

# **HIRC**

## **The High-Risers Club**

**12.5.2023 – 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: Understanding Your Clients Personality Profiles (DISC) with Ed Schultek**
- **This Week: Ask Jeff: The Initial Buyer Conversation.**

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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.

# An Owner Selling Commercial Real Estate

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.

7 19. You get paid.

# An Owner Selling Commercial Real Estate

1. Tour the property
2. Determine what the seller is trying to accomplish, e.g., timetable, price, etc..
  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?



# An Owner Selling Commercial Real Estate

## 3. Sign an Exclusive Right to Sell Listing Agreement.

### Important Items to be Addressed in a Listing Agreement:

- a. Legal entity that owns the property must sign the agreement and must have the authority to do so.
- b. Start and end date for the agreement
- c. Exclusive, non-exclusive or open agency agreement
- d. Permission to advertise or not
- e. Who is responsible for marketing expenses?
- f. Commission: amount on a sale or lease, are lease options or extensions included, and timing of when commissions are due
- g. Protection period: if a prospect was introduced to the client during the listing period, and if a purchase or lease takes place within a certain time period after the agreement has expired, the firm is still entitled to a commission.
- h. Registration of prospects: based on the terms of the listing agreement, the broker is required to provide the seller/landlord the names of the prospects and their agent/broker.
- i. Do you have the client's permission to cooperate with other firms?
- j. Do you have the client's permission to offer dual agency?
- k. Any terms, disclosures or notices required by state regulation

# An Owner Selling Commercial Real Estate

## Exclusive Sale Listing Agreement (Simple Version)

Date:

I (We) \_\_\_\_\_ Owner(s) of property at \_\_\_\_\_ authorize ABC Real Estate to act as our broker for a period of months. I (We) hereby grant ABC Real Estate permission to erect a sign.

If, during the term of this agreement, ABC Real Estate produces a purchaser ready, willing and able to purchase the property at the price and terms stated herein, or later agreed upon, or if a sale or exchange of the property is made after the term of this agreement to a purchaser procured by ABC Real Estate during the term of this agreement, I (we) agree to pay ABC Real Estate a commission of % of the gross selling price.

Under certain circumstances, the Broker may have the right to attach a lien against commercial real estate property to secure payment of any compensation due to the Broker. Those circumstances are set forth in Section 20-325a (c) of the Connecticut General Statutes.

NOTICE: THE AMOUNT OR RATE OF REAL ESTATE COMMISSIONS IS NOT FIXED BY LAW. THEY ARE SET BY EACH BROKER INDIVIDUALLY AND MAY BE NEGOTIABLE BETWEEN THE SELLER AND BROKER. THIS AGREEMENT IS SUBJECT TO THE APPLICABLE PROVISIONS OF PUBLIC ACT 90-246 (THE CONNECTICUT FAIR HOUSING STATUTE).

Sales Price: \$

Terms:

Inclusions:

Exclusions:

Exclusive Listing Begins:

Exclusive Listing Expires:

ABC Real Estate  
123 Main Street  
Trumbull, CT 06611

By:

\_\_\_\_\_  
Listing Agent

\_\_\_\_\_  
Owner:

Address:  
\_\_\_\_\_

# Example Commercial Property Data Input Sheets for Listing and Marketing

ITEM	Party Responsible (L) Landlord (T) Tenant	Party Paying For (M) Maintenance (R) Repair	ITEM	Party Responsible (L) Landlord (T) Tenant	Party Paying For (M) Maintenance (R) Repair
A. Property Taxes	L__ T__	M__ R__	H. Water	L__ T__	M__ R__
B. Insurance	L__ T__	M__ R__	I. Sewer	L__ T__	M__ R__
C. Rubbish	L__ T__	M__ R__	J. Mechanicals	L__ T__	M__ R__
D. Landscaping	L__ T__	M__ R__	K. Structural	L__ T__	M__ R__
E. Janitorial	L__ T__	M__ R__	L. Roof	L__ T__	M__ R__
F. Electric	L__ T__	M__ R__	M. Snow Removal	L__ T__	M__ R__
G. Heat	L__ T__	M__ R__	N. Other	L__ T__	M__ R__

## I) Documents (if Available)

1. Building plans	_____	6. Subdivision approval	_____
2. Mechanical drawing	_____	7. Flood evaluation certificate	_____
3. Plot Plan / Survey	_____	8. Environmental site asses. (phase 1)	_____
4. Zoning approval	_____	9. Environmental site asses. (phase 2)	_____
5. Topographical survey	_____	10. Legal Description	_____

# Example Commercial Property Data Input Sheets for Listing and Marketing

ii) Utility Information			
A) Available Utilities			
1. Gas	_____	8. Cable available	_____
2. Gas available	_____	9. Underground available	_____
3. Electric	_____	10. Fire suppression system	_____
4. Electric available	_____	a) Electric amperage	_____
5. Telephone	_____	b) Electric phases	_____
6. Telephone available	_____	c) # of electric services	_____
7. Cable	_____		
B) Heat Type			
1. Natural gas	_____	7. Hydro air	_____
2. Propane gas	_____	8. Radiant	_____
3. Electric	_____	9. Radiator	_____
4. Heat pump	_____	10. No heat	_____
5. Hot air	_____	11. Zoned	_____
6. Hot water	_____	12. Other	_____

# Example Commercial Property Data Input Sheets for Listing and Marketing

<b>C) Heat Fuel</b>			
1. Electric	_____	4. Oil	_____
2. Natural gas	_____	5. Geothermal	_____
3. Propane	_____	6. Other	_____

  

<b>D) Water</b>			
1. Public water	_____	4. Shared Well	_____
2. Public water in street	_____	5. Other	_____
3. Well	_____		

# Example Commercial Property Data Input Sheets for Listing and Marketing

III) Sewage System			
1. Septic	_____	5. Public sewer in street	_____
2. Shared septic	_____	6. Other	_____
3. Septic required	_____	7. None	_____
4. Public sewer connected	_____		

  

IV) Tax Information			
1. Property tax	_____	4. Tax year	_____
2. Assessment	_____	5. District tax	_____
3. Mill rate	_____	6. Other	_____

# Example Commercial Property Data Input Sheets for Listing and Marketing

<b>V) Financing</b>			
1. Owner financing	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
<b>VI) Income and Expense Information</b>			
a) Gross annual income \$	<input type="text"/>	b) Gross annual expense \$ <input type="text"/>	c) Net operating income \$ <input type="text"/>

# Join Our Facebook Group

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



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# Next Session

## Representing the Seller

**Tuesday, December 12, 2023  
@ Noon Eastern**

**\*\*We will not be meeting Tuesday, December 26<sup>th</sup>\*\***

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