

Representing a Purchaser, Buying Commercial Real Estate Sequence

- A) Client identifies a want. An office building purchase between \$2M-\$3M with an 8% return, or greater, prior to debt service (mortgage) within a 45- minute drive from his home in Trumbull.
- B) Sign an Exclusive Buyer Representation Agreement. Ask if the purchaser is willing to pay your fee if you locate something that would be great for them when a commission is not being offered by the selling agent or the property is not on the market.
- C) Search CoStar, LoopNet, CREXI, CTC List (GHAR), SmartMLS, etc.
- D) Send an email to commercial practitioners relaying the need you have to see if they have any properties or off-market properties that fit the criteria.
- E) If there is an area in a given town that is of specific interest to my client, drive the area to look for "For Sale" signs by realtors or by owners to identify properties that look like they might fit the criteria.
- F) Assemble properties and review what has been sent to me to see if they fit the criteria or if there is something else that may be of interest.
- G) If there is anything of interest, and it is not offered thru the MLS, I ask for written confirmation of the commission being offered.
- H) Request information on the property for my client. Ideally, I want a rent roll, a current P& L, and a site plan along with any marketing materials they have prepared. If I do not already have it, I again request written confirmation of the commission being offered. A signed co-broker agreement may be requested at this time.
- I) You may be asked to sign a Non-Disclosure (NOA) or confidentiality agreement, along with your client, prior to receiving any of the information mentioned above.
- J) Pull the field card and the tax data card to see what can be learned about the property.
- K) Search the CONNCOMP database to see what properties have sold in the area in order to begin to start to understand comparable sales value.
- L) Tour the property with the client to determine how the client feels about the property. If there is interest, I then need to make sure I have an accurate rent roll. At a minimum, this will identify all tenants, lease dates, rent payments (including who is responsible for utilities, etc.), and if there are built-in increases in each lease.
- M) Prepare a current market value based on the existing income and expenses and a future value if there are vacancies based on a cap rate that is determined based on my understanding of the market.
- N) If there is interest prepare a Letter of Intent (LOI) and submit it to the listing broker or owner. This depends on whether a listing broker is representing the seller.
- O) If the LOI gets accepted, we then go to a contract.
- P) Due diligence and the financing process start once the contract is fully executed.
- Q) During the due diligence period, physical inspections of the property occur, as well as, financial due diligence of the lease documents and tax returns on the property along with reviewing any environmental reports, etc.
- R) If the buyer receives a financing commitment it will be subject to the appraisal which gets ordered once the lender has approved the Buyer's finances. This happens at this stage because commercial appraisals can be on average \$3,500-\$7,000 depending on the complexity of the sale.
- S) A typical commercial appraisal takes 3-4 weeks.
- T) The closing occurs approximately 15 business days from the time the appraisal is returned and accepted by the lender.
- U) You get paid!