



# COMMONWEALTH

Colorado's Oldest Apartment Firm  
Number One in Sales Since 1975

CCIM

## APARTMENT NEWSLETTER

### HOW TO SELL YOUR COMPLEX FOR TOP DOLLAR

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**"The Goal should be to get Your Property in front of as many Buyers and Brokers possible BEFORE YOU SIGN ANYTHING."**

Commonwealth brokers have closed more Colorado Springs apartment complexes than all the other active firms combined, including all of the "Nationals" from Denver!

Commonwealth was the only apartment brokerage firm that didn't put one investor into an apartment deal from 1999 until the summer of 2004. Competitive brokers made some of their largest sales in 1999-2000, which was the worse time to buy during this building cycle.

**We know the market!**

**NEVER FORGET THAT  
REAL ESTATE IS A  
LOCAL MARKET**

The first step most sellers take is to list with a "national" firm that has hundreds of agents and closes billions in sales each year. Bigger is better theory.

*This decision has literally cost investors millions each year because they chose a firm whose policy is to not actively market to the other 155,000 commercial brokers.*

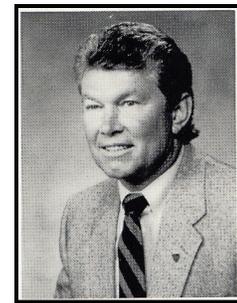
**BROKER MYTH #1: "OUR DATA BANK HAS ALL THE BUYERS ."**

Consequently, I have no need to market to other brokers. (Which means: I don't want to share the fee, even if it means getting my seller a higher price!)

A top executive from one of the largest real estate firms in the nation recently said the following:

*"I managed brokers who delivered that very pitch (We have all the buyers). And we watched clients leave money on the table time and time again by failing to insist their broker create a competitive bidding environment through exposure to all agents and their clients."*

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**RON SPRAGGINS, CCIM**  
Founder and President of Commonwealth

Ron is a nationally recognized expert in the apartment industry.

He has personally closed more Colorado Springs apartment complexes than all other active apartment brokers combined, including all Denver brokers. (over 120 closed sales)

He was the first person in Colorado Springs to receive the coveted CCIM Designation in 1976 and was a Senior CCIM Instructor in two courses for 13 years. He authored the advanced CCIM Course "How to List & Sell Apartments" and was one of the authors for the Apartment Section in the CCIM course on marketing research.

During his 40 year career he has been President of the following organizations: State of Colorado Apartment Association, Colorado Springs Apartment Association, & the Colorado/Wyoming CCIM Chapter.

The truth is, most brokers have “their” list of buyers and these buyers get the sale data before they expose it to the public and/or brokers. Many times the brokers have a better relationship with this hand full of buyers than they do with their sellers, as they’ve closed more deals with these buyers than they have with the sellers. The broker’s goal is to go under contract with someone on “their” list before he has to expose it to the public and other brokers (and share his commission). Who wins in this scenario?

“The greater the exposure and demand for an apartment building, the higher the price will be”.  
Simple supply and demand economics.

Yesterday’s buyer list has little value today, as the majority of the current buyers weren’t in the Colorado market prior to this last over building cycle.

In an industry where most brokerage firms try to do “both sides” of the deal, it’s hard to find top brokers who will share the fee, again, who wins and who loses?

Commission splits help make the deal. Why should you as a seller care if your broker has to split their commission? You’re paying a commission to get the marketing expertise to get your property sold at the highest possible price . . . the goal isn’t to make the broker rich.

You get the best price when you encourage competition among the buyers. Most apartment brokerage firms market to the “same old circle of buyers”. All firms have a large data base of apartment buyers, however, that doesn’t mean they’re the firm’s clients that rely on their opinion, as most have never met face to face or had a closing with any of them.

A smart seller would require their broker to split their fee. Having more brokers’ presenting their complex to their client’s means more potential buyers.

