

**HOW TO BUY AND SELL PROPERTY MANAGEMENT  
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Introduction

Why Buy or Sell?

- Reasons to Buy
- Reasons to Sell

Buyer and Seller Shared Responsibilities

- Maintain Confidentiality
- Adopt a realistic attitude
- Abide by state laws
- Be ethical
- Provide due diligence
- Provide full disclosures
- Be prepared
- Share the transition

Buying property management accounts or company

Step 1 - Review YOUR reasons for buying

Step 2 - Review your business for buying

- Review your business plan
- Review your current budget
- Consult key contacts
- Determine your buying power
- Review your current company
- Investigate money resources

Step 3 - Deciding what to buy

- Do you want to buy accounts and/or the business?
- Are you adding same-type properties?
- Are you willing to add ANY dissimilar properties?
- Do you want to add a separate division?
- Do you want to start management in another area?

Step 4 - Determining what to pay for accounts

- Soliciting for agent referrals
- Paying for referrals from other business contacts
- Establishing the value of property management accounts in your area
- Finding out the value of accounts/businesses in your area
- Common formulas used in buying accounts/businesses
- What to do if there are no sales in your area
- Factors that affect price
- Paying top dollar for the accounts
- Paying for distressed situations

Step 5 – Documentation to give to Seller

- Prepare documentation in advance
- Buyer Documents to supply to Seller

Step 6 - Marketing for accounts/company

- Making verbal contacts
- Using written solicitations
- Using professional business brokers

Step 7 - Potential pitfalls or red flags

- Why is the accounts/business for sale?
- Who is minding the store?
- Is the Seller in compliance with the state real estate agency?
- Are the trust account and/or books in order?
- Are there any legal issues?
- What is the condition of the properties?
- Are there management agreements with the property owners?
- Are there written agreements with the Personnel

Step 8 - Common mistakes Buyers should avoid

- Do not ignore doing research
- Do not neglect preparing documentation in advance
- Do not neglect ignore set up documentation with Personnel
- Do not be too anxious, push, or laid-back
- Do not take offense too easily
- Do NOT just accept things at face value
- Do not fail to give respect

Step 9 - Deciding to make an offer

Step 10 - Making the offer to the seller

- Constructing the offer
- Handling a counter offer

Step 11 - Completing the purchase/sales agreement

- Supply all required documents
- Completing the review of documents, properties, and/or physical inventory
- Opening Escrow
- Making payment and providing collateral equity
- Removing contingencies - finalizing the Purchase Agreement
- Planning the transition

Step 12 - Handling a cancelled Purchase Agreement

- Obtaining agreement
- Maintaining confidentiality
- Setting any monies

Selling property management accounts or company

Step 1 - Seller Preplanning

- Making the decision to sell
- Determining what affects price
- Review trust and rapport with property owners
- Review and/or implement written agreements with Personnel
- Review written contracts with owners
- Initiate file cleanup and/or revisions
- Review management fees for increases
- Review the condition of all properties
- Consider selling or cancelling poor accounts early
- Examine your portfolio for the "oddballs"
- Put your team of experts together
- Review a current credit report

Step 2 - Determining the value of the Seller portfolio

- Review your gross management fees
- Work up a value
- Determine any future roles with a Buyer

### Step 3 - Marketing for potential Buyers

- Exercise caution
- Network with property managers and/or business owners
- Use a professional business broker

### Step 4 - Watching for Buyer red flags

- The Buyer has a poor reputation in the PM community
- The Buyer's management policies do not fit with Seller
- The Buyer's portfolio does not fit with the Seller
- The Buyer has bankruptcies or credit problems
- The Buyer has a problem with the state licensing agency
- The Buyer has trust account issues
- The Buyer has legal issues with his portfolio
- The Buyer has Personnel issues
- The Buyer does not have written agreements with Personnel
- The Buyer does not have written agreements with ALL property owners
- The Buyer does not have written agreements with ALL tenants
- The Buyer does not have compliance on lead-based paint properties

