



MAXIMIZING YOUR RETURNS ON THE SALE OF YOUR MULTIFAMILY PROPERTY



Who is Justin Ferguson?



Justin Ferguson is a Multifamily Specialist in Marcus & Millichap's Southern Virginia Office. As an Investment Sales Associate, he exclusively represents Sellers and Buyers of investment properties throughout Virginia.

On a weekly basis, he meets with corporate professionals, private investors, REITS, developers, and syndicators to strategize on how to maximize their returns in order to grow their portfolios at faster and more efficient rate. Depending on where an owner is in their investment cycle, he creates a tailored approach to each owner's needs so they have the peace of mind knowing they have more control over their investments. He meets with each owner individually to better understand their current portfolio, their operations, and their goals. This analysis gives a clear strategy with specific metrics with each owner's targeted outcome in mind.

He has helped his clients satisfy their real estate goals and experience their full investment potential. His strategies have helped dozens of investors double their unit count and their cash flow using proven methods with measurable returns. He consistently share the trends that will have the most significant impact on commercial investors so they can make the best decisions for their families.



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Honestly, are you sure you want to sell?

My role in Commercial Real Estate is to connect the best Buyer with a Seller to accomplish the goal of the Seller. Before I can get you to the finish line, I need to fully understand you as an owner and your desired selling outcome. Understanding your goal will help me earn top value for your property and get you closer to the desired result.

First, I need to understand why you are selling. Have you reached your returns? Is the investment more involved than you anticipated? Is your management company underperforming? Is the investment entity not agreeing on the end goal? Is it a Seller's market? Is your mortgage note coming due?

While the question of why you are selling your property is relatively simple, answering this question thoughtfully is important because you will find yourself returning to it throughout the selling process.

Take some time to think about your reason for selling, and I'll work alongside you to craft those reasons into a roadmap for future decision-making.

HAVE YOU REACHED YOUR RETURNS?

Have you reached the initial goal you set when you first purchased the property? Often, investors will acquire a new property with a specific exit strategy in mind. These investors aim to get the expected returns for themselves and their investors to reinvest in another property. Selling your property to pay back the investors proves your track record of success so you can repeat the process and lock in even more investors. If this sounds like you, it might be time to sell.





Time to Sell

IS THE INVESTMENT MORE INVOLVED THAN YOU ANTICIPATED?

This situation is extremely common. Since many investors see the best-case scenario playing out for their friends and colleagues, they don't anticipate what it takes to achieve the returns. For example, in multifamily real estate, interacting with tenants can be exhausting and more work than most prepare for. Some investments require significantly more time and energy. Usually, those investments have high returns but can only be earned through sweat equity.

IS YOUR MANAGEMENT COMPANY UNDERPERFORMING?

Is your management company in line with your initial investment plan? If you are not managing your asset daily, your management company is the true performance indicator. They are the direct contact with the tenants and daily operations of your investment and cash flow. A management company can make or break your appetite for investing and might require active management of expectations.

IS THE INVESTMENT ENTITY NOT AGREEING ON THE END GOAL?

Has the ownership group decided to change the initial strategy? This situation is very common in commercial real estate. Sometimes the market changes, which requires the partners to re-evaluate the plan of action, and sometimes owners do not agree. If this is the case, it's important to understand each owner's end goal and how to accomplish it.

IS YOUR MORTGAGE NOTE COMING DUE?

This type of approaching deadline is probably the most common reason for a sale. An owner has operated the property for several years and needs to decide if they want to refinance their loan or exit. This is a major decision for most owners that depends on various conditions; working with a professional will provide the necessary tools to make the right decision.

IT IS A SELLER'S MARKET.

Demand is high. Supply is low. You don't need to sell, but you think you should because you want to take advantage of the market. In this case, it's crucial to think about your financial goals. After researching, you should know how much you want to make by selling your property. An experienced broker helps you analyze the market and understand the range of expected outcomes.

How Do You Find The Right Broker?

You will need to hire a broker in the commercial space. The variables are significantly higher, which means the room for error is significantly higher.

Questions to Ask an Agent

- How much experience do you have as an agent?
- What makes you unique?
- How will showings work?
- How do you plan to market my property?
- Can you give me examples of successful negotiations from past clients?
- What type of properties have you sold before?
- How much in sales do you and your company do?
- How will you speak to the numbers and returns to a Buyer and Lender?

