

Real Estate Dashboard *from:*



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How do you establish value for a Multi-Family Home?

By John J. Graves
Sentinel Contributor

I recently listed a multi-family home in Greenwich and was surprised by the attention the listing received and the confusion over how to value a multi-family home.

Growing interest in income properties stems from the view that prices for income producing properties are expected to appreciate due to projected rises in rental income created by an improving job and wage market and the growing number of household formations created by the rising millennial demographic. Also,

the historically low interest rates improve affordability and investment return.

Unlike a single family home where comps can be analyzed and value established based on location, condition and size, value for an income producing property is based primarily on the income it generates. Listed below are some key measures an investor can use to establish value for an income producing property.

1) Return on Capital Invested (ROI) – measures the investment properties' return on the capital invested to purchase the building. It

is calculated by dividing the Net Income (Gross Income less mortgage and operating costs) by the amount of cash invested. For example, if a client invests \$600,000 cash (down payment) and the property generates an annual Net Income of \$15,000, the return on capital invested is 2.5%. The Operating Expenses should include taxes, insurance, utilities, services and, an annual maintenance and vacancy allowance.

2) Gross Income Multiplier (GIM) – establishes the relationship between the asking price and the properties' gross income. It is calculated

by dividing the properties' asking price by the Gross Income . . . for example, if the asking price for a property is \$1,800,000 and it generates \$90,000 annual gross income, the gross Income Multiplier is 20 (\$1,800,000 asking price divided by \$90,000 annual gross income). Therefore the property is priced at 20x the gross income. This multiple (20x) can then be compared to the GIM for other investment property considerations.

3) Price per unit – represents a simple calculation of dividing the properties' asking price by the number of

units. For example a 4-unit building with a \$1,800,000 asking price produces a price per unit of 450,000 (\$1,800,000 divided by 4-units). This calculation can then be compared to other comparable active and sold multi-family listings.

4) Cap Rate – represents the return an investor would achieve with an all-cash purchase. The cap rate is calculated by dividing the net operating income (gross income less operating expenses) by asking price. For example a building with an asking price of \$1,800,000

generating a \$78,000 net operating income would achieve a 4.3% cap rate (\$78,000 divided by \$1,800,000). The resulting cap rate can then be used as a comparison to other comparable income producing properties.

In addition to these quantitative metrics, it is important for an investor to consider a property's location and condition to reach a final fair market value for the subject property.

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The Picture's Getting Cozier, Despite Tax Worries

By Allan Murphy
Sentinel Contributor

Hello to December and the season of lights. Fantastic to have them back on the Avenue and thanks to those that spearheaded the Light Up Greenwich campaign. The twinkling trees certainly do make our evenings a bit more merry and bright!

My family has just returned from Thanksgiving in Copenhagen. It's even darker and damper there this time of year, and the Danes counter that with something they call "hygge." There is no direct translation, but it generally means creating spaces and experiences that provide a sense of coziness and warmth and comfort—and the Danes do it beautifully, with lots of

candles and decorations and smiles and good cheer.

Some places in our town that strike me as having hygge include The Homestead, the back room at The Ginger Man, Polpo, Mill Street Bar & Table, La Cremaillere (in Banksville, just over the New York line), Le Penguin, the bar at Boxcar Cantina, Louie's bar, Bruce Park Grille, and Applausi. Cozy spaces bring warmth and cheer to the season.

News from the commercial real estate front: The office space market continues to be reasonably active. In western Greenwich several new leases are currently being negotiated, and there is rumor of a large new medical deal brewing. The medical office market has been one of the most active

submarkets over the last couple of years, especially as some larger blocks of space have been leased by ever-larger medical groups that are consolidating numerous smaller practitioners—as illustrated by WestMed's significant new presence at 644 W. Putnam Ave., the modern-looking CVS building.

Central Greenwich class A space near the train continues to command pricing in the \$80 to \$110 per square-foot range, though the market for those tenants is narrowly defined. Some existing central Greenwich tenants are opting for other alternatives. A central Greenwich law firm recently chose to expand in eastern Greenwich rather than downtown, and a central

Greenwich financial services firm will soon move to New York City.

Several new office leases have recently been signed in Cos Cob at 8 Sound Shore Drive and One River Road, and in Old Greenwich at 1700 E. Putnam and Greenwich Commons, so the east side of town is also active. To be sure, there is still vacancy in Greenwich, but there is also reasonable activity—it's getting cozier.

On the retail and restaurant front, The National restaurant and b'good are now open on the bottom of the Avenue, and Leafline Salad has closed near the top of the Avenue, to be replaced by The Granola Bar in mid-January. It's a challenging location due to the

setback from the sidewalk, but hopefully a good new offering can overcome that (although I thought Leafline was pretty good).

The General Electric question: GE's future presence in Fairfield, or lack thereof, doesn't impact Greenwich directly, but GE does cast a shadow in our direction from both a commercial and residential perspective. Just as important, GE's possible decision to move its headquarters out of state may be a harbinger of what's ahead. The anecdotal evidence is starting to add up: ESL Investments, Kamunting Capital, Synowledge, and several individuals that I know have recently departed Greenwich for Florida

because of Connecticut's worsening economic and tax environment. And moving is a frequent topic of conversation in our discussions with tenants and their executives.

We are fortunate to have a beautiful and desirable town that has continued to attract talented people and their companies—but it would be naïve to think that we aren't now competing for those people and companies against many other desirable places that offer more favorable business and tax environments.

Allan Murphy is a senior managing director at the commercial real estate services firm Newmark Grubb Knight Frank. He has specialized in the Greenwich and Stamford markets since 1996.