### Step 5 - Mistakes sellers should avoid

- Neglecting to address confidentiality
- Neglecting to plan early
- Neglecting to do research on area prices
- Neglecting to use the proper documentation
- Accepting things at face value
- Appearing too anxious, push, or laid-back
- Taking offense too easily
- Failing to give respect to the Buyer

### Step 6 - Meeting with the prospective Buyer

- Immediately addressing confidentiality
- Asking important questions of Buyer
- Disclosing necessary preliminary information
- Discussing price and terms with the Buyer

### Step 7 - Receiving and negotiation an offer

- Reviewing the Buyer's offer
- Put everything in writing with the Buyer
- Making a counter offer to Buyer
- Receiving a counter to the counter offer from Buyer
- Coming to an agreement with the Buyer
- Ending the negotiation if necessary

### Step 8 - Completing the Purchase Agreement

- Opening escrow
- Providing documentation to Buyer
- Removing contingencies of the Purchase Agreement
- Renegotiating or cancelling the Purchase Agreement if necessary
- Finalizing the Agreement

### Transition of Accounts and/or Business from Seller to Buyer

- Maintain confidentiality throughout the transition
- Establishing a calendar of events for the transition
- Establishing the roles between Buyer and Seller
- Assessing roles and transition of all Personnel
- Maintaining control of the distribution of information
- Executing the actual notification
- Handling the transition difficulties

#### Retaining the accounts after the transition

- Maintaining Seller support
- Following up with property owners
- Following up with tenants

#### Finalizing the Purchase Agreement

- Settling the final purchase price
- Addressing any unfinished details
- Evaluating the success of the Purchase Agreement

#### Included Forms

**a PDF description of all Forms is available on the LandlordSource website. There are also many pages of instructions for the use of the forms available at the end of this manual**

##### Buyer Forms

- B1 - Marketing Letter to PM Companies
- B2 - Marketing Letter to Real Estate Agents
- B3 - Buyer Preliminary Questionnaire
- B4 - Buyer Financial Checklist
- B5 - Buyer Proposal Letter
- B6 - Purchase Agreement
- B7 - Buyer Transition Checklist
- B8 - Buyer Letter to Owners - fill in
- B9 - Buyer Letter to Owners - merge
- B10 - Buyer Assignment of Mgmt - fill in
- B11 - Buyer Assignment of Mgmt - merge
- B12 - Buyer Letter to Tenants - fill in
- B13 - Buyer Letter to Tenants - merge
- B14 - Tenant Response Sheet - fill in
- B15 - Tenant Response Sheet - merge
- B16 - Buyer Letter to Current Vendors
- B17 - Buyer Letter to Prospective Vendors
- B18 - Buyer Monthly Report to Seller
- B19 - Buyer Final Account to Seller
- B20 - Buyer Owner Follow-up - fill in
- B21 - Buyer Owner Follow-up - merge
- B22 - Buyer Satisfaction Survey
- B23 - Buyer Tenant Follow-up - fill in
- B24 - Buyer Tenant Follow-up - merge

##### Seller Forms

- S1 - Seller Preliminary Questionnaire
- S2 - Seller Financial Worksheet
- S3 - Seller Response Letter to Offer
- S4 - Seller Acceptance Letter
- S5 - Seller Transition Checklist
- S6 - Seller Letter to Owners - fill in
- S7 - Seller Letter to Owners - merge
- S8 - Seller Letter to Tenants - fill in
- S9 - Seller Letter to Tenants - merge
- S10 - Seller Letter to Current Vendors

##### Shared forms

- F1 - Non-competition Agreement
- F2 - Confidentiality Agreement
- F3 - Counter Offer

##### Spreadsheets

- W1 - Seller Owner Spreadsheet
- W2 - Seller Tenant Spreadsheet