



THE PRACTICAL GUIDE TO BUYING AND SELLING PROPERTY MANAGEMENT OUTLINE, FORMS DESCRIPTIONS, AND EXCERPTS

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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 / Spreadsheets

FORMS & SPREADSHEETS INCLUDED WITH <i>THE PRACTICAL GUIDE TO BUYING AND SELLING PROPERTY MANAGEMENT</i>	
BUYER FORMS	
B1 - Marketing Letter to PM Companies	A letter to send out to property mgmt companies asking if they are thinking of selling accounts and/or business.
B2 - Marketing Letter to Real Estate Agents	This letter is a good way to solicit from real estate agents and let them know you only want their clientele for management, not sales.
B3 - Buyer Preliminary Questionnaire	There are so many important questions to ask a potential Seller. Remembering them all is difficult. This questionnaire is extensive and is useful when talking with the Seller.
B4 - Buyer Financial Checklist	This records all the different fees and gross fees of the Seller so that you can review if this is viable for purchase.
B5 - Buyer Proposal Letter	Use this letter to present the Purchase Agreement to the Seller. It can outline your reasons for the terms you offer.
B6 - Purchase Agreement	This is a four-page agreement for an offer between Buyer and Seller to reach agreement on terms and conditions for the accounts and/or business.
B7 - Buyer Transition Checklist	Once Buyer and Seller reach an agreement, it is important to keep track of all the details to ensure a smooth transition. This checklist will help keep everything on track.
B8 - Buyer Letter to Owners FILL IN	The letter to the new property owners from the Buyer is a critical document demonstrating professionalism and efficiency. This is a "fill in form" and is set up for only for a few accounts.
B9 - Buyer Letter to Owners MERGE	This is the same letter as above. The difference is that this is a "merge" document and it is best to use it for multiple properties.
B10 - Buyer Assignment of Mgmt FILL IN	This form assigns the Seller's Management contract to the Buyer and is a "fill in form." Use only for a few owners - recommend using the next form for many property owners.
B11 - Buyer Assignment of Mgmt - MERGE	This is the same letter as above. The difference is that this is a "merge" document and it is best to use it for multiple properties.
B12 - Buyer Letter to Tenants FILL IN	This letter explains to tenants the transition from Buyer to Seller. It should follow the Seller letter to the tenants.
B13 - Buyer Letter to Tenants MERGE	This is the same letter as above. The difference is that this is a "merge" document and it is best to use it for multiple properties.
B14 - Tenant Information Form MERGE	When the Buyer sends a letter to tenants, it is a good idea to include a form confirming names, telephone numbers, email, and other information. This is a fill-in sheet; recommend using the merge version for many properties.
B15 - Buyer Letter to Current Vendors	When buying accounts that will impact maintenance, it is important to notify your current vendors to let them know what is happening and how they can assist you with the transition.
B16 - Buyer Letter to Prospective Vendors	The Seller may have Vendors that can be valuable to the Buyer. This invites those vendors to contact you regarding their services.
B17 - Buyer Monthly Report to Seller	Most Purchase Agreements or offers have a "vesting period" where the Buyer needs to account to Seller each month on any account losses. This report makes this an easier task.