SOLD	Original List	List Price	Sold Price	DOM	SqFt	Bdrms	FB	HB	Taxes
20 Church Street B12	\$515,000.00	\$515,000.00	\$490,000.00	18	1318	2	2	0	\$4,489.00
89 Lake Avenue	\$675,000.00	\$675,000.00	\$500,000.00	230	2204	1	1	0	\$9,675.92
69 Riverdale Avenue 303	\$829,000.00	\$829,000.00	\$800,000.00	172	2400	2	2	2	\$6,085.75
212 Lyon Farm Drive 212	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	24	2236	3	2	1	\$7,542.00
9 Shorelands Place	\$1,595,000.00	\$1,595,000.00	\$1,595,000.00	10	2186	5	2	1	\$8,816.00
3 Putnam Hill 3G	\$995,000.00	\$995,000.00	\$995,000.00	25		2	2	0	
107 Havemeyer Place	\$1,750,000.00	\$1,600,000.00	\$1,300,000.00	58	3077	3	3	0	\$8,264.00
19 Porchuck Road	\$1,500,000.00	\$1,500,000.00	\$1,400,000.00	69	1905	3	2	1	\$15,171.00
1 Putnam Hill 4 E	\$520,000.00	\$520,000.00	\$506,000.00	50		2	1	0	
19 Watch Tower Lane	\$1,175,000.00	\$1,175,000.00	\$1,100,000.00	14	1831	4	2	1	\$7,665.00
2 Oneida Drive B2	\$4,495,000.00	\$4,495,000.00	\$4,325,000.00	381	6033	3	4	2	\$-
50 Lafayette Place 4 F	\$389,000.00	\$450,000.00	\$412,500.00	53	1250	1	1	1	\$3,194.02
603 Steamboat Road 1	\$1,000,000.00	\$1,000,000.00	\$1,200,000.00	11		2	3	1	\$13,760.00
18 Hassake Road	\$1,350,000.00	\$1,350,000.00	\$1,375,000.00	8	2636	3	3	1	\$9,264.00
4 Relay Court	\$695,000.00	\$640,000.00	\$600,000.00	162	1029	3	1	0	\$3,410.78
79 Josephine Evaristo Avenue	\$395,000.00	\$395,000.00	\$395,000.00	42	904	2	1	0	\$3,513.00
77 Ritch Avenue	\$450,000.00	\$450,000.00	\$485,000.00	19	1343	3	1	0	\$4,551.00
30 William Street	\$698,500.00	\$649,500.00	\$605,000.00	133	1556	4	3	0	\$4,132.46
78 Glen Ridge Road	\$1,295,000.00	\$1,295,000.00	\$1,250,000.00	43	2140	4	2	1	\$7,203.00
74 Orchard Street	\$749,000.00	\$699,000.00	\$650,000.00	161	1048	3	1	0	\$5,685.46
1364 King Street	\$885,000.00	\$799,000.00	\$710,000.00	182	2628	4	2	0	\$4,526.00
59 Le Grande Avenue 16	\$1,495,000.00	\$1,495,000.00	\$1,495,000.00	41	2482	3	3	1	\$9,555.00
45 Harding Road	\$2,195,000.00	\$2,075,000.00	\$2,000,000.00	103	3241	4	3	1	\$10,490.00

NEW LISTINGS	Original List	List Price	List/SqFt	Bdrms		HB	Taxes	Area
16 Winding Lane	\$2,495,000.00	\$2,495,000.00	\$494.94	5	4		\$18,078.00	GR
41 Riverside Lane	\$1,949,000.00	\$1,949,000.00	\$674.39	4	3	1		RV
642 Lake Avenue	\$4,995,000.00	\$4,995,000.00	\$818.85	4	5	2	\$17,932.00	GR
50 Lafayette Place Unit 1f	\$299,000.00	\$299,000.00	\$747.50	0	1	0	\$1,619.00	GR
50 Pond Place	\$1,595,000.00	\$1,595,000.00	\$523.64	4	3	1	\$8,166.00	CC
274 Palmer Hill Road	\$2,395,000.00	\$2,395,000.00	\$691.40	4	3	2	\$13,418.00	RV
6 Caroline Farms Road Unit 3	\$895,000.00	\$895,000.00	\$525.85	2	2	1	\$5,667.00	CC
11 Old Forge Road	\$1,875,000.00	\$1,875,000.00	\$456.76	6	3	0	\$11,817.98	GR
2 Putnam Hill 4 - F	\$295,000.00	\$295,000.00	\$280.95	1	1	0		GR
81 Sherwood Place D	\$1,500,000.00	\$1,500,000.00	\$412.54	3	3	1	\$11,524.00	GR
17 Hemlock Drive	\$11,000,000.00	\$11,000,000.00	\$814.81	11	12	5		GR
528 Riversville Road	\$1,950,000.00	\$1,950,000.00	\$743.71	4	3	1	\$14,376.00	GR
76 Greenwich Hills Drive 76	\$849,000.00	\$849,000.00	\$477.77	2	2	1	\$5,465.00	GR
14 Long View Avenue	\$3,695,000.00	\$3,695,000.00	\$655.14	6	6	2		RV
23 Wescott Street	\$730,500.00	\$730,500.00	\$479.33	2	1	0	\$5,486.00	RV
30 Indian Field Road	\$1,145,000.00	\$1,145,000.00	\$693.10	2	2	0	\$6,303.00	GR
5 Lockwood Drive	\$1,695,000.00	\$1,695,000.00	\$880.98	4	2	1	\$8,387.00	OG