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Question of the Month

How can developers insure guaranteed sales for their mixed-use projects without giving away profits?

mk Marilyn Karpoff

Karpoff
Affiliates

By pre-selling a major percentage of your project during the pre-construction phase!

This innovative pre-construction purchasing program is typically used for residential projects, but it is just as effective for commercial and retail condo developments.

We at Karpoff Affiliates work with a group of investors that are currently funding between \$50 & \$100 million every month. The group purchases from 20% - 30% of a new project's potential units during the pre-construction phase of development. This gives the developer a significant advantage on many levels.

The 1st potential plus comes into play during the ever frustrating financing phase. Financing criteria vary from city to city but in most cases a developer needs to show pre-sales between 30% - 60%.

Additionally, in many instances, regulations require sales as individual purchases, with separate names and social security numbers for each unit purchased. Our group is a conglomeration of approximately 500 high net worth individuals which allows us to sign individually for each unit while the developer still only has to deal with just one buyer. This affords the developer an instant 20% - 30% head start on meeting his or her financial requirements.

The next phase of the process is marketing and sales. Here the advantages are slightly more obvious but no less valuable. It is psych and sales 101. Very few investors want to be the first to purchase a new untested product, but, if the developer can show that the project has already sold a significant percentage of units, the project evolves from a risky proposition into a proven investment opportunity. This "short cut" in the sales process has the added advantage of saving the developer significant money on land carry; advertising and staffing costs and construction can start that much quicker.

What's the catch? What is in it

for our investor group? Like all serious investors, our group is interested in getting a good return on their investment, but this program is beneficial to both sides of the equation, with virtually no down side for the developer.

Our Pre-Construction Purchasing Program is truly a unique "win/ win" situation for both the investor and the developer!

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As with many innovative programs, our pre-construction purchasing plan offers many possible variables for many different situations.

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The buyers traditionally put down a hard cash deposit on each unit, with the percentage varying based on the specific circumstances. The purchase price and the percentage of units purchased is an adaptable and flexible component of the program. In the most basic scenario, the program buyers will purchase up to 15% of the available units with the understanding that they will be the last to close. This avoids any non-closing or "flipping" objections and still shows the financiers and the other buyers that a significant portion of the project has been pre-sold.

Another possibility is that the group will purchase up to 30% of a project's units at a percentage discount. They will purchase an equal amount of units from the range of possibilities, but require a spread between the cost of their units and the price of other units sold to non-group individual buyers. There are many ways to reach the desired spread, but typically it is a balance between the buyers discount and the developer raising the prices for future sales. This gives our buyers the dis-

count they need, while having virtually no negative impact on the developer's bottom line because, after selling 30% of their units most developers would be raising the price by at least a significant percentage anyway. Additionally, depending on the developer's situation, and what variation of the program utilized, some scenarios afford the developer the opportunity for back end profit possibilities. However, regardless of the size of the project, or the financial circumstances involved, we are confident that we have a pre-construction purchasing plan that will suit virtually every developer's specific needs and give them an "edge" with no down side!

So there you have it! I asked how a developer can virtually insure guaranteed sales for new mixed use projects and I believe the question has been definitively answered! Good luck at the tables; when you are ready for much better odds check us out at www.karpoffaffiliates.com.

Marilyn Karpoff is president/owner and member of Karpoff Affiliates, LLC, New York, N.Y.

Karpoff Affiliates, LLC

Marilyn Karpoff - Licensed Real Estate Broker

Pre-Construction Investment Program

Karpoff Affiliates, LLC, exclusively represents an investment group that purchases 20-30% of Pre-Construction residential, (as well as insider deals or conversion opportunities) office, retail and commercial properties.

This purchase of pre-built units is a WIN/WIN for everyone involved!

Our innovative program is beneficial to you the developer on many different levels:

- **As a marketing and sales tool.**
Tremendous plus to be able to exclaim to potential buyers that even before a shovel has broken ground you have already sold 30% of the units.
- **Influx of funds.**
At this point in a project, additional liquid assets can be priceless for piece of mind and project stability.
- **Developer Profit Participation.**
Additional percentage given back to developer on the end user sales profits.
- **Guaranteed Financing.**
By having sold 20-30% of the potential units in the pre-construction phase, investors are virtually guaranteed to secure financing for almost any type of project regardless of size or complexity.

If you have any interest in selling 20-30% of your upcoming development's units during the pre-construction phase, or if you are interested in more information, please do not hesitate to call, email, or contact us through our web site.

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