B18 - Buyer Final Account to Seller	The Buyer uses this form after the hold back/vesting period ends, finalizing the sales price.
B19 - Buyer Owner Problem FILL IN	This form is for the Buyer to use as a form of follow up communication after a discussion with the property owner about a difficult problem. It can outline the resolution to achieve.
B20 - Buyer Tenant Problem FILL IN	This form is for the Buyer to use as a form of follow up communication after a discussion with a tenant about a difficult problem. It can outline the resolution to achieve.
B21 - Buyer Owner Follow-up MERGE	After a reasonable period, it is a good policy to follow-up with the property owners on how their satisfaction. Fill in form
B22 - Buyer Owner Survey	This is a good form to include with the owner follow-up letter. Include a self-addressed envelope to assist with responses.
B23 - Buyer Tenant Follow-up MERGE	It can also be useful to find out how the tenants are doing and will help bring out potential problems. This is a fill in form.
B24 - Buyer Tenant Survey MERGE	This form can accompany the Tenant follow-up letter.
SELLER FORMS	
S1 - Seller Preliminary Questionnaire	When talking with a potential Buyer, there are many questions for the Seller to ask. This helps in accumulating important information before negotiating a sale.
S2 - Seller Financial Worksheet	This document will help prepare information on fees for the Buyer and assist in determining the value of the accounts. This also can assist when negotiating with the Buyer. It can also be useful when the final accounting is due.
S3 - Seller Transition Checklist	When reaching agreement with Buyer, it is important for the Seller to keep track of the details for a smooth transition. This can make a big difference on the final sales price after the vesting period.
S4 - Seller Letter to Owners FILL IN	It is important to have a well-worded letter to your property owners explaining why you are selling and a good introduction of the Buyer's company. This is a fill in form.
S5 - Seller Letter to Owners MERGE	This is the same letter as above. The difference is that this is a "merge" document and it is best to use it for multiple properties.
S6 - Seller Letter to Tenants FILL IN	It is equally important to send a letter explaining to tenants the transition to the Buyer's company. This is a fill in form.
S7- Seller Letter to Tenants MERGE	This is the same letter as above. The difference is that this is a "merge" document and it is best to use it for multiple properties.
S8 - Seller Letter to Current Vendors	Your vendors have been loyal and will be losing work. Use this letter to contact them, ask them for your cooperation, and introduce the Buyer's company.
SHARED FORMS	
F1 - Non-competition Agreement	Both Buyer and Seller should have all Personnel sign this form. It is best to have this done prior to any negotiations.
F2 - Confidentiality Agreement	Both Buyer and Seller should have all Personnel sign this form. It is best to have this done prior to any negotiations.
F3 - Counter Offer	Either Buyer or Seller can use this form to counter any terms in the <i>Purchase Agreement</i> .
SPREADSHEETS	
W1 - Owner Spreadsheet	This spreadsheet is a practice document to show how the merge forms work with the property owner documents.
W2 - Tenant Spreadsheet	This spreadsheet is a practice document to show how the merge forms work with the property tenant documents.

Excerpts

Introduction

There is an “art” to buying and selling. Many times transactions take place with everyone flying by the seat of their pants. This is not an intelligent way to approach either buying or selling. It takes thought and work to achieve the right agreement and make a successful transition on both sides of the transaction. Whether you are the Buyer or the Seller, you need to be prepared to guide this process and be aware of the pitfalls that could happen.

When reading this publication, remember that it covers different types of transactions. You could be negotiating for the first time. I believe that this manual will answer many questions and possibly save you some missteps. The forms can be invaluable - at least you do not have to “reinvent the wheel.” It also could be that you have experience in this area already and know much of what is included in this product. I believe you can still benefit from the material included. With every transaction, there is something more to learn.

SAMPLE

Reasons to buy

There are varying reasons why companies or individuals want to buy or sell. It is important to examine your motivation and consider those of the other party you may be considering to enter into a transaction.

To increase the property management portfolio

This is probably the most common reason among property management companies. They want to grow and grow quickly. Therefore, they begin to look for property management accounts and/or businesses that want to sell.

To take advantage of an unexpected opportunity

This is another common scenario. You are just going along with your daily routine without a thought to buying or selling property management accounts and/or business. Then someone contacts you unexpectedly and offers to sell you their inventory and/or business. This may interrupt your life while...

SAMPLE

Reasons to sell

To downsize or adjust your portfolio

This is a common reason for property management companies to sell accounts. Many times while evaluating their company, PM business owners come to realize that certain accounts do not “fit” with their business plan. Certain properties may be in an area that is taking too much manpower. The business owner has decided that a certain number of properties are not profitable and his current portfolio exceeds that number.

An unexpected opportunity to sell occurs

Someone contacts you and offers to buy your accounts and/or business. You may not have been considering this option, but you realize that you are interested in selling and you start to...

Maintain Confidentiality



Confidentiality of the transaction is truly critical and at the top of the list. Immediately address this issue when buying and selling any type of business. This should always remain a top issue. Indiscreet or even innocent actions have wrecked many sales transactions. This manual addresses confidentiality many times.

This should be the first discussion and agreement between Buyer and Seller. Decide how you are going to conduct calls. Arrange meetings and discuss what everyone should know on both sides. There are different stages to this, so revisit this issue as necessary as you work through the sale.

Rule #1 – Keep the transaction confidential from the start

In the majority of PM buying or selling of accounts/business, it is critical...