You must have “TOTAL” MARKET EXPOSURE in order to achieve the highest possible price. You leverage your complexes exposure by taking it to the “brokerage community”, which essentially puts hundreds of brokers to work trying to sell your property.

*“There are over 155,000 other commercial real estate brokers working today that have trusting relationships with many buyers who only buy real estate with these people, and they’re not on your brokers list”.*

The following should be included in the marketing program to reach as many buyers & brokers as possible:

1. You want your complex on every known commercial property website, including, but not limited to:
  - a. *Loop Net alone claims to have 2.5 million members and \$475 billion of properties for sale. They have 910,000 visitors every month!*
  - b. *The CCIM program, known as the PhD’s of commercial real estate, have over 9,000 designees and 10,000 more in the pipeline for the designation. They do over \$200 billion in annual sales. CCIM’s are in more market places in North America, over 1,000, than all major real estate companies combined! Plus they’re in 30 other countries.*
2. Utilize multiple email marketing systems and place ads in correct print media, etc.
3. Your complex should also be promoted to lenders active in that local market.
4. Your broker’s web site should have a “broker friendly” sales package accessible to other brokers, **WITHOUT REQUIRING THE OUTSIDE BROKERS TO FILL OUT CA’S ON THEIR CLIENTS BEFORE THEY CAN VIEW THE SALES PACKAGE ON YOUR PROPERTY.**
5. Your Broker should attend marketing sessions to present your property to other brokers? (CCIM, local commercial real estate societies, regional and national marketing sessions held by NAR, etc.)
6. Offer a competitive split for the outside brokers. Offer more on hard to sell complexes, 40% of something is better than 100% of nothing.

The goal should be to get your property in front of as many buyers and brokers possible BEFORE YOU SIGN ANYTHING. With this approach, everyone, including buyers and brokers are aware of your complex being for sale, so they have to move quickly if they wish to purchase.

**WHAT YOU LOSE IF YOU DON'T MARKET TO OTHER BROKERS:**

Merrill Lynch reports the following facts:

1. There are 1,000 billionaires in the United States alone.
2. Globally, there are approximately 100,000 "super rich", each with investment assets of \$30 million to \$1 billion.
3. There are 10 million "wealthy" people with investment assets of \$1 million to \$30 million  
WHO CONTROL ALMOST \$37 TRILLION in assets.

These Investors increased the real estate percentage of their portfolios from 16% to 24% in a one year period.

4. In addition to the above, there are also hundreds of companies that have trillions of investment dollars.

The CEO of one of the nation's largest real estate firms sums it up as follows:

**"No one brokerage firm can possibly know all of these investors and more importantly, they have no working, trusting, relationship, with the majority.**

*These potential investors most likely have established relationships with real estate brokers and/or advisors they trust and whose opinions they respect. They're not likely to invest in an apartment deal as a result of a mailing, email or even a cold call. So, the only way to access this \$37 trillion dollar market is to mobilize and provide incentive compensation to their trusted real estate agents and advisors . . . the people who present apartment opportunities to them.*

**If your broker doesn't actively solicit outside brokers, consider how many of the 10 million wealthy buyers will never see your property".**

The fact is, no one agent or firm can possibly know all the possible buyers for your complex. So when you're getting ready to hire a broker to market your property, be sure he actively markets his properties to the brokerage community.

Understand that apartments can sell themselves, in the sense that there are investors willing to pay some price for a deal if it gives them their magic yield number. Usually, however, this price isn't the top price that the seller could achieve if marketed properly.

