

# Rich Ideas

Commercial and Investment Real Estate



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**Hello, my name is \_\_\_\_\_**

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Have you ever attended a party where people are wearing those name tags that say "Hello, My name is \_\_\_\_\_" and of course, their name is filled in?

I was at one the other day and the first person I met had "10 Cap" on his name tag. So I approached him not knowing whether I should address him as "10" or perhaps "Mr Cap". So I just stuck out my hand to shake his and he said "Hello, I am 10 cap." (alrighty then).

After some pleasantries, he started talking about the past. "Yeah, I was "THE MAN" back in the day. Everyone loved 10 cap. I was invited to all of the parties. I was meeting people all over the world!

But we all age. I'm old now. I know it! People don't get out as much I guess. Everyone still says they *want* to see me. They still call to get together for lunch. But we never do. For most, it seems difficult just to find me anymore. Its almost like I do not exist at all.

I am just nodding and taking this all in. What an interesting older gentleman with so many great stories of 10 cap properties back in the day.

Then he says, "Hey Mark, here is one of my good friends. His name is 25k". He was about the same age as 10 cap. They were probably drinking buddies! He is telling me how he is the last of his generation. "Yeah, most of my friends (\$25,000 per apartment unit) have all retired. It was not too long ago that 25k per unit was all the rage. We had work EVERYWHERE. But now, there is no work for me. My daughter, 50k, took over the business a few years back and she brought the company back to life. She is grooming my granddaughter, 80k, to take over someday."

"So now, 10 cap and I play a lot of chess in the park. I am just enjoying my retirement." Then he says, "How about some whiskey shots?" Yikes! Time for me to move on.

I start to mingle and meet some of the other guests. A millennial bumps into me. "Hello, I am Irrational Exuberance". "I am new to Rochester.

Investors seem to have taken to me already as you can see from recent asking prices of available property. And buyers are lining up 20 at a time for showings. Many of those buyers then work with my cousin "Multiple offers". I am not sure how long I will be in town. But for now, I am here to stay. He then turns to introduce me to someone...

"This is my girlfriend 5 cap". I ask if she is related to 10 cap? Yeah, he is my grandfather. Is he here? I have to give him a ride home. How are things? My boyfriend Irrational Exuberance and I have been partying a lot lately. I have met some wonderful people. Mostly buyers.... At first, I was not welcome. But now, they all are very friendly and nice. I probably worked on a number of your recent closings.

Have you met my brother "9 times?" I turned around to meet a very large man. "Hi", (in a very deep voice) I am "9 times". This is my best friend, "Rent Roll". The market keeps us busy with property pricing at 9 times the annual rent rolls. And I get to work with my sister "5 cap" on most deals. Oh look, there is my Uncle, 6 times, over there talking to 10 cap. Ahhhh, no doubt reminiscing about the old days!

Just then, streakers! "AS IS" and "No Engineers Inspection" streaked right through the party and jumped into the pool. No more wine for them!

It was getting late so it is probably time to go. As I was leaving, there she was. Someone I have NEVER seen or met before. "20 Cap" was just arriving to the party. And she was riding in on a unicorn. WOW!!!





## *They're back.....*

It has been a while. A very pleasant while but they are back. Who is "they"? The investors that like to talk a lot about things that do not mean much. My favorite is the investor that asks "Well, he paid \$500,000 a year ago. Why is the asking price \$800,000?"

The simple answer could be "Because it is worth \$800,000." But that would be too easy. Why is it that some view the last price paid as relevant. Is it? If so, how is it relevant? Because it has no relevance to market value today.

The market is like the temperature. It just "IS". The fact that it is 90 degrees today is not relevant to the fact it was 65 degrees yesterday! "Well it was 65 yesterday, why is it 90 today?"

We offered for sale a property with a very motivated seller. He did a great job on his rehab. The property was totally turn key. He paid a fraction of the asking price. And he invested a lot to bring it back to life. But he was motivated for a fast sale so we priced the offering slightly below market value.

And yes, we had "that guy" ask, "Well, why is the asking price \$800,000? He paid \$500,000 a year ago".

"That guy" made an offer of \$500,000. He was one of 12 offers the seller received. 11 of those 12 were at or above asking price. So much for "its not worth \$800,000."

The market is the market. It does not care what price the property last sold for! And today's weather forecast? 90 degrees and humid!

## *Where am I in Rochester?*



The former Colgate Divinity location on Highland and Goodman was formed as The Rochester Theological Seminary 1850. In 1970 the school merged with Crozer Seminary, the school where Rev. Dr. Martin Luther King studied. In May 2016, students were informed that the school would be selling its historic 90-year-old campus and moving to a new location.

## *Did you know??*

*The University of Rochester is the city's largest employer and 6th largest in the state with over 20,000 employees. 75% of the freshman class has declared Pre-Med as their major.*

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