

THE MULFORD BUILDING CASE STUDY

*630-640 North Broad Street
Philadelphia, PA*



The Problem A dilapidated and neglected 400,000-square-foot industrial building stood vacant at the crossroads of two neighborhoods that were undergoing a transformation.

The Solution Renovate and reintroduce the building to the community as a 215-unit multifamily housing complex.

Final Result In just 13 months, Corvest generated a \$2.7 million profit on an initial cash investment of \$1.0 million.

The Property The Mulford Building at 640 North Broad Street in Philadelphia was once the worldwide headquarters for pharmaceutical giant Merck Sharp & Dohme. In the early 1900s, the first commercially viable diphtheria vaccine was developed at the location.

Following the Merck era, 640 North Broad was occupied by fashion titans Albert & Pearl Nipon. It housed their dressmaking operations and corporate headquarters until the company's bankruptcy in the early '90s. For the next several years, 640 North Broad Street remained vacant, falling into disrepair and neglect and generally becoming an eyesore for the community.

"The building was a mess. The facade had not been cleaned for 60 years, trash littered the floors and asbestos was an issue," says Michael Corenzwit, President and CEO, Corvest Realty Group, Inc. "But the building's location made it a desirable asset. It sat directly in a line of development, which stretched from the Art Museum through the entire Fairmount section of Philadelphia and up through Northern Liberties. The property provided an excellent opportunity for Corvest to exercise its business model of investing in undervalued properties, rehabilitating them and then selling them at a premium." That one stipulation was critical. The seller eventually cleaned the building with direct oversight from state environmental officials, giving it a clean bill of health and adding to its value. At that point, Corvest secured bank financing for 80% of the purchase price and closed with

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an initial cash outlay of only \$1.0 million.

After closing, Corvest worked closely with local neighborhood organizations and Philadelphia zoning officials to rezone the building from industrial to multifamily residential, completing the process in five months.

The Result “Once we had the zoning changed, potential buyers came calling,” recalls Corenzwit. “Within a few weeks, we had five offers for the building.”

Corvest had always planned to redevelop the building itself, but when the numbers were crunched, it quickly became apparent that investors would hit a grand slam – and minimize their risk – by selling the building to another developer. In January 2004, Corvest completed the sale of the building to a third-party developer for \$9.1 million.

All told, Corvest owned the Mulford Building for 13 months. After closing of the sale, investors pocketed nearly \$2.5 million on an initial cash outlay of \$1.0 million, an extremely healthy return by any measurement.

“The Mulford Building was clearly in our sweet spot,” says Corenzwit. “It was a distressed, out-of-favor property that simply needed some TLC, creativity and initiative to capitalize on the positive trends in the local community. I knew from my first tour of the building when I looked out from the top floor and saw the neighborhood changing, that this would be a great project for our investors. When all was said and done, it had exceeded my highest expectations.”