

JUST SOLD

137 PROSPECT AVENUE BROOKLYN, NY 11215



MATTHEWS
REAL ESTATE INVESTMENT SERVICES

CASE STUDY

DEAL HIGHLIGHTS



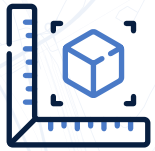
\$5,000,000

SALES PRICE



6.37%

CAP RATE



\$578

\$ PER SF



421A

TAX ABATEMENT THROUGH 2056



8,652 SF

SF



9

UNITS



**NEW
CONSTRUCTION**

CONDITION



47.5 X 31.79

BUILDING DIMENSIONS

CASE STUDY

137 PROSPECT AVENUE | BROOKLYN, NY

MATTHEWS
REAL ESTATE INVESTMENT SERVICES

"The last dollar is the most valuable. A 15% premium in price can translate to a 50% premium on your equity."

We are pleased to announce the closing of 137 Prospect Avenue in Gowanus, Brooklyn. This was a fully occupied multifamily building developed in 2021 that sold for \$5,000,000. The property consisted of nine (9) residential units across 8,652 SF and benefited from a 35-year tax abatement. Three (3) of the 9 units were RS as a condition of the abatement, with tenants approved by HPD. The sale equated to a 6.37% Cap Rate on collected rents and \$578 per SF / \$555,555 per Unit.

Seller Profile - Real estate family with a primary focus in national retail. Loan maturing this summer.

Buyer Profile - 1031 buyer that sold a development site in Manhattan with a debt replacement of \$1,500,000.

Challenges Faced

The seller's debt was expiring in June, so timing was critical. In addition, lenders quoted rates between 6.75% to 7% for 137 Prospect Avenue, with debt service projected to be \$252,000 a year on a 65% LTV loan (1.25 DSR). Against our NOI of \$318,984, this equated to only a 3.5% cash on cash return on equity. Leveraging debt against cash flowing properties in this environment presents a challenge for both buyers and sellers as the cost of both debt and equity dilutes returns on even well-priced assets.

Solution

Investors with a heavy reliance on debt are not competitive against 1031 and all equity investors. We needed to focus our attention and marketing efforts on securing a 1031 buyer, or at least one that puts less weight on debt. We also put a heavy emphasis on timeline, so that expectations were set for both seller and purchaser.

Key Strategies Implemented

Engage with Outside Brokers and Community Influencers – 80% of 1031 buyers are sourced or represented exclusively by a buy-side broker. More often than not these advisors are not well versed in commercial real estate but are entrusted by the buyer to source and vet opportunities. If you are not willing to educate and

present the opportunity properly, you risk losing these rare buyers to another listing. Roll out the red carpet.

Upfront Due Diligence - You must prepare and present due diligence in a transparent and clear manner. Negotiating against the clock and building the buyer's confidence becomes paramount. Preparing a thorough data room with leases, architectural plans, surveys, tax certificates, rent rolls, etc., showcases to the purchaser they are stepping into a well-managed asset and allows them to underwrite quickly and confidently. It also improves execution time for loans and title. Sellers and brokers need to work harder than ever to get to a closing table.

Build Rapport with Buy-side Debt Brokers - An offer is meaningless until the buyer gets a quote from their lender. Connecting with the debt broker gives you transparency and insight into the likelihood the buyer gets what they need to stand by their offer. If the buyer doesn't understand the real-time debt market, you will get re-traded. Don't let that happen.

Outcome

The culmination of these efforts resulted in the successful sale of 137 Prospect Avenue to a 1031 buyer with only a \$1,500,000 debt requirement. We connected with this buyer through an attorney/broker we have executed with many times over our 15-year career. She was a terrific advisor to the purchaser, and our history with her allowed us to build a relationship of trust and sincere communication. Both buyer and seller had a lot riding on closing quickly, and it was a team effort making sure all parties were prepared. While the seller was only motivated to transact due to an upcoming loan maturity, our execution resulted in a sales price 15% above the market, which saved them half of their remaining equity. The last dollar of every transaction is the most valuable to our clients.

