

SELL YOUR APARTMENT TO US WITH OUR 3 STEP, HASSLE-FREE PROCESS

BY STEWART SIMEK



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PROPERTY
GROUP



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Selling an apartment building is a bit more complex than taking a few photos and creating an online listing. Unlike a residential home, selling an apartment can be a mine field of important questions like, "How do I establish a price?" "Why are comparable properties not a good indicator of worth?" and "Should I consider a 1031 Exchange?". We offer an easy, hassle-free process to make your apartment sale as simple as possible.

At Simek Property Group we will buy your property with an easy, 3-step process.

1

Evaluating your Property

The first step begins with Simek Property Group getting to know your property. We will request some basic information including your rent roll, financials, and complete a walk-through.

ESTABLISHING A PRICE RANGE.

We will establish a fair price for your property by using a list of comparable properties and a valuation on your apartment's profitability.

Comparable properties. Checking out a list of similar apartment buildings, the sale price, date of sale and proximity to your building will give us a starting point on a possible price range.

Property valuation. Sometimes it can be difficult to find similar apartment buildings for a true price comparison. Instead, multifamily property

is best valued according to the building's Net Operating Income (NOI).

The capitalization rate of your property can be used as an easy way to compare your asset with others available on the market. The capitalization rate is the rate-of-return based on the expected income the property will generate (capitalization rate = yearly income / total value).

For example, if you buy a property that will generate \$130,000 per year and paid \$1,000,000 for it, the capitalization rate is: $130,000/1,000,000 = 13\%$. Whether 13% is good or bad will depend on comparable cap rates in your area. If a majority of buildings have a 10% cap rate, you are in the lead! However, if they're at 15%, you may have an issue. As a general rule-of-thumb for commercial



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real estate investors: $\pm 10\%$ is considered a 'good' return on their investment.

While the capitalization rate is an easy way to compare your property against others on the market, it should not be the sole factor in your pricing strategy. Other considerations such as growth or decline of potential income, or an increase of property value will also be measured.

PROPERTY HIGHLIGHTS.

We will research your building compared to others to come up with a sales price. Here are a few features we will note.

Vacancies. Buildings that are 100% leased, especially when the tenants have long-term lease contracts will fetch a higher price. However, if your property is plagued with vacancy, fear

not! We are also interested in buildings with opportunities to improve.

Current tenants. A rent roll provides a list of all the current tenants in your property, their contract expiration dates and lease rates. The more established tenants with long-term leases will be more highly valued than those with short-term contracts.

Clean up and repairs. No need to spruce up your landscaping or make repairs for us. We are perfectly happy to make a decision on an as-is basis.

Location highlights. We will note your building's most recognizable cross streets and its proximity to highways, public transportation, and area traffic.

2

Agreement

Once we have established a fair price and you agree to continue with the process, here comes the paperwork! Before we start a written agreement

there is one question that needs to be answered. Should we proceed with a 1031-Exchange or not?



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WHAT IS A 1031 EXCHANGE?

Apartment buildings that have appreciated in value are subject to tax on the gains when sold. However, if the proceeds from that sale are reinvested in like-kind properties, within the IRS rules of a 1031 exchange, then you may defer the taxes that would otherwise be due. This strategy allows investors to keep more of their capital working for them and, is intended to allow you to acquire more valuable properties and produce higher cash flow.

CASE AGAINST A 1031 EXCHANGE

Need for Cash. If you need cash, a 1031 Exchange is not likely for you. In order to defer all tax liabilities via a 1031 exchange an investor must reinvest all equity proceeds from the sale and acquire equal or greater property value. In short, if you invest less than 100% of the equity, you will owe tax on the non-exchanged amount.

Not eligible. In order to be eligible for a 1031 exchange, the relinquished property must have been held for productive in a trade or business or for investment. Primary residences are specifically excluded from 1031 exchanges as, by definition, are held for personal use, rather than investment or business purposes. Likewise, a “flip” does not qualify for exchange purposes. IRC section 1031 goes on to state that property “held primarily for resale” does not qualify for an exchange.