Questions to Ask Yourself

- What are my time, cost, and profit goals?
- How much involvement do I want to have during the selling process?
- What do I value most in a real estate agent?
- Do I know anyone that can recommend an agent to me?
- How much experience do I want an agent to have?
- Do I need an agent that's well-versed in multifamily properties?



How to Review a Listing Agreement

In the future, I may present a listing agreement to you. The agreement you and I will sign determines the commission structure, the period of time your property will remain exclusive, and details about my proposed marketing strategies for your property. Many agreements have standard language and will be adjusted to suit your specific needs.

Determining the Sales Price



This might be one of the most important steps in the entire sales process. I need to fully understand the current income and expenses of the rental property. When buying a commercial property, the buyer's strength and the property's cash flow are both important and analyzed based on performance. As a broker, I ensure the underwriting aligns with the seller, buyer, appraiser, and lender. Each party needs to have a clear picture of how the property is currently performing and how it can improve.

Income

All income that can be included as revenue should be considered. This includes the following items:

- Tenant Rent
- Pet Rent
- Utility Reimbursement Rent
- Miscellaneous Fees; (late fees, application fees, forfeited deposits)

With this calculated income, I can determine the current revenue and where the rent stands in relation to the market. This rate can appeal to potential buyers.

Expenses

Once the income is determined, you need to understand the total expenses. This includes the following items:

- Vacancy (tenants moving in & out during the year)
- Bad Debt (uncollected rent)
- Taxes
- Insurance
- Utilities
- Repairs & Maintenance
- Contract Services
- Marketing & Advertising
- General & Administrative
- Operating Reserves
- Management Fees

Many expenses need to be evaluated to determine the Net Operating Income (NOI). NOI determines the revenue and profitability of the investment real estate property after subtracting necessary operating expenses.

Once the NOI is calculated, you need to determine the sales price based on the market Capitalization Rate. A Capitalization Rate (CAP RATE) is a real estate valuation measure used to compare different real estate investments. Although there are many variations, the CAP RATE is generally calculated as the ratio between the annual rental income produced by a real estate asset to its current market value.

Lastly, you need to understand the current debt available in the market. The selling price is important, but a complete understanding of how a potential buyer may finance the acquisition is crucial to understanding the potential returns investors will be looking for.

Once pricing is agreed upon, the marketing process begins. Maximizing Eyes, to maximize tours, to maximize offers

Marketing

INVESTORS NEED TO UNDERSTAND THE PROPERTY'S CURRENT CONDITION TO CALCULATE HOW MUCH CAPITAL IS REQUIRED TO IMPLEMENT THEIR VISION AND SUBMIT AN OFFER.

First, you'll need to have pictures taken of your property. Some sellers try to save money by using an iPhone or even a personal DSLR to capture photos. After years of experience, I can tell you it is worth the investment to only use professional photographs. I will help guide you on what aspects of your property to highlight. Is it natural light? The views? Certain architectural elements? Remember, pictures are your first opportunity to make a good impression, so they must be as inviting as possible. It is also valuable to capture videos and drone photos showcasing the entire property and its proximity to other economic drivers. I have many photographers and videographers in my network that I will recommend.

Next, it will be time to discuss your property's marketing plan. During this time, my team and I will help to create a schedule for tours and showings, decide on your pricing strategy, and begin sharing the listing with the entire market. Is it going to be featured on popular listing sites? What about social media? The answer to all of the above is yes! My team and I execute an innovative marketing approach that breaks the status quo of traditional real estate marketing.

PRO TIP: Sometimes properties have unique histories or stories attached to them. If your property has a story, discuss this early on so the team can consider different ways to tie it into the overall marketing and branding efforts.





Marketing Timeline

On average, the sales process is approximately six months from the signed Listing Agreement to the signed Settlement Statement. Achieving this timeline requires a systematic marketing approach to ensure every active and inactive real estate investor knows about your property.

