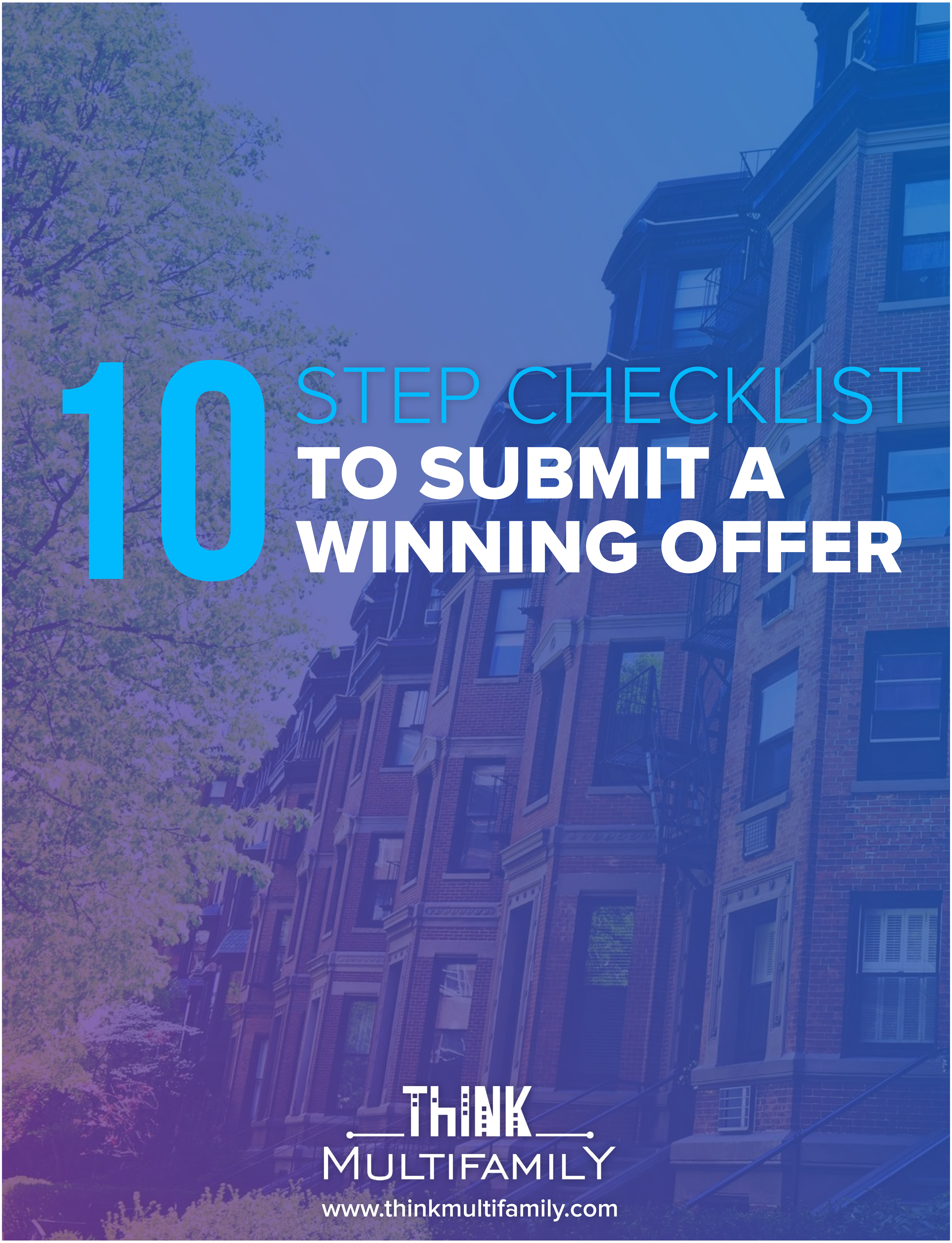


10 STEP CHECKLIST TO SUBMIT A WINNING OFFER

THINK MULTIFAMILY

www.thinkmultifamily.com

1. Get The Offering Memorandum, Strike Price, Rent Roll, & T12 From The Broker

The Offering Memorandum (OM) is essentially the broker's brochure about the property. Remember, the broker is trying to sell the property, so you need to verify the information and do your own homework.

If the Offering Memorandum does not have the price listed, then contact the broker and ask for the "whisper price."

The Rent Roll lists all the tenants along with other information such as the rent they pay, the lease dates, etc.

The T12 is the Trailing 12 months of the Profit & Loss Statement (P&L).
For a list of multifamily definitions, please **click here**

NOTE: Try not to ask the broker questions that are already answered within the OM. They spent a lot of time putting the OM together and would prefer you read the OM before asking questions.

2. Perform A Quick & Dirty Analysis

The Quick & Dirty Analysis has one main purpose…lets you quickly analyze a deal within a couple of minutes and helps you decide if you should analyze further.

This tool is very slick and a significant time saver!

