

# **HRC**

**The High-Risers Club**

**12.19.2023 – An Owner Selling Commercial Real Estate**

# Coach Jeff Wright

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# Welcome

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Does anyone have anything great to share personally or professionally?



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# Podcast

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- **Last Week: Differences Between Residential and Commercial Financing with Commercial Mortgage Broker Alissa Gaines**
- **This Week: Some Rules to Follow in the Sales Process with Ed Schultek**

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# Greatness is Within



**You Can Do This**

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# An Owner Selling Commercial Real Estate

1. Tour the property.
2. Determine what the seller is trying to accomplish, e.g., timetable, price, etc.
3. Sign an Exclusive Right to Sell Listing Agreement.
4. Pull the municipal building field/tax card for additional information, including how the town has valued the property.
5. In order to determine value by the "Income Approach," the owner needs to provide the last two (2) years of tax returns and P&L statements for the property, along with the current rent roll noting any special circumstances.
6. To fully understand value, a Comparative Market Analysis (CMA) should also be prepared. Search CoStar, LoopNet, CREXI, MLS and town records for sold, active, under deposit and expired data.
7. Prepare a Success Marketing Plan for the owner.
8. Prepare marketing materials.
9. Receive a Letter of Intent (LOI). If both parties choose to engage, the terms of the Letter of Intent will be negotiated at this point.
10. Go to contract. The contract stage will include additional negotiation. The major difference in this stage of negotiations is that attorneys are usually involved at this point.
11. Due diligence starts once the contract is fully executed. This comprehensive process provides the buyer and the lender the opportunity to create an "x-ray" of sorts for the property, to confirm what they are getting or lending against. This x-ray reviews the financial records, the property condition (both structural and environmental) and tax records. The goal of due diligence is to understand the risks associated with the acquisition and to ensure that the information that was provided reflects the actual conditions.
12. Buyer financing process starts, and lender applications are made.
13. A due diligence extension request is submitted by the buyer, if required.
14. Due diligence resolution is completed.
15. Buyer receives lender term sheets.
16. The buyer receives a financing commitment subject to the appraisal. This is ordered once the Lender has approved the Buyer's loan application. Commercial appraisals have an average turnaround time of 3-6 weeks.
17. A Phase 1 environmental report is ordered simultaneously with the appraisal. The owner will be asked to fill out a Phase 1 survey for the firm conducting the report.
18. The closing occurs approximately 15-30 business days from the time the appraisal and the Phase 1 environmental report are returned and accepted by the lender.
19. You get paid.

**9. Receive a Letter of Intent (LOI). If both parties choose to engage, the terms of the Letter of Intent will be negotiated at this point.**

## **EXAMPLE LETTER OF INTENT**

SALE OF PROPERTY

PURCHASE PRICE

PROPERTY

PURCHASE AGREEMENT

DEPOSIT ESCROW

CONDITION OF PREMISES

FINANCING

INSPECTION

ENVIRONMENTAL CONTINGENCY

BROKERAGE

TITLE

CLOSING

LEGAL STATUS

## 10. Go to contract.

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Go to contract. The contract stage will include additional negotiation. The major difference in this stage of negotiations is that attorneys are usually involved at this point.



# 11. Due Diligence

Due diligence starts once the contract is fully executed. This comprehensive process provides the buyer and the lender the opportunity to create an “x-ray” of sorts for the property, to confirm what they are getting or lending against. This x-ray reviews the financial records, the property condition (both structural and environmental) and tax records. The goal of due diligence is to understand the risks associated with the acquisition and to ensure that the information that was provided reflects the actual conditions.

# 12. Buyer Financing Process Starts

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Buyer financing process starts, and lender applications are made.

# 13. Due Diligence Extension Request

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A due diligence extension request is submitted by the buyer, if required.

# 14. Due Diligence Resolution

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Due diligence resolution is completed.

# 15. Term Sheets

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Buyer receives lender term sheets.

## 16. Buyer Receives A Financing Commitment Subject To The Appraisal

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The buyer receives a financing commitment subject to the appraisal. This is ordered once the Lender has approved the Buyer's loan application. Commercial appraisals have an average turnaround time of 3-6 weeks.

# 17. A Phase 1 Environmental Report Is Ordered

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A Phase 1 environmental report is ordered simultaneously with the appraisal. The owner will be asked to fill out a Phase 1 survey for the firm conducting the report.

# 18. Closing Occurs

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The closing occurs approximately 15-30 business days from the time the appraisal and the Phase 1 environmental report are returned and accepted by the lender.



# 19. You Get Paid

## INVOICE

Date: \_\_\_\_\_

Subject: Broker's Commission

<u>Description</u>	<u>TAXABLE</u>
Sale of Real Property located at: _____ Transfer of Title from _____ to Trustee et al. or assigns for Fee \$3,450,000.00 as 2.5% of Gross Sale Price x 2.5%	\$86,250.00
★ Commission Payable as Follows:	
"RE/MAX Right Choice" \$86,250.00	
ATTN: Accounting Department - Federal Tax ID Information for	
Checks Made Payable to: "RE/MAX Right Choice"	
Tax Payer ID Is: _____ (W-9 Form Available on Request) Call: _____	
<b>Subtotal</b>	<b>\$86,250.00</b>
<b>TERMS: Payable at Time of Closing</b>	<b>Balance Due \$86,250.00</b>

# Questions for Sellers

1. How can I be of help to you?
2. Why have you decided to sell your commercial property?
3. What are your goals in terms of the sale? Are you looking to maximize profits, sell within a specific timeframe, or any other specific objectives?
4. Have you previously had the property listed for sale? If yes, what was the outcome or reason for the property not selling?
5. Are there any specific challenges or concerns you have about selling the property?
6. What is the ideal timeline for the sale? Do you have any specific deadlines or timeframes in mind?
7. Are there any potential restrictions or limitations in terms of the sale? For example, any legal or financial obligations that need to be considered?
8. What features or qualities of the property do you believe are the strongest selling points?
9. Are there any specific requirements or preferences you have when it comes to the buyer or the terms of the sale?
10. What are your expectations regarding the communication and updates throughout the selling process?

# Join Our Facebook Group

<https://www.facebook.com/groups/commercialrealestateforresidentialrealtors>



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# Next Session

## Leasing Terms

**Tuesday, January 2<sup>nd</sup>, 2024**  
**@ Noon Eastern**

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11.28.2023