



## **Why should you sell your cash cow?**

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Ron Kleinberg

Valley Stream, NY Remember when we were kids and our teacher asked, what we wanted to be when we grew up; at the top of our wish list was astronaut, doctor, and Mickey Mantle.

Surprisingly 82,171 of us in New York became real estate salesman. It is not hard to peddle a property once you are licensed, all you need is a shoeshine, a shingle and the unwavering determination of a kamikaze pilot. Getting paid is another matter, especially when the majority of Long Island housing stock is owned by multi-generational owners that have encoded in their DNA never to sell. (Unless presented with a godfather offer - an offer too good to refuse). Only a child hears the word "no" more than a broker.

In the last 12 months a unicorn trainer might have made more coin than a Long Island broker selling apartments over 25 units. Excluding redevelopment and new construction only three sales totaling 324 units were recorded at an aggregate value of \$81 million.

Legend has it, William Shakespeare himself, when approached by a broker and asked to sell his cash cow, was caught on a hot mic muttering "to sell or not to sell, that is the question?" The answer I would have given Shakespeare, if I was alive in the 1600s is the same answer I'd give today, the purpose of a cash cow is to fund new calves! Which is a clever retort, until a prospective seller asks what calves (apartments) am I marketing that he or she can trade into?

At this juncture I usually put on my tap shoes and start dancing around the question by countering with my own questions "Would you prefer purchasing in Nassau or Suffolk, elevator or garden, class A or class B? (For the purpose of this article I am not addressing rent stabilization). Ultimately the music stops and I'm forced to come clean, the likelihood of an owner priced to sell and not priced to negotiate is somewhat of an urban legend. Similar to snapping a selfie with Bigfoot, realistic sellers can be elusive. If one is cornered over a bagel (read owner, not Bigfoot) a conversation about cap rates and the cost of money will quickly bubble to the surface. Since mortgage rates doubled in 2022 (banks are currently underwriting multi at 6%) the promise of future rate hikes causing cap rate expansion in Q3 seems inevitable (cap rates on LI are currently in the 5% range.)

Galileo once said, "What goes up must come down" but obviously he didn't have a side gig appraising apartment buildings. Appraisers will tell you pricing still remains at record highs as demand for apartments has continuously outpaced supply. Unlike Zillow surfing where house hunters thirst over an unending supply of homes, it's rare that a for-sale rental complex is delivered to market via the internet. Especially one that is undervalued on commercial sites that include CREXI, LoopNet, and TenX.

Finally, I think the best way to purchase a quality apartment building intelligently priced is to forge a business relationship with a professional. I happen to know one but he is busy today returning a calf to pasture.

Tri-State Properties president Ron Kleinberg brokered the \$7.15 million sale of The Parkside, 12 rental townhouses located at 1 Wallace Ct. Kleinberg represented the seller and buyer.