

THE PRACTICAL GUIDE TO BUYING AND SELLING 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
- Know and abide by state laws
- Be ethical
- Exercise due diligence
- Provide full disclosures
- Be prepared
- Have a "Gentleman's Agreement"
- Accept responsibility during the transition

Buying Property Management Accounts/Business

Step 1 - Review YOUR reasons for buying

Step 2 - Review your business for acquisition

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

Step 3 - Deciding what to purchase

- 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 the worth of the accounts/business

- Soliciting for agent referrals
- Paying for referrals from other contacts
- Reaching the value of accounts/businesses
- 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/businesses
- Paying for distressed situations

Step 5 – Documentation Buyer provides Seller

- Prepare documentation in advance
- Supply Buyer information to Seller

Step 6 - Marketing for accounts/business

- Making verbal contacts
- Join associations and/or organizations
- 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 written management agreements with the property owners?
- Are there written rental agreements with the tenants?
- Are there written agreements with the Personnel

Step 8 - Common mistakes Buyers to avoid

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

Step 9 - Deciding to make an offer

- Meet with the prospective Seller
- Analyze the worth of the prospective portfolio/assets

Step 10 - Make an offer to the Seller

- Prepare the *Purchase Agreement*
- Handling a counter offer
- Coming to agreement
- Discontinuing negotiations

Selling Property Management Accounts/Business

Step 1 - Seller Preplanning

- Making the decision to sell
- Reviewing what affects price
- Initiate file cleanup and/or revisions
- Review and/or implement written agreements with Personnel
- Have a written non-competition agreement
- Review trust and rapport with property owners
- Review management fees for potential increases
- Review trust account and/or books
- 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
- Determine any future role with Buyer
- Review a current credit report
- Prepare important documentation in advance

Step 2 - Determine the value of the Seller portfolio

- Review all income
- Work up projections

Step 3 - Marketing for potential Buyers

- Exercise caution
- Make verbal contacts
- Be wary of using written solicitations
- Use a professional business broker

Step 4 - Watching for Buyer red flags

- Buyer has a poor reputation in the PM community
- Buyer's management policies do not fit with Seller
- Buyer's portfolio does not fit with the Seller
- Buyer has bankruptcies or credit problems
- Buyer has a problem with the state licensing agency
- Buyer will not be the Broker of Record
- Buyer has trust account issues
- Buyer has legal issues with his portfolio
- Buyer has Personnel issues
- Other red flags

Step 5 - Mistakes Sellers should avoid

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

Step 6 - Meeting with the prospective Buyer

- Address confidentiality
- Gather important Buyer information
- Disclosing necessary preliminary information
- Discussing price and terms if appropriate

Step 7 - Receiving and negotiation an offer

- Reviewing the Buyer's offer
- Rejecting the Buyer's offer
- Putting everything in writing
- Handling counter offers
- Coming to a mutual agreement
- Ending the negotiation if appropriate

Completing the purchase/sales agreement

- Open escrow
- Make down payment
- Provide collateral equity
- Supply all required documents
- Complete the review of documents, properties, and/or physical inventory
- Remove contingencies
- Finalize the Purchase Agreement
- Plan the transition

Handling a cancelled Purchase Agreement

- Obtaining agreement
- Maintaining confidentiality
- Settling any funds

Transition of Accounts/Business from Seller to Buyer

Setting up the transition

- Establish roles between Buyer and Seller
- Maintain confidentiality and control throughout the transition
- Establish a calendar of events for the transition

- Continually assess Personnel behavior
- Establish “Great Service”
- Have ongoing meetings with Personnel
- Transfer necessary information and funds

Sending transfer notification to all parties

- Have Personnel ready to respond
- Have Personnel responsive to all activities
- Send Property Owner notification first
- Send tenant notification second
- Send vendor notification third

Monitoring the transition

- Provide mutual support
- Track assignments of management
- Monitor the tenant rents
- Supervise the trust accounts
- Monitor the vacancies
- Monitor the property maintenance
- Monthly Buyer reports and payments to Seller

Handling transition difficulties

- Schedule periodic meetings to problem solve
- Keep all communication open
- Address negative property owner reactions quickly
- Handle new tenant problems quickly
- Solve trust fund discrepancies

Retaining the Accounts after the Transition

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

Finalizing the Purchase Agreement

- Buyer & Seller settle the final purchase price
- Evaluate the success of the transaction

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 Information Form MERGE
- B15 - Buyer Letter to Current Vendors
- B16 - Buyer Letter to Prospective Vendors

- B17 - Buyer Monthly Report to Seller
- B18 - Buyer Final Account to Seller
- B19 - Buyer Owner Problem Follow-up FILL IN
- B20 - Tenant Problem Follow-up MERGE
- B21 - Buyer Owner Follow-up MERGE
- B22 - Buyer Owner Survey MERGE
- B23 - Buyer Tenant Follow-up MERGE
- B24 - Buyer Tenant Survey MERGE

Seller Forms

- S1 - Seller Preliminary Questionnaire
- S2 - Seller Financial Worksheet
- S3 - Seller Transition Checklist
- S4 - Seller Letter to Owners FILL IN
- S5 - Seller Letter to Owners MERGE
- S6 - Seller Letter to Tenants FILL IN
- S7 - Seller Letter to Tenants MERGE
- S8 - 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