Please reach out to learn more about this transaction and available inventory.

All the best,
DJ

INCOME & EXPENSES

REVENUE						CURRENT RENTS		
UNIT	TYPE / TENANT	STATUS	LEASE EXP.	NSF		RENT	RENT/SF	ANNUAL RENT
1A	2 BR / 2 BA Duplex	FM	On Market	1,117		\$4,000	\$43	\$48,000
1B	1 BR / 1 BA	RS	7/31/2024	420		\$2,044	\$58	\$24,523
2A	3 BR / 2 BA Balcony	FM	8/31/2024	698		\$4,400	\$76	\$52,800
2B	3 BR / 2 BA	RS	1/14/2024	668		\$2,758	\$50	\$33,100
3A	3 BR / 2 BA Balcony	FM	5/14/2024	698		\$3,800	\$65	\$45,600
3B	3 BR / 2 BA Balcony	FM	8/31/2024	667		\$4,400	\$79	\$52,800
4A	3 BR / 2 BA Balcony	FM	3/31/2024	794		\$4,000	\$60	\$48,000
4B	2 BR / 1 BA Balcony	RS	5/31/2024	464		\$2,374	\$61	\$28,491
4C	2 BR / 2 BA PH Duplex + Private Roof	FM	7/31/2024	780		\$4,400	\$68	\$52,800
TOTAL				6,306		\$32,176	\$61	\$386,114

ESTIMATED EXPENSES	MREIS REIS™ METRICS	CURRENT	\$ / SF	\$ / UNIT
Real Estate Taxes (23/24)	Abated taxes	\$8,987	\$1.04	\$999
Insurance	\$1.25/GSF	\$10,815	\$1.25	\$1,202
Water & Sewer	\$850/Unit	\$7,650	\$0.88	\$850
Heating and Cooling (Electric)	Pass Through	--	--	--
Electric (Common)	\$0.25/GSF	\$2,163	\$0.25	\$240
Repairs & Maintenance	\$550/Unit	\$4,950	\$0.57	\$550
Superintendent	\$500/Month	\$6,000	\$0.69	\$667
Management	4.0% of EGI	\$14,981	\$1.73	\$1,665
Total		\$55,547	\$6.42	\$6,172
	Exp. Ratio:	14.83%		
	Tax Ratio:	2.40%		

FINANCIAL SUMMARY	CURRENT
Gross Annual Income	\$386,114
Vacancy & Credit Loss at 3%	(\$11,583)
Effective Gross Income	\$374,530
Less Total Expenses	(\$55,547)
Net Operating Income	\$318,984





DJ JOHNSTON

EXECUTIVE VICE PRESIDENT

D (718) 701-5367 M (914) 584-7422

dj.johnston@matthews.com

License No. 10401225168 (NY)



JERMAINE PUGH

ASSOCIATE VICE PRESIDENT

D (718) 701-5129 M (201) 850-0762

jermaine.pugh@matthews.com

License No. 10401281410 (NY)



BOBBY LAWRENCE

ASSOCIATE VICE PRESIDENT

D (718) 554-0337 M (908) 616-5799

robert.lawrence@matthews.com

License No. 10401300331 (NY)



BRYAN KIRK

ASSOCIATE VICE PRESIDENT

D (646) 868-0045 M (313) 402-0917

bryan.kirk@matthews.com

License No. 10401274694 (NY)



HENRY HILL

SENIOR ASSOCIATE

D (718) 874-8539 M (443) 370-2997

henry.hill@matthews.com

License No. 10401356898 (NY)



H. MICHAEL CHARDACK

ASSOCIATE

D (646) 868-3051 M (561) 901 9094

henry.chardack@matthews.com

License No. 10401385513 (NY)

MATTHEWSTM
REAL ESTATE INVESTMENT SERVICES