

**TRI-STATE
PROPERTIES LLC**

Phone: 631-462-1555
CELL: 516-818-5626
FAX: 631-462-4465

Ronald Kleinberg

*Specializing in the Sale of
Shopping Centers,
Office Buildings &
Apartment Complexes*

10 Gables Court
Dix Hills, NY 11746

**TRI-STATE
PROPERTIES LLC**

Phone: 631-462-1555
CELL: 631-680-9184
FAX: 631-462-4465

Dale Staudigel

*Specializing in the Sale of
Shopping Centers,
Office Buildings &
Apartment Complexes*

10 Gables Court
Dix Hills, NY 11746

What's the formula for buying commercial real estate?

rk Ron Kleinberg

Tri-State
Properties

Some investors insist that retail properties only make economic sense when you pay ten times the net income. Apartment buyers swear the formula is eight times the gross rent multiplier, while buyers of office buildings maintain that paying more than \$200 per s/f for bricks makes a purchase unpalatable.

Specializing in the sale of commercial real estate, my partner, Dale Staudigel and I were asked to shed some light on how to evaluate an

income-producing property. Having witnessed two decades of real estate cycles, we revisited our sales

evaluation if the asset can fit through three fitness gates. The first two gates that elevate a property's value

Simply stated, how much cash does an investor pull out of his pocket, and how much equity does he earn.

records, searching all asset classes for a clue that would act as a common denominator connecting all high-performing properties.

We've been privy to all manner of real estate analysis from the local investor armed only with a calculator, to the pension fund advisor utilizing an Argus 10-year cash flow forecast, to arrive at an internal rate of return.

What we established is that real estate exists in a shifting transactional marketplace that makes formulas mere sign posts, suggesting an investor proceed with further

are self explanatory - location and parking, but the cash-on-cash yield is the truest time honored formula. Simply stated, how much cash does an investor pull out of his pocket, and how much equity does he earn.

Ron Kleinberg is a co-president of Tri-State Properties, Dix Hills, N.Y.

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