

Norris & Stevens

APARTMENT INVESTORS JOURNAL

Creating Value in Investment Real Estate®
Brokerage and Management for Apartment Investments

Completing a Transaction in Today's Market

Everyone is aware that the great recession has significantly impacted the real estate industry over the past two years. The market is experiencing record numbers of foreclosures and short sales, banks are lending less money, underwriting is tight, and deals are being viewed differently.

A number of clients have asked, is it still possible to get a deal done in today's market? The answer is "yes." Smaller, private money investors need to make sure they are educated on current market conditions and procedures. If an investor is contemplating a commercial transaction, **seek representation from a licensed real estate broker who specializes in commercial real estate.**

Next, **allow plenty of time for your transaction to close.** In addition to lenders being overwhelmed with deals, lenders are scrutinizing borrowers and properties. Speak with a lender prior to beginning your property search so that you understand the criteria for borrower qualifications. Also **discuss the lender's current underwriting standards.** This will be very important when evaluating properties.

Market conditions have forced cap rates to move up, thus creating lower market prices. In addition,

lenders are underwriting with higher expense structures, and higher reserves. Also discuss what loan-to-value ratios are available in today's market. **Be prepared to be patient.** In the past the lending process could be completed in 60 days – or sometimes less. Today, deals are taking longer to finance. Therefore, plan your deal time lines accordingly.

These are guidelines for investors looking to purchase in today's market. But what about investors looking to sell in today's market? The same basic principles hold true. If you are looking to sell your property list your investment with broker who specializes in apartments. Understand what your property is worth. If a broker is stating your property is worth a certain value, know what comparable sales are being used. If the comp is more than 6 months old, it will more than likely not be considered a valid sales comp by the lender. Although comps from a few years back will inflate the value of your property, just be aware that those comps are probably not valid in today's environment. Be prepared for the length of the sales cycle. Understand that most deals will require more than 60 days for financing. Make sure the buyer is qualified before accepting their offer. Be realistic regarding price. If



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Over nine years' experience in apartment brokerage and 15 years' corporate leadership experience in international business development for the high tech telecommunications industry. BS in Business Administration from Capital University in Columbus, Ohio. Licensed broker in Oregon.

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you think your property is worth a 5 cap, just understand, it probably will not pass underwriting standards.

Today's market is providing fantastic opportunities for investors. At Norris & Stevens we will work with you to locate good investment opportunities and structure your deal for success!

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