

Bid process captures bevy of apartment offers

Jeffery Watson, president of Builders Investment Co. of New Mexico, admits he was a little nervous when Todd Clarke and Daniel Boardman approached him recently about a new way to market the 84-unit Sunport Plaza apartments at 1301 Wellesley SE, listed for \$871,000. But he's pleased with the process, which differs from the traditional methods of listing a property and then waiting, often as long as a year or more, for enough offers to come in, Watson says. Clarke's one-month-long, almost auction-like tactics brought in substantial offers within a few weeks of listing the property. That traditional listing method, including placing newspaper ads, listing the property on online services like Loopnet or with multiple listing service, might gather four to six offers in 12 months, says Clarke.

"Then the seller has to negotiate with each individual buyer. And the buyer then negotiates for more time to do the due diligence. Due diligence work can take up to 90 days and with four potential buyers, the seller is giving away four free 90-day periods in that year. The way our bid process works, we virtually put everyone together in a room and one of them will walk out with a deal after our 30-day strategy."

Clarke, who last year formed NM Apartments, a multi-family brokerage service located at 612 Keleher NW, says his bidding procedure is like "shotgun marketing" that works best when there are more buyers than sellers. In the past 15 months in Albuquerque, he says more of the larger -100 units and above- apartment complexes have sold than in the previous five years. To put it another way, Clarke says "17.5 percent of all large apartments in this market have changed hands in that time." According to a survey completed by Clarke, 2.3 percent of the offers coming from national investors. Another 58 percent of the lookers are regional investors. Many of the sellers are REITS of real estate investment trusts, which tend to shift their properties in seven-year cycles and are now electing to move back into primary markets like Chicago or Atlanta.

Two contributors, the terrorist events of Sept. 11 and the historic decline in interest rates, helped push the cycle out of whack. The last time this much multi-family property changed hands in - Albuquerque was in the mid-1990s.

A 14-year veteran of multi-family real estate deals, Clarke says his approach is meant for owners who want "speed in the execution [of the sale]," which many of the REITs, like Equity Residential (NYSE:EQR) desire. From January 1 to January 31, for example, he marketed Equity's 232-unit Pueblo Villas complex 6401 Academy NE. "We received 10 offers in the property, which sold to San Francisco-based First Pacific. Equity got hard earnest money on day one and the sale exceeded their expectations," he notes.

Here's how it works: Clarke sets up four-week plan of action: the first seven days, he calls, faxes, emails or mails a two page confidentiality agreement identifying the property for sale and requesting interested parties to sign the agreement. He identifies interested parties as those who've bought properties in the metro region in the recent past, current owners of apartment complexes, various REITs around the country whose portfolios are heavy with multi-family properties, and, among others, multi-family real estate agents in the region.

Respondents then get access to detailed info, online and in a CD-Rom, which they can study during the second week.

It is this time consuming, due diligence, background work that Clarke has already done for the potential buyer that saves a lot of time. The data includes appraisals, rental and occupancy surveys, expense surveys and other information.

The third week, potential investors take tours. At the moment, about 70 percent of the prospective multi-family market buyers are from Illinois. Texas and California, he says, are mostly New Mexico investors.

“We try to get as many warm bodies fighting over the property as possible.” At that point he’ll get back to the top contenders and narrow down the offers to those acceptable to the sellers.

Says Steven Rudnitsky, who recently sold a duplex on Girard SE, “[Clarke] mentioned that the bid process works on the same idea as a feeding frenzy. One needs to act quickly in this process. He gave [the buyers] a deadline to have all bids in and then we responded to the best bid within 24 hours.” Kjersten Paschall, NM Apartments, says Rudnitsky’s property had “10 showings and five offers in 48 hours.”

The process garnered bids for more than the listing price and Clarke says of the hundreds of properties that he’s marketed in this fashion. “The average office has been 5 to 15 percent above the asking [or listed] price.”