If you would like more information about the Quick & Dirty Tool, please [click here.]

3. Research The Property Online

Research the property online: reviews, location (www.googlearth.com), crime (www.crimereports.com)

Before you spend valuable time performing a detailed analysis or driving by the property, use the internet first to do research.

For example, what are the reviews? Bad reviews on a property can actually be a good thing. I say this because…if the negative reviews are related to things that are easily fixable (like the current staff being rude), then that can be good for you provided you can fix the issues.

Also, some areas are very rough and getting an idea of the crime is important. Just because there is high crime, does not mean it is not a good investment, but you have to determine your own criteria.

And, if there is a lot of crime, you can have issues with the lender. It is also not uncommon that you need to provide a crime mitigation plan to the lender, letting them know how you are going to reduce crime.

4. Perform An Initial Detailed Analysis

This is where you are going through a much more detailed analysis to determine not just what the purchase price should be, but other things such as the cash on cash return, the overall return, breakeven occupancy, expected financing terms, etc.

Property tax increases will vary significantly by city/county. It is critical that you understand how the property taxes will be impacted when you purchase the property. You can call the local tax assessors or it might be better to contact a company that fights property taxes and ask them for their thoughts on how the taxes will go up a new purchase.

You need to be careful when determining the revenue increase. For example, just because rents can be increased, you cannot increase all rents day 1. You can only increase on renewals and with new leases. It takes time to get the increased revenue. So, you will want to compare your revenue projections to gauge whether they are increasing too much.

4. Perform An Initial Detailed Analysis

You will also need to determine what you think the cap rate will be when you sell the property. First, find out what the cap rate is for the market you are buying in.

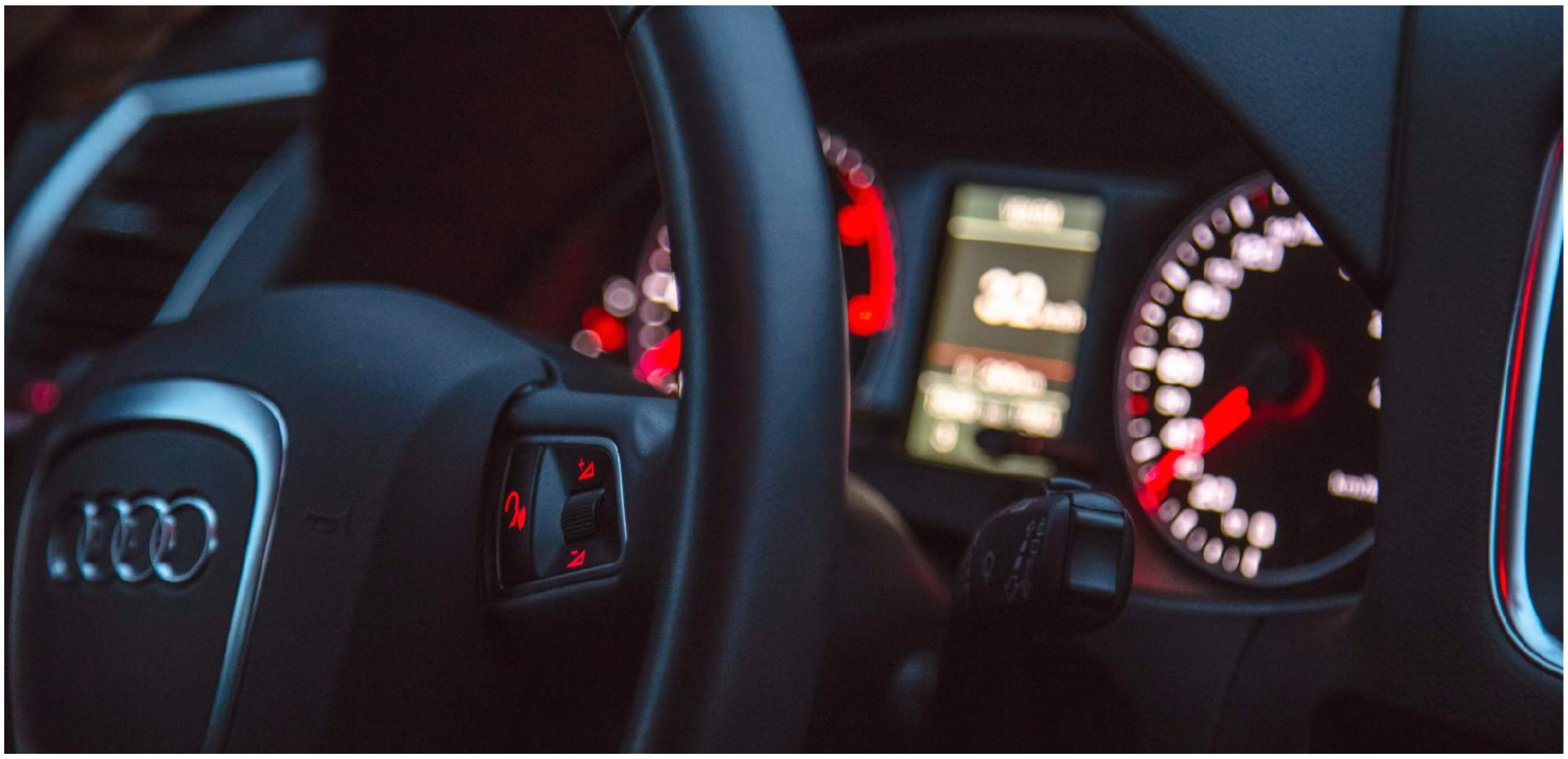
You can get the current market cap rates using various sources such as...CBRE's cap rate report, CBRE's appraisal group, ask selling brokers, and tools such as YARDI. Generally speaking, in today's competitive market, you will want to increase the current market cap rate when determining your exit cap rate.

