

‘Rolling Offers’ Tried on Fla. Rentals

In the busy Central Florida apartment market, some investors are turning to a first-come, first-served approach to close deals quickly.

More listings are being circulated with the notice that “offers will be presented upon receipt” — meaning they will be considered immediately rather than go through a weeks-long bidding process. That’s appealing for investors looking for quick execution in what they see as a good window for dealmaking; between the market disruption caused by the coronavirus and the uncertainty surrounding the upcoming election.

“If [sellers] feel like they’re getting good pricing with a reputable buyer and they don’t need to go through a full marketing process, that’s a positive,” said **Matt Ferrari**, co-chief investment officer at **TruAmerica Multifamily** of Los Angeles. Ferrari, who heads acquisitions and East Coast asset management, added that for buyers, “there is an opportunity to ring the bell with some sellers and just get the deal done sooner rather than later. I think it’s a good thing for a buyer or a seller if you value surety of closing over every last dollar.”

Leading the way on these “rolling offers,” as they are commonly called, is **Jamie May**, founder and chief executive of boutique brokerage **JBM Institutional Multifamily**.

“We came up with the idea to present ‘offers upon receipt’ and it has encouraged investors to commence underwriting and submit their best offer as soon as possible,” May said. “It’s similar to the typical bid process, just shorter, because if they don’t get their offer in sooner, rather than later, [the property] can be gone.” The shortened timeframe also enables his firm to “gauge the current market very quickly, versus over a long, drawn-out process,” he said.

The Central/Northern Florida multi-family market was the nation’s most-active in 2019 and in the first half of 2020, according to the **Real Estate Alert** Deal Database, which tracks trades of \$25 million and up. The market’s 21% volume drop in the pandemic-disrupted first half was less than the 34% fall nationally. Deal flow started to pick up again in June — aided by the availability of credit, especially from **Fannie Mae** and **Freddie Mac**.

“There’s a realization that the debt markets are extremely liquid right now and sellers want to take advantage of that as best they can, so timing is huge,” said **Richard Kulick**, a manag-

ing partner at **Beacon Real Estate** of Coral Gables, Fla. “With the election coming up, nobody knows what’s going to happen in terms of pricing and Treasurys.”

The quick process is particularly appealing to buyers seeking to complete a tax-deferred exchange under Section 1031 of the IRS Code. The normal deadlines — 45 days to identify a replacement property and 180 days to close the deal — were extended due to the pandemic, but there is renewed uncertainty because **Joe Biden**, the Democratic challenger to **President Trump**, has proposed eliminating the program.

May said he decided to use the rolling-offers approach after hearing from sellers and buyers eager to trade after being sidelined through the second quarter by the pandemic. Like working from home and Zoom meetings, he thinks the practice could become “the new normal. Not only have we been able to achieve the pricing we said we would, in some cases, we are superseding it,” he added.

JBM has had several deals move quickly to nonrefundable deposits. May said a combination of better-than-expected rent collections amid the pandemic, a lack of available supply, low interest rates and the desire to close before the election has created a sense of urgency.

“On one of our deals, we had an offer come in on the second day at a price where we needed to be and they were in a tax-free exchange,” said May. “They got on a plane, looked at the property, gave us an offer that same day and, the following day, the seller agreed to accept their price and we’re negotiating the contract now.”

Kulick welcomes the shortened timetable. “I like it a lot,” he said. “If there is a meeting of the minds on pricing between the buyer and the seller, I don’t have to go through several rounds of valuation and deal-term negotiations like the counteroffers and best-and-finals and interviews. . . . Basically, it’s like, here is my number. Let’s shorten up this process.”

Ferrari added that while getting the right price is still important, “the reputation of the buyer and their ability to close and do what they say they’re going to do matters more than ever.”

He added: “It would seem that surety of closing and timeliness of closing matter more these days, in the sense that buyers and sellers want to get deals completed this year.” ❖

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