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CHASING THE MARKET: TIMING VS. PRICING

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In certain segments and locations, the commercial real estate market has shown great resiliency and recently we were able to achieve relatively high sale prices for properly priced assets. However, other market segments remain more difficult to close transactions; some properties were not sold due to vacancy, a less desirable location, a lack of upside potential, or the property's condition.

Case Studies:

For a highly desirable property, such as an elevator serviced apartment building with parking in a prime location, we were able to achieve a sale price that mirrored that of two to three years ago. The demand and interest were tremendous throughout the entire marketing campaign. We maximized the sale via a competitive bidding war and the property sold in an all cash transaction to a local owner/investor.

Another example of resiliency in today's market is reflected by the high sale price achieved for a development site at a time when the development market in general is almost non-existent due to high risk and lack of construction financing. Ideally located on one of Queens' busiest thoroughfares, this particular site featured tremendous street frontage. We marketed it to targeted buyers within a six month time frame, and the site sold for approximately $150 per buildable square foot to a developer.

Other segments have proven to be more difficult, and properties were not sold recently due to many factors including current or upcoming vacancies, less desirable locations, lack of upside and property conditions. Lack of owner motivation and unrealistic price expectation contributed to the time the properties stayed on the market and to the lack of competitive bidding. Some properties on which we received all cash bids two to three years ago are now worth 30-50% less.

For example, one property that failed to sell due to some of these factors had a solid retail tenant in place with a few years left on its lease. It garnered great interest and numerous bids but the owners chased the market for more money. Thus, time elapsed and now the retail tenant will be vacating very soon, diminishing the value and investment opportunity that once was. The property is likely worth almost half what it was at the height of the market. Another example property was owner-occupied and was to be delivered vacant. It stayed on the market for a long time and did not sell as there was no real sense of urgency. The property was in need of a complete gut renovation and once featured some development value because of its corner location on a busy corridor. But now that value has diminished and due to today's struggling economy, there is also much less of a demand for retail space in the immediate area which decreases the potential investment value.

Proper Pricing & Timing = Results:

For properties that were marketed at or near our suggested asking prices, we achieved sales prices that averaged 98.5% of our suggested value for the properties. These properties spent an average of five months on the market.

On the other hand, properties much more aggressively priced sold at an average of 62.5% of our suggested value and were marketed for an average of eleven months.

Conclusion:

Even in down economic times, there is still a vibrant market for properties priced to sell within a reasonable marketing timeline. The market has proven to be most favorable to income-producing properties with tenants in place such as retail properties and larger multifamily apartment buildings.