WEEK 1

- Present the property during our internal weekly Sales Meetings
- Call and present your deal to most probable local investors
- Call buyers and sellers who have recently bought or sold in our submarket

WEEK 2

- Expose listing to LoopNet, LinkedIn, Costar, Facebook, and Instagram
- Send Constant Contact eblast (Over 10,000 contacts)
- Dial through all Southern Virginia investors

WEEK 3

- Continue dialing through clients and presenting the OM in person to all interested parties.

WEEK 4

- Set tour dates and begin tours

WEEK 5

- Present deal to regional offices
- Dial through all Hampton Roads investors

WEEK 6

- Create comprehensive marketing report/update and all activity (calls, tours, Oms sent, due diligence requested, offers)
- Field offers
- Continue to market property until the Purchase & Sale agreement is ratified

Receiving your first offer is one of the most exciting aspects of selling your property. However, it is important to stay level-headed and understand that the first offer does not dictate the strength or weakness of future offers. Every buyer is different.

Offers

UNDER-ASKING

Receiving an offer under your asking price is disappointing, but it's not the end. Buyers are always looking to get the best deal they can. You can decide whether you want to make a counteroffer for a higher price point.

AT- AND OVER-ASKING

Receiving an offer at your asking price can mean many things. You might assume more offers will come in, and a little healthy competition amongst offers will drive up the price. You may receive more offers at asking, but it's also possible that this could be the only offer. Think about some of the goals you had when you first decided to sell your property.

ALL-CASH VS. FINANCING

An all-cash offer means the buyer is making their offer with assets they already have. A financing offer means a buyer makes their offer through a bank. An all-cash offer means that, as a seller, you don't have to worry about a buyer potentially getting denied a mortgage by their bank. Therefore, all-cash offers are almost always better.



If Your Property Is Not Selling

Whether the offers you're getting are too low or you're not getting any, you may reach a point where you feel like your home property isn't selling the way you expected. There can be many reasons for this. Your home property might not be properly priced, the market could be down, or your property is not reaching the right audience. I will help you understand why it's not selling and suggest adjustments to your selling strategy. Reducing your price, delisting, and waiting for a better time to sell are just some of your options. Again, your initial selling goals will help inform what you decide to do if you find yourself in this situation, and I will help advise you along the way.

CONTRACT, CLOSING, AND CELEBRATION

Once you have accepted an offer, sending out a contract and negotiating the finer points of the sale begins. All details get ironed out until both parties are satisfied.

PHYSICAL INSPECTION PERIOD

While most contracts have language that says "AS-IS," each buyer will have a physical inspection period. This is the set amount of time a Buyer will have to inspect and review each aspect of the property fully. Typically, they will hire a home inspector and/or their trusted contractor to view each unit and find any potential issues with the property. They will also hire a roofer, plumber, electrification, etc.-anyone who they feel will give them an accurate depiction of the property's current condition.

APPRAISAL

A crucial step during the contractual process is when a licensed appraiser assesses your property on behalf of the buyer and or lender. An appraiser will inspect your property and determine its actual value. An appraisal can change the negotiation dynamics and even lead to a buyer backing out of an offer.

CLOSING

With contracts signed and everything in order, closing is the final step in the selling process. It is when you will transfer legal ownership of your property to the buyer and when you will receive your funds from escrow. I will walk you through the specifics of what will happen, but most often, you will need to be prepared to sign closing documents and pay closing costs. Buyers are allowed final walkthroughs of the property to ensure that negotiated items like repairs have been honored.

Many more people are involved in selling a commercial asset than just a buyer and a seller. Here is a quick list of some of the most common.

The People of the Process

AGENTS

Real estate agents are licensed professionals representing buyers and sellers during the sale of a property. As an agent, I advise, negotiate offers, market properties, set up showings, and more. Compensation is based entirely on commission.

PHOTOGRAPHERS

Professional photographers know how to maximize space and natural light to make your property look as spacious and inviting as possible.

LAWYERS

Real estate lawyers can be necessary to help sellers draw up and negotiate contracts and manage documents related to ownership transfer.

APPRAISERS

An appraiser is hired by the buyer or the buyer's lender to assess your property's true value using multiple factors.

LENDERS

This is the institution that is financing the acquisition for the buyer.



Contact me today to find out how I can help you sell your property with bold ideas, amplification, and proven results.

GET IN TOUCH

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