

# Rich Ideas

*Commercial and Investment Real Estate*



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## **Luck of the Irish**

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Its March! Happy Saint Patrick's Day! Some say, the luckiest day of the year! For many, good luck comes naturally. For others, we may need to make or create our own good luck.

When it comes to real estate investing, it is always better to be lucky than not lucky obviously! A friend of mine always used to say "I would rather be lucky, than good". Lucky AND good would be a good combination.

Wouldn't it be great to take your property to market, at slightly above market value, and have multiple offers, all cash, all 1031 Exchanges looking for your property? That rarely happens but we can dream can't we?

So how do you create your own luck? For one, know your market. Know what you want and why you want it and study what inventory is available. When you are ready to make an offer, you can make a competitive offer. Become an expert in the type of property you desire. Know all of your metrics. Make EDUCATED offers rather than "like the other guy" and low ball offering of 75 cents on the asking dollar "just because". Let the other guy's offers end up in the deleted box. Make sure YOUR offer is forwarded to the owner.

Low ball offers just for the sake of low balling are now for the unlucky and uneducated. Pretenders are dreaming of someday wanting a property but not knowing the market and not being an expert in the property types they desire. One good thing about those investors is they make YOUR offers look much better!

Become an expert in the rental rates for your market. Assume you are purchase something that generates 10% cash on cash.

If you know that the rents are way below market, then 'as luck would have it' you can turn this into a 14% cash on cash return after your rent increase.

Its wise NOT to leave money on the table and charging below market rents. This practice will be appreciated by your tenants and is a kind and generous gesture toward them. However, it is not a great way to maximize profits from your property.

Another way to create your own luck or perhaps more specifically avoid bad luck is to properly and thoroughly inspect your property. If mechanicals are old or if roof needs replacement, you want your offer to reflect that and not have to ask for a credit after the fact. If you are a seasoned pro, you may be able to forgo an engineers inspection to make your offer more competitive.

Finally, transitioning can become a problem as you approach your closing date. Create your own luck by knowing your rent roll and when leases are coming due. Make sure you get notices out in a timely manner so rent payments adjust to you and not the previous owner.

Luck. I wish we could bottle it and get some when we need it! Since we can not, here is wishing you good luck always!

**LUCK**  
OF THE IRISH



## Market Snapshot

The Rochester multi family market continues to be strong. Price per unit has been increasing over time and now multiples and metrics once thought to be too high now seem common place.

Brick buildings in good or better condition are going to contract above \$50,000 per unit for the first time ever. Appraisals are supporting those values as well.

Rents have increased significantly over the last few years to support these higher price per units. Not long ago, \$1,000 per month for a two bedroom was the high water mark. Today, that may not even be “average” when most two bedrooms start at \$1,200 and many approach \$2,000. \$1 per square foot per month used to be the norm, now, \$1.25 is more the norm and in many cases, rents are approaching \$2 per foot per month.

Cap rates, once thought that the most expensive would be 8 cap, have sailed right through 7 and are now in the 6’s in many cases. SIX CAPS! Wow. Investors looking for 10 caps at \$25,000 per unit in “A” locations are better off hunting unicorns!

Inventory is down, nearly non existent, but deals are getting done privately. In fact, our last dozen or so have all been done privately. If you may have interest in larger multi family investment, please contact us.

Deals will continue to get done and what was once thought of as expensive will be thought of as cheap most likely in the near future.



### ***Did you know??...***

*50 is the new 40. \$40,000 per unit was once the benchmark valuation for a walk up brick apartment building. Today, most in good or condition, can command valuations of \$50,000 or more. Some even touch the once thought untouchable \$60,000 benchmark!*

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