

## Is Now the Time to Buy or Sell Your Real Estate?

By Gabe Adler  
Zinner & Company

**T**here are many decisions to be made in today's real estate market. Is now the time to buy property at distressed prices? Is it time to sell a property that has cost you hundreds of thousands of dollars a year to maintain, or do you continue to hold it because of its future potential?

Conversely, do you consider selling a property that is currently generating good cash flow because future events may adversely impact it? The advisors at Zinner & Co. have long been helping their clients answer important questions such as these.

### Where to start?

What is the value of real estate today? *That* is one of the most difficult questions to answer in today's market. Over the past few years, real estate values have declined by 10% to 50% or more. The degree of change in the value is dependent on many factors, including the quality of tenants and tenants' leases, as well as the property's location. These are not the only factors to consider; that is why it is so important to retain a professional real estate appraiser to help you understand your property's value.



Among other things, an appraiser will seek current comparables, if possible, for your property and will analyze other important factors in valuing the building. It is particularly important to try obtaining comparable sales of property *that are current* since sales that transpired several years ago will be outdated and, therefore, virtually useless in determining current value. Such comparables should only be used as a barometer of what the upper-end

value *used to be*, but not what the current value is.

### Is it time to buy?

Not surprisingly, most experienced real estate professionals don't see this as a time to shy away from the market, but rather as an opportunity to make a fortune. They have been through these up and down cycles before. In fact, many real estate professionals who had decreased their real estate holdings before 2008 and had been holding cash since then are now jumping back in. A number of our clients who were holding profits from prior years now see a great opportunity to buy property at substantially reduced prices. Recently, a client acquired property here in Ohio at a third of the price at which it was valued several years ago. The client paid cash for this property and it now generates a 16% return. That return is much better than a return you can



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currently achieve in today's stock or bond market.

### When is it time to sell?

We have been talking about purchasing real estate. So when is the right time to sell your real estate investment? Let us start again by asking what the current value of the property is, as well as its cash flow. Also, how does your estimate of current value compare with your investment in that property?

If the property's occupancy and cash flow are currently good but leases will soon be expiring and not likely to be renewed, there may be tough decisions to make. Whether your tenants stay or leave, what improvements might you have to make to the building and at what cost? Will the additional investment in building improvements generate a sufficient return in consideration of the risk? When the investment in the property does not support the level of risk, plans should be made to sell it. We have seen

cases where the amount owed on the nonrecourse mortgage plus the anticipated investment in the building for upgrades and tenant improvements did not warrant that additional investment. In such cases, one could argue that a decision to give the property back to the lender is warranted.

### Tax implications

Whether buying or selling real estate, there are many tax issues that need to be considered.

As a buyer, one must know what assets you are acquiring in the transaction. Can the assets be segregated between personal property and real property? How may the assets acquired be depreciated and what other tax benefits are available to the buyer?

As a seller of real estate, one must understand whether there are gains or losses being generated from the transaction and what their tax effect will be. There may be times when unused pas-

sive losses that had been suspended from prior years may be able to be used against your other income upon the sale of your property. These passive losses can help reduce the tax that results from selling the property at a gain.

### Decisions

As you can see, the decisions one makes in buying, selling or turning a property over to the lender are determined by many factors. That is why it is critical you enlist the help of a team of advisors to assist in making those decisions. With the help of a competent and experienced team, these decisions can be made with the greatest chance of success. **P**

*Gabe Adler has been a partner at Zinner & Company for 16 years. He leads the Real Estate Group and is a member of NAIOP and USGBC. For more information, contact Zinner & Company LLP at 216.831.0733 or by email at [info@zinnerco.com](mailto:info@zinnerco.com) to learn how Zinner's team of certified public accountants and management consultants can help you succeed.*

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## SEEKING TRUSTED ANSWERS TO YOUR REAL ESTATE QUESTIONS?

### IS NOW A GREAT TIME TO BUY?

### WHAT IS A PROPERTY'S ACTUAL VALUE?

### WHEN IS THE BEST TIME TO SELL?

### WHAT ARE THE TAX IMPLICATIONS?

With the help of an experienced team that understands your goals, you can make optimal real estate investment decisions while taking full benefit of current tax laws.

For over 70 years, Zinner & Co. has been advising its clients, who include successful land developers, contractors and property managers, as well as owners of office, residential and warehouse buildings, on their real estate needs.

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