



## Tomorrow's Price Today

Realism in the  
Marketplace

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Once, I had a Land Rover. Some people thought it was slow, smelly, uncomfortable, and dangerous. In my eyes, all its faults were virtues. I invested bushels of money in this prized English swamp tractor. When it came time to sell, I couldn't find a single person willing to pay me for the thick canvas seats, the insulated roof hatches, or the enormous steel brush bar.

Real estate works the same way. Buyers do not want to know how much money you "invested" into that building or why you purchased it at height of the market. Once you were a buyer with stars in your eyes. Now you are a misunderstood seller with

deep feelings mistrust festering in your broken heart. A licensed clinical social worker may be capable of working through these feelings of market betrayal, but effective brokers cannot afford to. They don't get paid by the hour.

"What I got into it" is totally irrelevant to a potential buyer. That sprinkler system that the city made you install? Without it your building would be condemned. The new roof, siding, flooring, HVAC, and paint? Capital upgrades are often viewed as little more than routine maintenance.

"Why I bought it" doesn't matter either. A ribbon cutting with the Mayor and Chamber of Commerce eight years

ago makes for good press, it does not add material value. Take a walk around the commercial waterfront in Portland. Warehouses have been repurposed into office buildings and residences. As buildings age, their use may become transformed by the economy. Why you paid what you paid, when the economy could be called an economy, is yesterday's news.

Disastrous optimism born of desperation is another losing strategy. Nobody except a paroled hedge fund manager



will pay tomorrow's price today. If you think your site is perfect for Walgreens, why don't you call them and get an offer? If you think your multi-family apartment house would be worth another million dollars if only it was divided into condominiums, then draw up the documents. "Blue-skying" is not illegal in the State of Maine, but it won't impress the folks whose approval (yes, they have to physically sign the documents) is essential to make any transaction happen: bankers, lawyers, and accountants. You might put your vacant lot under contract for twice current market price, but you won't sell it. Ask anyone living in the State of Florida how that works.

If the news is all bad, why hire a com-

mercial real estate agent? For the same reason that people believe in statistics. With them you have a much higher probability of success than without them.

An experienced landlord might own as many as twenty properties across all property types. An experienced broker deals with at least twenty different landlords a month. In other words, a commercial broker is a seller's link to the active marketplace. We have direct knowledge of the last lease signed, the

last loan rate negotiated at a bank, the last building sold of a similar type, the latest building approvals nearby, the code inspector's cell phone number... A good broker knows what's happening right now.

Right now, buyers are buying with 1031 Exchange money and cash. Bank CDs earning 1% are a poor investment compared to commercial real estate returns are running between 5% and 14% (industrial v.

multi-units). Closings often take place within 30 days. Occupied buildings are selling for a premium. "See-Through" buildings are virtually unsalable at any price. (Take the Casco Bay Bridge from Portland to South Portland and look right through a brand new brick and copper edifice. It's been there for years).

When you finally call a commercial real estate professional to help you value, market, and sell your property, you might want to listen to what they have to say. Because after years of unprecedented bankruptcies, foreclosures, short-sales, and auctions, they've heard it all, and they're still here putting together the deals that make sense *every day*. The proof is in your hands.