

# The apartment building sale: Getting multiple offers

Transactions

Brokers



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**GUEST COLUMN: Self-serving, arrogant, duplicitous – if this is the typical perception the public has of brokers, then it is no surprise the value of a correct listing process is sometimes underestimated.**

If you've been following our articles, you already know we write from direct transactional experience and this story is no different. Our seller client had initially attempted to sell his 100+ unit portfolio himself. He published a newspaper Ad and expected offers to quickly follow (in his defence, he belongs to the generation that still reads the newspaper). He ended up with one offer and several months of wasted time before finally listing with us and conceding that there was a role to play in hiring a professional brokerage team.

We take a formal commercial listing approach for multi-family assets. For those unfamiliar, and *unlike other commercial asset classes*, owners of apartment buildings rarely want their asset advertised on the MLS system – it is the asset class that trades most discreetly due to sensitivity towards tenants. Therefore it is the broker's task to maintain a strong database of qualified buyers to market to directly – not to mention ensuring those buyers are closers.

The Broker's role is more than just maintaining a list of buyers though. They should:

**Compile information on the building:** It is a waste of everyone's time to negotiate a top price while hiding a building defect for example, as the issue will come out at inspection and the buyer will ask for an appropriate price reduction.

**Prepare a professional information brochure:** Brokers should know exactly what buyers need to evaluate a purchasing opportunity. A brokerage team should prepare the financial information, technical details, market information, and underwriting, from both a current NOI and a potential NOI perspective.

**Create an e-dataroom:** A transparent process, with the data protected through signed confidentiality agreements, should include the sharing of relevant files, photos, and data to prospective buyers online.

**Call and Email their internal database of buyers:** A broker who has a “favourite” buyer is not looking out for the interest of their seller client. This is extremely important because, due to the nature of our business, often a brokerage team ends up working with the same 2-3 buyers over and over again. Buyers should be notified of a new listing at the same time, and know that they have to compete to win the deal.

**Orchestrate a bid date process:** While not always appropriate, we sometimes find that a bid date works well when selling larger assets (generally 100+ units). While some buyers will rush to place an offer, it’s often the buyers who take their time and “do their homework” on a building that see the greatest value (which is subjective) and bid accordingly.

**Conduct building tours:** Tours ensure that buyers have had the opportunity to see the building and form an accurate impression of the condition and type of building they are bidding on. This step eliminates some buyers, which is a good thing as otherwise those buyers would have put forward offers, but dropped the deal at the inspection stage.

**Shield the seller:** We know buyers who buy off-market deals from widows who can’t pay the building mortgage (real example) – do you think the widow who couldn’t make her mortgage payments got the best deal by negotiating directly with a buyer? The broker’s job is to negotiate with all potential buyers and get the best deal for their client.

In the example introduced to start with, our process generated 6 offers, from buyers with proof of funds for closing, and quick timelines. Two of the offers increased their price during the process when informed how many other offers were on the table (a broker is obligated to disclose the *number* of offers received to all interested parties who make offers). All the parties who submitted offers were professional owners, already owning between 500 and 6,000 units. None had seen the seller’s Ad, but they did know our reputation as brokers and trusted that when we brought them an opportunity it was one that they should look at seriously.

Any professional brokerage team ensures a process has been followed that results in a top price. But a broker is also useful in avoiding what should be a seller’s worst nightmare: going through the sale process, providing mountains of information, negotiating, accepting an offer, tying up the property for months... only to have the buyer be unwilling, or unable to close. When buyers know they are the only party at the table who were interested, or when they know the seller “loathes” brokers and will not list the property, what’s stopping them from coming back towards the end with a few price-reduction requests? This is not likely to happen if the buyer knows that there are multiple competing offers waiting to take the deal if they try to drop it.

**Baron Realty** specializes in matching buyers and sellers of apartment buildings.  
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