



Real Estate Talk: Income property / 2

Description

The ins and outs of the process behind the marketing of income property

By Joseph Marovitch

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Marketing a duplex, triplex, or any income property of five apartments (units) or less is like marketing a house or condominium. The property price is based on location, condition of the property, comparable properties that sold in the past twelve months and comparable property currently on the market.

In addition to the pricing, one should take into consideration the rent the landlord receives. If the property is fully rented at fair market value, then the sale price can be higher. If the property is vacant, then the sale price may be lower.

Once the sale price is established, the property is put to market via ads in local papers, the Centris system, websites, newsletters, flyers, virtual tours and in-person visits. Because there are only two or three tenants, it is easier to arrange individual visits for buyers to view the property.

The case of multi-residential marketing

In the case of multi-residential income property (six units or more) the pricing is different in that the cap rate we discussed in the [previous article](#) is a priority factor. The cap rate, along with the location and condition of the property, determines the price. Once the sale price is established, the property is then advertised in newspapers, via flyers, emails, newsletters, and, sometimes, the Centris system used by real estate brokers. Much of the marketing is word of mouth, established contacts, and conferences.

Marketing a duplex, triplex, or any income property of five apartments (units) or less is like marketing a house or condominium.

There are several steps the buyer must go through to determine if the property is a good investment. These



steps require that the vendor provide information such as leases, invoices, bank information, and more. The vendor must also arrange for the buyer to visit the units, basement, boiler room, roof, and more. In summary, the vendor must perform work for the potential buyer and disturb several tenants to allow visits.

For this reason, in the marketing process, it is stated that the vendor must accept the promise to purchase before the potential buyer can even visit the property. Vendors want to know that the price offer is within range of the asking price before going to the effort of providing information and disturbing tenants.

Potential buyers are protected with the four conditions that must be placed in the offer including:

- 1) First visit
- 2) Inspection
- 3) Review of leases, invoices, and other expenses
- 4) Financing

These four conditions will be discussed in future articles.

'... the vendor must accept the promise to purchase before the potential buyer can even visit the property.'

When a vendor places a multi-residential income property on the market for the first time and indicates the property to be in a good location with a Cap Rate of 4.5 or higher, and a clause in the listing, stating the promise to purchase must be accepted before a first visit, it is not unusual for the vendor to receive many offers at the same time. I have seen as many as eight or nine offers received within 24 hours of the property being placed on the market.

The vendor can only accept one offer at a time, therefore, the vendor will review all offers to determine which offer has the best price, conditions, qualification of the buyer's finances, and then prioritize the offers in a list of best to worst and then accept the best to start the process.

If the information regarding the property is accurate, the property is in good condition and the Cap Rate indicates a good profit margin, the property will sell quickly.

If the first buyer, with an accepted offer, determines the information is not accurate, they will either attempt to renegotiate the offer, purchase as is, or cancel their offer, as will the second and third buyer. After the first wave of buyers and buyer's brokers realize the property is not what was listed, the word spreads and the property will stagnate without offers.

When a multi-residential income property is on the market for a long period of time, it is because the information is inaccurate and/or the cap rate indicates little profit or a loss. This is when the asking price should be reviewed and the information updated.

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Next issue we will discuss the conditions that must be placed in a promise to purchase for income properties.

Should you have questions or comments, please refer to the comments section at the bottom of the page. As well, to view past articles, [click here](#).

Next article: **Income property /3 – Conditions of the offer**



State of the market

As we approach the end of August, we may see increasing movement in the real estate market. In September everyone goes back to work and the wheels start to turn faster. Even though the inflation rate is at 8.1% and the interest rates for a five-year fixed closed mortgage are hovering between 5.2% and 5.34%, people still have to live somewhere.

'With world politics and events such as war and pandemics, no can say for certain what the future holds but it can only help to remain optimistic.'

As well, do not expect the rates to remain high forever, nor the inflation rate. High interest rates are having an effect on our spending, causing the economy to reset.

With world politics and events such as war and pandemics, no can say for certain what the future holds but it can only help to remain optimistic.

Have a great week!

Let's not forget that people with cancer are vulnerable too!

You are invited to keep giving to the following organizations since **it's now more important than ever to support cancer research!** Click on the logos below to find out how:



Société de recherche
sur le cancer

Cancer Research Society

Feature image: Andrew Burlone

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Joseph Marovitch has worked in the service industry for over 30 years. His first career was working with families from Westmount and surrounding areas, hosting children between the ages of 6 to 16 as the owner and director of Camp Maromac, a sports and arts sleep away summer camp established in 1968. Using the same strengths caring for the families, such as reliability, integrity, honesty and a deep sense of protecting the interests of those he is responsible for, Joseph applies this to his present real estate broker career. Should you have questions please feel free to contact Joseph Marovitch at 514 825-8771, or josephmarovitch@gmail.com

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1. Article | Real Estate

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1. income property
2. Joseph Marovitch
3. marketing
4. Real Estate Talk

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