

NORTHERN NEW JERSEY

By Thomas McConnell, CCIM, Redwood Realty Advisors

Time to sell? Apartment owners strategize to capture the best results

The voracious demand for apartment properties is convincing even long-term owners that now is an ideal time to sell and capitalize on what could be near peak market pricing.



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There continues to be an active pool of buyers chasing multifamily properties — even for that diamond in the rough. In fact, that diamond in the rough is exactly what

many value-add buyers are looking for in today's market. Investors are willing to

So what do owners need to do to tap into that market and position assets for sale?

next two to three months, won't want to do much more than make a few basic re-

novate units in order to raise rents. The bottom line is getting the net operating income as high as possible, which will have a positive impact on sale price.

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be aggressive when buying older class B and even class C assets where they can make significant improvements to reposition an asset and raise rents.

The first step for owners who might be contemplating a sale is to assess their timeline. Those who are looking to list a property for sale in the near term, within the

pairs and cosmetic improvements. Those looking to sell a property in 12 to 24 months may find it worthwhile to make bigger investments to reposition the asset, such as

A second step for owners is to conduct a financial and pricing analysis. Those reports may range from 15 to nearly 100 pages depending on the level of detail. Essentially, the report analyzes the property and the local rental market in terms of fundamentals such as occupancies, rents, property valuations and new supply. Sometimes, an owner may look at the estimated price or broker opinion of value and decide to sell tomorrow. Other times, an owner may want to hold onto the property for another year or two. During that time, the owner can develop a strategic plan to make improvements and achieve a higher value.

A third step for owners is to consider what they are going to do with that money after a sale. Do they need to develop a strategy to defer or minimize the capital gains tax on a sale? Do they want to roll the proceeds into a larger real estate investment, or perhaps move into retirement? If a seller plans to do a 1031 tax-deferred exchange or some type of installment sale with a carryback mortgage, it is important to consider how to structure the timing or terms of sale to get the desired results.

The current market is a perfect storm for owners who are looking to sell multifamily assets and capture peak pricing. Even for owners who may not be ready to sell, it is important to periodically do an up-to-date financial and pricing analysis so they understand shifts in the market and what properties are worth for themselves and their families. Redwood Realty conducts those pricing analyses for its clients on a regular basis, and many owners are surprised at the results. Some owners are finding that they can achieve prices that they had never dreamed of — all without lifting a finger or spending a dime on additional improvements.

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