

Rich Ideas

Commercial and Investment Real Estate



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Oh, It's April Fool's Day!

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April Fool's Day is still April first every year, right? Because the month of March felt like one big April Fool's day joke.

We started the month meeting a seller for a recently renovated 5 unit mixed use building. Very nice area. Probably a "B" renovation in a high demand area.

Comps were very helpful and the high end of the market indicated around \$75 a foot (About 4,000 square feet); \$75,000 per unit; 9 cap, and prices around 7 times the annual rents. Based on that, I wanted to price it at the top of the market at \$400,000 which was above many of the metrics and all of the comps. But I thought based on area and that the property was turn key, it would command a premium.

The seller looked at all of the data and we discussed it at length. Then he decided he wanted to list the property at \$600,000. About \$150 per foot, \$120,000 per unit, a 3 cap and just over 10 times the rent roll. When I told him the property has little chance at appraising, let alone even garnering an offer, he said he he thought someone would pay the price anyway. Hmmm, interesting..... Next.....

So on to the next.....an industrial warehouse. About 30,000 feet. The property was in very poor condition. Fortunately, I have sold properties like this before and there is a small market of renovators that have an appetite for something like this. Generally these sell for the \$1 to \$2 per foot range. But the seller asked if I could get him \$400,000 or over \$13 per foot! Interesting, many times the valuation of what it is worth. We discussed it would be so over the valuation that no one will even want to look at it. He said there is another realtor who can get him that price. I recommended he sign the agreement with the other broker as fast as he could. It is still on the market!!

The 'jokes' were not just limited to sellers. We were hired by a buyer to find him an apartment building. We discussed his requirements. He provided proof of funds. We signed a buyers representation agreement and off we went.

In this market, many deals are going to get done privately since there is so little inventory on the market. And private sellers are not 'real' motivated. But we were able to locate a property. The seller wanted a slight for "lack of inventory", but it was reasonable. Better yet, it fit the buyers requirements exactly.

So I discussed it with the buyer, showed him the property and we discussed the numbers. Seller wanted \$450,000. Buyer made an offer of \$200,000. Really? \$200,000? Interesting offer to say the least. The property *exactly* met his requirements at \$450,000. It was in near perfect condition. It had a great tenant base. It was not on the market and a buyer wants to lowball? And then the buyer was mad because the seller would not counter? Seller decided he wanted the property sold. So I sold it for the \$450,000 he desired with an offer from a different (very happy and reasonable) buyer. As for the previous buyer? He may still be waiting for a counter.....

Finally, an out of town lender was calling on Rochester brokers. He wanted to meet me since he had programs for some of my buyers; in particular my Canadian buyers. Different banks from time to time offer financing to Canadians and at this particular time, I did not have a bank available so I was very interested. He told me how fast they can get deals done and under what terms. All very favorable. I happened to have a buyer that needed a loan. I referred him and a week later the bank told us they do not finance Canadians. Whiskey Tango Foxtrot!

So enjoy your April Fools Day this year! Be careful out there!!





This is NOT an April Fools prank

A broker called me recently soliciting his listing to me and more specifically to my buyers. My buyers do not travel well (this property was located in Brooklyn NY) but I was curious and asked him to send me the information.

He sent me the marketing information. I reviewed it. The prices here in Rochester generally get to a point of no cash flow, also meaning no appraisal, at around 8 times the annual rent roll. This property was 15.5 times the rent roll. Not a misprint, 15.5 times the rent roll. The cash on cash was so negative. If you burned dollar bills every day, you would make the same return.

Not to be out done, I received another call from a different broker. Which reminds me, I need to get off whatever list I am on.....Anyway, same sales pitch and of course, curiosity got the best of me. Plus I needed material for this newsletter. In Rochester, price per unit generally tops off at around the \$75,000 per unit range. And that is high and rare. The building he sent me was priced at \$1,545,000..... PER UNIT!

So perhaps Rochester real estate is more of a bargain than most already believe it is! I am still wondering why investors would purchase property that actually LOSES money on an annual basis. "A butt for every chair" as my Grandfather used to tell me (not in those exact words).



Where am I in Rochester?



Answer: Inside the Eastman Theater. Established by George Eastman in September 1922 as a center for music, dance, and silent film. It originally contained 3,352 seats, but was revised in 2009 to become a 2,260-seat concert hall.

Have You Ever Wondered?? *How many Lowe's would Rob Lowe rob if Rob Lowe could rob Lowe's?*

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