



Getting to the Finish Line in Today's Market - by Shallini Mehra

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“R&R” in the current investment property market doesn’t stand for “rest and relaxation” but rather “rates and regulations.” These factors are making it difficult to get an investment property sale across the finish line today. However, there are strategies that can help sellers and purchasers get past these hurdles.

For sellers with low leverage, consider providing seller financing, which enables a faster closing and the ability to earn steady cash flow at a fair interest rate on an asset they are familiar with. In addition, given that leverage today is 50-65% of the purchase price at rates in the 6.5-7% range, a seller can attract a wider pool of investors coupled with more aggressive pricing by offering higher leverage to the purchaser at a more competitive interest rate.

With the passing of HSTPA 2019, a deregulation from rent stabilized to free market may be challenged at any point in time. Often, owners lack the necessary paperwork for older deregulations which can bring a deal to a standstill. Sellers should get a rent analysis completed by an outside consultant to increase transparency and highlight any red flags. In addition, a landlord who previously owned a property should assist in helping the next owner’s deal by helping to track down old paperwork to substantiate rent increases. It takes time and effort, but if someone reaches out to you for old records, consider generating good karma and “pay it forward.”

While due diligence is the buyer’s responsibility, a seller’s proactive involvement in accumulating due diligence materials at the start of the marketing process can save time and keep the momentum going. Organizing tenant files and capital expenditures, getting unsigned leases executed, taking steps to cure violations and address needed repairs, and actively maintaining the building in good working order, are key ingredients for a successful sale. If these items are missing, the seller runs the risk of a re-trade or the possible loss of a ready, willing, and able purchaser.

Navigating the complexities of today’s investment property market requires a cohesive team effort, where proactive and collaborative approaches are key to maintaining momentum and championing mutually successful transactions.

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