

79-81 Williams Ave, Jersey City

Cervelli helps investor make over 27% IRR on property in 5 years



Property Profile:

- Sale Price: \$835,000
- 3 stories
- Brick



For more information, or if you would like to create a complimentary Opinion of Value for your property, please contact:

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CHALLENGES:

In 2011, Chris Cervelli was approached by an investor who had just exited a different very profitable business. He was now looking to start investing in a safe hard asset such as real estate, which seemed to be in a slump at the time. After touring a number of buildings, he ended up purchasing several with an eye towards value add possibilities. Once closed, he put a considerable amount of time and energy into the properties, transforming their appearance and their investment performance. Five years later, in an ultra low interest rate environment, the investor had a choice to either place debt on the property and lock in the low rates, or take money off the table by disposing of part of the portfolio.

The seller asked Chris to perform an analysis juxtaposing the two scenarios to see which would make better financial sense. Having gone through the rigors of the Certified Commercial Investment Member (CCIM) Education, Chris understood best how to do this.

He put together a market analysis showing the investor what his cash flow would look like had he refinanced, and conversely how the portfolio would perform with less equity in it. After this analysis, it became clear that in order for the sell option to be more profitable, the price was going to have to be very high. The seller gave Chris an ultimatum: either get the high price he was after or he would choose to go the refinance route.

CONCLUSION:

Chris realized that only a special buyer would be in a position to work under those circumstances, a buyer who was trying to fulfill a 1031 tax exchange. A 1031 tax exchange is a program that gives the seller of certain types of real estate the opportunity to “exchange” into a like kind property, which allows the deferment of the capital gains tax. This is a common method that investors use to step up into larger properties. The Cervelli team specializes in marketing to active investors and landlords, many of whom are eagerly seeking a property to trade into as part of a 1031 exchange.

At the time, the Cervelli team was receiving a high volume of calls from Brooklyn investors who had taken advantage of the soaring prices there, sold their properties, and were now looking to place the proceeds into New Jersey real estate. “The quality of the property, along with the location in the booming Journal Square, allowed us to identify an investor that would be willing to meet the sellers terms,” stated Cervelli Real Estate Agent Gary Baez, who worked on this transaction alongside Chris.

The Cervelli team was further challenged with an unsophisticated buyer and buyer’s attorney, which led to a number of delays as the buyer was not anticipating the next steps of the process. Cervelli immediately stepped in to resolve several last second situations so that the transaction could be completed successfully. In the end, Cervelli was effective in obtaining the price the seller had sought, which allowed him to realize an Internal Rate of Return in excess of 27% on his investment.

Testimonial:

I have been a client of Chris Cervelli since 2011. In that time, he has helped me purchase and sell for huge profits. I have dealt with many brokers in the Hudson County market and Chris Cervelli has proven time and time again to be the most knowledgeable about commercial investment property. He has proven to be a valuable asset in the building of my real estate portfolio and whether you are looking to buy or sell, you want to make sure you speak with Chris.

- William Fogel, Owner