Legal entity issues. The legal entity that acquires the relinquished property must be the same legal entity that sold the relinquished property. For instance, if the previous property was acquired in an LLC, then the new property must be acquired by the same LLC. This means if the LLC has 4 members, then the entire LLC (and all 4 of its members) must conduct the subsequent exchange.

Sold at a loss. When an investment property is sold at a taxable loss, there may not be a reason to do a 1031 exchange - why defer a gain when there is no gain to defer? If an investor does conduct an exchange on a property with a loss, the investor would not be able to recognize that loss until the sale of the replacement property. From a purely mathematical perspective, it is generally best to defer gains as long as possible but recognize losses in their current term.

Can't find a suitable replacement property. An exchanger's 45-day identification period can seem to move quickly and too often some investors will rush into acquiring a replacement property for the sake of deferring taxes. Investing in real estate is often a major financial decision with a longer-term investment horizon. If an investor cannot find the right property based on their personal investment objectives and comfort level, perhaps walking away may be the best solution.



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CASE FOR A 1031 EXCHANGE

New and experienced apartment owners regularly take advantage of the 1031 tax-deferred exchange. Aside from giving the investor a tremendous increase in purchasing power, a 1031 exchange can also provide the benefits of leverage, consolidation, diversification, management relief, and increased cash flow and income.

Leverage. Investors can take advantage of the 1031 tax-deferred exchange to acquire a more valuable investment property. By utilizing the money, they would have paid to the IRS in taxes, they can increase their down payment and improve their overall buying power to acquire a more expensive replacement property. Thus, leveraging their cash and continuing to build wealth through real estate investment.

Consolidation/Diversification. With the flexibility of an exchange, an investor may exchange one property for several others, consolidate multiple properties into one, and acquire property anywhere within the United States. For example, an investor can exchange two duplexes for a retail strip center, or take advantage of a new growth area by exchanging one property in California for three properties in Arizona.

Management Relief. Investors that own several rental properties are often faced with the burdens of intensive management and costly maintenance - which often leads to increased headaches! An investor can increase profits and decrease time and effort by exchanging out of high maintenance rental properties and consolidating into an apartment building or NNN leased investment.

Increased Cash Flow/Income. Cash flow and overall income can both be increased through a 1031 tax-deferred exchange. For example, a vacant parcel of land that generates no cash flow or depreciation benefits can be exchanged for a commercial building that does.

Increased Purchasing Power. Capital gain is taxed at a maximum capital gains tax rate of 20% and depreciation is recaptured at 25% (for individual taxpayers). In this example, the total taxes due would be: \$76,750 (25% of \$35,000 and 20% of \$340,000). Additionally, most states have a state capital gain tax that would be deferred through the 1031 tax-deferred exchange for increased purchasing power!

INSPECTION AND PURCHASE AGREEMENT.

A final inspection will ensure we have not missed anything. This is followed closely by the purchase agreement and final paperwork.



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Closing

Closing with \$0 commission!

That's right, no fees from us.

We offer \$0 commission since we are a direct buyer, saving you \$1,000's or even \$100,000's!



About Simek Property Group

Simek Property Group specializes in helping owners sell their apartment buildings Hassle Free and Commission Free covering all areas of Minnesota. We have expertise in investment, management, development, multifamily housing ownership, and advisory/consulting services. We know it is hard work to maintain properties and now it is time to move on. Get the most out of the sale with little to no hassle! Simek Property Group has proven, creative strategies to maximize your profit!

If you are a small to mid-sized multi-family property owner, contact Simek Property Group when you are interested in retirement or get out of your investment.



- Portfolio evaluation
- \$0 Commission Sales
- Buying Apartments As-Is
- Exchanging an Apartment for a Triple Net (NNN) investment

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Today for a

FREE CONSULTATION!