups and downs. Past performance cannot determine future performance.

This information is offered with the understanding that the author is not engaged in rendering legal, tax or other professional services. If legal, tax or other expert assistance is required, the services of a competent professional are recommended. This is a report reflecting the opinions of its author. Statements in this report do not represent the views or policies of anyone other than myself.

Investing in real estate is not a get-rich-quick scheme nor is there any guarantee you will make a profit. Every effort has been made to make this report as complete and accurate as possible. However, there may be mistakes. Therefore, this report should be used only as a general guide and not as the ultimate source for making money in real estate.