August 2023

Do you have a ‘broken listing’?

Is your property listing ‘broken’? If you have been marketing a property for more than 6 months without receiving one, or more, formal written offers it is very likely a ‘broken’ listing. We have all had them. Sometimes the problem is the price expectations. Other times it might be the physical characteristics or limitations of the property itself, or the listed property location, or any number of issues and problems that combine to make each property and listing unique. Sometimes, however the problem is an issue of misalignments. Are your expectations unrealistic and unachievable in today’s marketplace? If you have a listing that is languishing without market interest, it might be time to reconsider what you are trying to accomplish and the limitations of today’s marketplace to deliver the results you are trying to achieve.

Many of us (some slower than others) are coming to the realization that we have moved out of a marketplace characterized by hyper-inflating real estate pricing and market demand fueled by historically low interest rates and aggressive lending practices. In the ‘old market’ it didn’t much matter what you were selling. The market was flush with cash and buyers who were lined up and willing to compete to buy it!

Our changing market.

Well, things have changed! I have experienced numerous market downturns. I have experienced both the steady painful slow stagnation of real estate markets in decline and the equally painfully LONG recovery periods and unfortunately my *old age* and experience keeps telling me that this market downturn might be the worst yet!

But my old age and experience also tells me there is ‘always’ a market although it may be much different from the one we have experienced in recent years. The ***‘NEW MARKET’*** will require more creative marketing skills, the employment of both conventional and non-conventional tools and resources and perhaps, most important, ‘flexibility’. It will be much more difficult to balance competing interests that inheritably exist within any transaction (e.g., sellers, buyers, bankers etc.) to respond to the new realities that are emerging to form the ***“NEW MARKET’***.

“FIX” that thang!

‘Broken listings’ come in many different forms. For example, are you currently marketing a parcel of vacant land? Do you understand that conventional lender’s, in general, are NOT lending money on the purchase of vacant land today? So even if you find a Buyer (or are representing a Buyer), the likelihood that you, or your Seller, or your Buyer will ever be seated at a closing table is virtually non-existent. Unless you have already found that ‘unicorn’ lender who is willing to lend on land, or you have identified another way to fund this transaction. Will the Buyer be paying all cash at closing? Will the Seller be the banker and carry a note? Is there a non-conventional private money lender? As you enter into a listing agreement to sell or purchase vacant land today, you better have already identified your pathway to funding or you will likely be very disappointed moving forward.

We have all sat through marketing presentations by brokers marketing a ‘great’ commercial investment property with no current income? Are you aware that conventional lenders, in general, are NOT lending on non-owner occupied ‘investment property’ today? Are you marketing an ‘investment’ opportunity with a ‘theoretical cap rate’? That may have worked 18-24 months ago under our ‘old market’ conditions, but it is not likely to gain much traction today. I still receive piles of marketing brochures from various sources that are claiming that they represent a ‘once in a lifetime super-duper investment opportunity’ that is virtually guaranteed to lease for ($$$) PSF NNN. While it’s vacant now and has been for months or even years it’s only because the Seller is ‘holding back’ on leasing to numerous prospective AAA quality tenants, because they ‘don’t want to ‘encumber’ this ‘income’ property with long-term leases just in case a prospective Buyer might want to ‘negotiate the leases themselves’ or occupy the property.

I have sat through marketing presentations where a ‘listing’ has been languishing for an extended period of time with little to no market interest (e.g., contracts) then the listing is withdrawn from the marketing world for a period of time to ‘refresh’ the listing (OK I get it…kind of!) but then its’ re-introduced a short time later with the ‘exact same’ listing conditions, only now with a ‘higher’ listing price. The property didn’t attract any serious market attention before so the ‘fix’ being presented to the market ‘now’ is a higher listing price?! (Hint: Broken listings are seldom *‘improved’* by making your potential pool of interested buyers ‘*smaller’.)*

Transitioning to the *‘****NEW MARKET’***

I acknowledge that I have also struggled in the past with my own ‘broken listings’. Fortunately for my clients and myself the overheated commercial real estate market has helped us all to mutually overcome those shortcomings. While I would like to think that I have, been more diligent in the details, I have also become acutely aware that ‘closings’ are much harder to come by these days and will continue to be even more challenging in our ***‘NEW MARKET’*** moving forward. We will all need to be more focused on the details and more thorough in our initial client counselling to be sure we have done our best to align the goal (e.g., a closing) with the realities of the ‘new market’.

It may be time for all of us to reconnect with old tools and techniques that have largely been brushed aside over recent years. Project funding has been, and will continue to be, a significant hurdle in any transaction moving forward. Non-traditional funding methods, (e.g., Owner carry, or Master Lease Agreement etc.) may offer viable financing options that were less favorable just a short time ago when interest rates and bank lending practices were less challenging. Transactions may be peppered with buyer/seller enticements (often referred to as can-adds) that might improve the marketability of a listing.

The ***‘NEW MARKET’*** may also find us co-partnering to share knowledge and experience to expand our personal and professional tools and techniques and to gain broader market access. We are in a period of profound change. While change presents new challenges it also rewards creativity and innovation. The ***‘NEW MARKET’*** is here whether we like it or not and it is still evolving. We can choose to either work to adapt to it or we will likely be buried under it.

David Dornbos

President

Capital Investor Services, Inc.

(303) 550-0095

[dave@capitalinvestorservices.com](mailto:dave@capitalinvestorservices.com)