We must understand that buyers are trying to get the lowest price possible. **The real job of the "broker" is to market the complex in a fashion that achieves the highest possible price in the time period the seller desires.**

**There were several sales in the Springs last year that were \$5,000 to \$10,000 per unit under what they would've sold for if they had been exposed properly to other buyers and the brokerage community.** They weren't even exposed to the top two apartment firms in the state! These were all complexes in the 200 unit range, so the seller left several million on the table, at the expense of his partners. Some of these sales sold for over 20% less than the listing price! These deals were only presented to that broker's list! **Again, who loses?**

**BROKER MYTH #2:**

**REQUIRING OUTSIDE BROKERS TO EXECUTE A CONFIDENTIALITY AGREEMENT (CA)  
PROTECTS THE SELLER'S INFORMATION.**

Most seasoned performing brokers won't go thru this brain damage, as the document is so wordy, your client needs to take it to his attorney! A CA's purpose is to protect the owner's proprietary information, but we've found the **real purpose, in many cases, is to deter outside broker cooperation** or worse, they now start sending all their sales flyers to your client (you're not included) since the CA has all of your client's pertinent information. We had a loyal client of 25 years fill out a CA on a Colorado Springs project for a national brokerage firm in Denver. Much to our amazement, sometime later this client sends us a sales flyer he received from the national firm who had his CA. He, like always, asked us to get the full package and do some cash flow analysis on the deal. When I called the national Denver firm, I was told that my client had already received their sales flyer without me being involved and any offers from this client would not include our firm! Speaking of commission happy! They not only put our firm and more importantly, our client in a very uncomfortable position, but their seller missed another offer, only because they wouldn't share their fee . . . **who are they really thinking about?**

**BEFORE YOU LIST, ASK THE BROKERS THE FOLLOWING:**

1. What per cent of your fee do you offer outside brokers? (It must be competitive to get the attention and time of the other brokers)
2. Explain the marketing program you use to reach, as many as possible, the other 155,000 commercial brokers who have private relationships with many buyers.
3. Do you require other brokers to complete a CA agreement on their clients before you share information with them?
4. If you do require a CA Agreement from other brokers, do you then later send his client future information direct without the other broker being involved?  
(This practice only works once on deal making brokers. Once a firm gets this reputation, the other brokers stay away, which means your property won't get exposed to all of their clients.)
5. What is your reputation for cooperation with other brokers? What percentage of your sales involved outside brokers?  
(Follow this question up to a couple of the main apartment brokers in that area to verify.)
6. Will my complex be listed on all of the main MLS type web sites, i.e. Loop Net, CCIM site, local commercial MLS, etc. with the ability for other brokers to access necessary data.
7. Is their current web site broker friendly? (i.e., can an outside broker go to their site and see your property and all the necessary data to present to their clients, without filing out a CA on their clients!)
8. Do you include brokers in your first mailing of a sales flyer or do you work your "list" before exposing to other buyers and brokers?
9. A complete list of all the brokers "personal" sales in that local market. Brokers are famous for using sales numbers that include every broker in their firm and thru out the USA.  
(Remember, the individual agent is the one you're deciding upon, he's the one who'll get you the top dollar, not the other agents in their firm.) Sales in other markets don't count!
10. How many years have you specialized in selling only apartments.
11. Did you put any investors into apartments in Colorado Springs between the years 1999-2003?  
(If they did, it's clear they don't understand the local market, vacancies went from 3% in 2000 to 9% in 2001, 12% in 2002, and peaked at a 16 year high at 15% in 2003! Knowledgeable brokers were having their clients sell their apartments in 1999-2000, as they should've been aware of the upcoming over building).
12. What broker marketing sessions will you attend to present my property?  
(CCIM, local commercial societies, regional and national marketing sessions held by NAR, etc.

**Brokers Should put their Client's Interests before Theirs on every deal**

**COMMONWEALTH IS THE ONLY COLORADO APARTMENT BROKERAGE FIRM THAT DIDN'T PUT ONE INVESTOR INTO AN APARMENT DEAL IN COLORADO FROM 1999 TO JUNE OF 2004!  
THE OTHER TOP APARTMENT BROKERS MADE SOME OF THEIR LARGEST SALES IN 1999-2000!!**

**Never forget that real estate is a local market**

**To be continued: Next issue will cover "Strategies to Make Your Complex Ready for Sale to Achieve Top Dollar," including Maximizing Net Operating Income.**