For example, you might increase a Class C property by .15% or .25% per year. So, if the current cap rate is 7% and you are going to sell in 5 years, the exit cap rate would be between 7.75% and 8.25%.

You will need to determine the rehab as well. This can be harder to do if you have not seen the property yet. However, most brokers can give you a good idea of what the rehab would be. This can be revised once you tour the property and after you perform due diligence.

We have used a lot of analyzers and never found one that worked the way they should. So, we created our own. **Click Here** to Learn More

5. Drive By The Property
(If It Is Not Too Far Away)



This is called “drive by” for a reason. You should stay in your car and checkout the property and the surrounding area. You should not get out of the car as this could upset the seller if they find out. If the property is far from you, then it is up to you if you want to drive by first.

You can get a good idea about the property online and by speaking with the broker. If you are like most people today, you don’t have a lot of extra time.

So, if you do as much research upfront and things look good, then you might consider just scheduling the property tour. Some people think they are inconveniencing the broker by setting up a tour, but remember the broker looks good with their seller if they have more tours.

With that said, I would not suggest wasting your time or the broker’s time looking at deals you know you are not interested in.

6. Tour The Property With The Broker
(If Possible, Bring A Property Management Company With You)

You are looking at the condition of the physical asset, but also demographics, location, etc. During a property tour, there are a number of questions you will want to ask the property manager.

Here are a few simple questions to ask: If they had all the money they needed for the property, how would they improve the property? If they invested that much money into the upgrades/improvements, how much extra do they think they can get for rent?

Remember, the property manager is the one that knows the customer/tenant best. When you look at the interiors, you also want to understand if the units you are looking at are representative of the other units. If not, ask to look at more units.

You want to look like an expert and ask all the right questions while you are on the tour. We spent a lot of time coming up with questions that should be asked on a property tour and you can **click here** to get the list.

7. Speak To A Mortgage Broker Or Lender To Get Financing Terms

The financing terms can make or break the deal. You cannot assume all deals are created equally because they are not and the financing terms can vary drastically. The impact of this can be significant.

For example, some areas of the country are under pre-review, which means lenders don't like the area as much. In some cases, the typical loan leverage is 65% for some areas.

This can make a huge difference on your returns. If the property is not 90%+ occupancy for 90 days or more, then you will be more limited on what lending options you have. Engage a mortgage broker or lender early in the process.

8. Speak With A Property Management Company To Get Input On A Potential Operating Budget

This is not always as easy as it should be. Some property management companies are great about giving input and providing a preliminary budget.

Some other management companies want you to have an accepted Letter of Intent (LOI) before they will provide a lot of input. This is kind of late in the process for you to get information from the management company.

So, at a minimum, you should contact a property management company and get their thoughts about the property. You can also try to push them to give you some ranges on expenses, so you have a rough idea.

9. Revise Your Detailed Analysis

As you get more information, make sure you update your analysis accordingly.

This is very important! Because in some cases, enough small changes can add up to big changes on your analysis.

10.Submit Your Letter Of Intent (LOI)

The key to writing a winning LOI is to be very specific on key points the Seller wants and to be less specific on other aspects. For example, you want to be very specific on price and number of days for due diligence, but you want to be vague on things like, the # of days of an extension.

Be sure to only include key terms in the LOI! For example, I see people including their full list of due diligence requests. Why put that in the LOI and have the Seller get concerned about this list, when it is totally irrelevant to the important terms such as price. The due diligence list can be put in the contract that happens further along in the process, in addition to all the other terms of the deal. However, if the seller specifically requests the due diligence list in the LOI, then include it.

You will also want to let the broker know you are ready to go! What I mean by this is you should let the selling broker know you have spoken with a property management company & have received a budget. Tell them you have already spoken to a lender and if you have a term sheet, let them know.

If your contractor has already been by the property, you can let the broker know you already have a preliminary rehab budget. If you already have your equity lined up, let the broker now. You can also let them know how many units you already own…but, I would only do this if you own a fair number of units. Bottom line…they want to know you have your act together, you can move fast, and that you can close the deal!