Selling in today's market - by Shallini Mehra

June 28, 2022 - Front Section

The real estate market is constantly shifting, and the New York City market is certainly no exception. Today, we are operating under stricter rent laws, high inflation rates and rising interest rates.

However, the city lives on and continues to recover from the pandemic with residential vacancy less than 2% and rents returning to and often exceeding pre-pandemic levels. From a transaction standpoint, the sales market is as tough as ever for rent stabilized assets, a byproduct of the strict rent laws. If you are a seller in today's market, here are three things to keep in mind before you go to market:

Tidy Up – Investors Do Judge A Book By Its Cover

Curb appeal matters. Cleanliness in lobby and common areas is a direct reflection of the owner's management style and upkeep. Small upgrades including new and brighter light fixtures, fresh coats of paint in the hallways and lobby, and a clutter-free, accessible basement are noticed and remembered by investors. Additionally, small aesthetics including entry mirrors, fresh new artwork and a designated place to keep packages play a role in creating a strong first impression and confidence in the deal.

Get Your Rent Records In Order

Consistent with the fast pace of our city, buyers will conduct their due diligence prior to signing a contract. Since the passing of the HSTPA 2019 rent laws, due diligence has become onerous, particularly as it relates to free-market units and significant rent increases. Current owners are required to have proof of deregulation regardless of whether they owned the building at the time of decontrol. We recommend spending some dollars before going to market and working with an attorney or consultant to understand the rent history and gather the individual apartment improvements needed to justify the decontrolled status and rents in place. Having this information ready for review upfront will show prospective buyers your commitment to a successful sale and result in a smoother sales process.

What's Next? 1031? Seller Financing? Joint Venture?

A 1031 exchange is always the logical next step, but with consideration of interest rate trends and where you are in your real estate life cycle, alternate options should be considered. Lending rates have jumped 75-100 basis points. Sub 4% interest rates are gone for now and rates are in the 4.25%-4.75% range and continue to climb. You might consider seller financing as today's rates offer attractive returns. Alternatively, if you have an asset with development potential, then consider a joint venture with a limited partner role in order to stay in the deal.

As brokers, we want to market a consistent story with full transparency as it relates to financials, deferred maintenance, collections, and paperwork. These factors combined with great records and a well-maintained building are key to achieving the highest sales price. Lastly, knowing our buyers, their needs, and how they operate is critical to getting deals done in what we call a New York minute!

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