

Rich Ideas

Commercial and Investment Real Estate



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Bring me Her Broomstick!

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The Wizard of Oz, one of my favorite movies.... And the fact I have seen it so many times may prove that. Remember the part where Dorothy and the group get in to see Oz and ask him for a heart, a brain, courage and to go home?

When Dorothy addressed Oz, she said "If you please sir, I am Dorothy, the small and the meek, we have come to ask...."

"SILENCE!, Whippersnapper. The beneficent Oz has every intention of granting your requests. But first, you must prove yourselves worthy by performing a very small task. Bring me the broomstick of the Witch of the West."

The Scarecrow, needing a brain said something very smart: "But...if we do that, we'll have to kill her to get it."

Oz did not care about that: "Bring me her broomstick and I'll grant your requests. Now, go."

Then the Lion chimed in; "But what if she kills us first?"

"I said GO!!! and we all know what happened after that.

Oz gave them what he thought was an impossible task. He had no intention on following through since the task at hand was thought by Oz as impossible in the first place. Except it *was* possible...

New buyers to Rochester many times ask for "the Broomstick", with requirements near impossible to meet. They want a nice brick building, perhaps 20 or more apartments, in a nice area with good cash flow that does not need any work. And they do not want to pay too much for it. In fact, some even say a 10 cap is their limit.

At this point, I bring out the nets because we need to go hunting. We have a better chance of finding and capturing an Oz flying monkey than finding a brick 20 unit building for a 10 cap.

After discussing this information with the new buyers, we can come to an agreement of what to expect

and adjust property requirements accordingly.

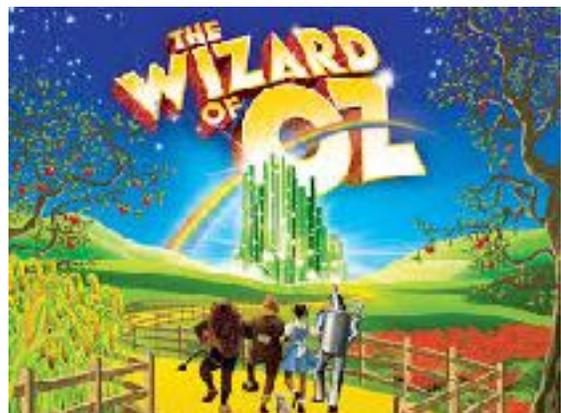
In "A" locations, a brick building with 20 or more apartments is going to sell for around a 7 cap. Meaning, if someone paid all cash, the net return would be 7%. If an investor is truly looking for a property, then his/her expectation level must be that of the market. Even after getting agreement from an investor, that yes, he/she is agreeable to a 7 cap, since that is the market, what is there to look at? *That* is the problem, nothing. But we can and will find you something!

Our last several transactions with properties in the "A" locations and with larger number of unit sizes have been private. There was no "listing".

The buyer tells us what they want. We determine if those desires are reasonable for the market. If so, then we find a property for this buyer. We find the wicked witches broomstick!

So, when we do, and the seller wants a price of \$1 million, the buyer needs to offer 'close' to asking. Lowballing does not work in this market. This is a privately offered property. It is not 'listed' on the market. It fits everything you desire.

So when you ask for the broomstick and we *deliver* it to you, what will you do? "Make an offer" is what you *should* do. Think full price offers. Yes, perhaps not a pleasant thought, but perhaps the only way to close on a property in this market. Follow the yellow brick road!!





April Fools!

It may be April Fools Day but this is no joke, there is **no inventory**. Buyers are all looking for quality investment properties and there is little to none to choose from.

When a property *does* hit the market, or these days “pre market” since so few actually make it to the public market, then be prepared to make offers. Be prepared to filter through due diligence quickly. Be prepared to venture to the showing only to be greeted with perhaps 20 to 30 others also looking for the same thing as you. This is no joke!

Quality properties are seeing so many investors show up for viewings that sometimes there is no room for everyone.

What do you think is going to happen, perhaps within a few hours, if there are 30 investors at a showing? Do you think that ‘perhaps’ an offer will find it way to the seller? Or multiple offers? At more than asking? You should be ready to make *your* offer.

And if you really are prepared, then your requirements list should be discussed with your broker and your broker will find you something privately. Perhaps before 30 others know about it. Perhaps before all those offers start to come in.

Or the hard way is an option too! Happy April Fools Day.....



Did you know??...

Cap rates in the better locations are now in the 6 range if the property is in excellent condition with off street parking. Even in ‘good’ condition, properties are commanding 8 caps. Appraisals are supporting values so far. And rents have increased to support the new caps.

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