

TOOLS FOR MAKING (SMART) REAL ESTATE DEALS



Why we are here:

- At some point, every institution will make a real estate transaction
- The Chancellor has made it clear only the most economic deals have the best chance of approval
- The more you know, the better equipped you are to make a smart deal



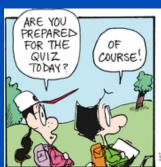
Types of deals:

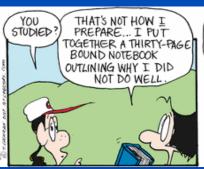
Leases
Purchases / acquisitions
Sales / dispositions



Anatomy of a leasing transaction

- Identifying alternatives
- Negotiating the deal
- Documenting the deal









Types of properties

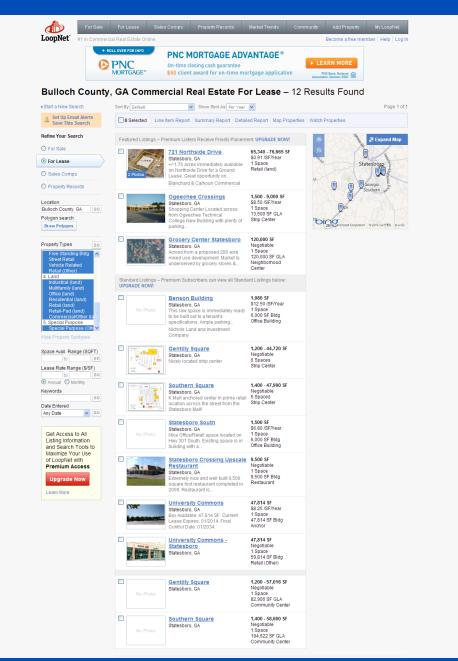
- Office buildings
- Retail buildings
- Other real estate types

Sources of information

- Loopnet www.loopnet.com
- Co-Star www.costar.com
- Economic development groups
- Brokers
- Shoe leather / tire rubber



LoopNet search results for Statesboro





CoStar search results for Statesboro



Role and usefulness of a broker

- Can provide a more complete survey of the market than on-line searches
- Should have a good degree of knowledge of recent deals in the market
- Will sometimes negatively affect the economic deal you can make

10 ways they cheat

- Gazumping. When a deal has been agreed some agents still show people around the property hoping for a better offer.
- Value a property at a low price — and then sell it to a friend or colleague.
- Use scare tactics such as pretending to receive offers to get people to make a higher offer.
- Neglect to pass on all offers to vendor in hope of achieving a higher one later on.
- Refuse to reduce commission if the price is reduced.

- Overvalue houses to secure business from sellers
- Supply customers with fake documents to help them secure a mortgage.
- Make up a very low offer. This shocks the seller into accepting a genuine offer which is far lower than the original valuation.
- Fake evidence that other properties in the area have sold for an overly high price.
- 10. Erect for sale/sold signs at homes the agent had nothing to do with to give a false impression.



Negotiating the deal

• Understanding the types of leases and terms

of each

- Dealing with the landlord
- Comparing the responses





Types of leases

- Gross lease the landlord pays all expenses, except possibly utilities
- Net lease tenant pays for everything, except possibly shell repairs
- Partial gross (or partial net) landlord pays some expenses, you pay some expenses.

You need to make sure you know who is taking care of what!



Dealing with Landlords – best practices

- Call Joe Fucile or Lee Nelson at the Central Office to discuss. We want to help you ask the right questions
- Send at least three potential landlords a Request for Proposal (we have several formats, from numbingly simple to maddeningly complex)
- You do not have to take the first offer
- ALWAYS have a second option do not fall in love with any piece of real estate



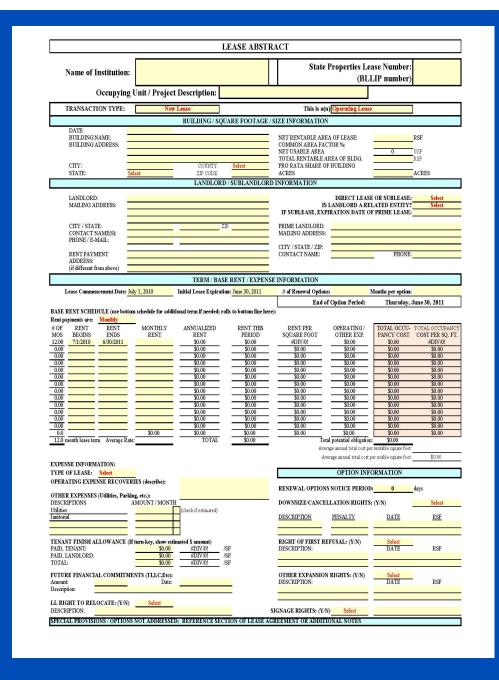
Terms that can be negotiated

- Base rent
- Operating expenses included in the base rent
- Operating cost expense recovery by Landlord
- Rent abatements
- Commencement date
- Interior improvements
- Annual renewal rents
- Add on factor
- Everything else



Comparing Deals

Please call Joe
 Fucile or Lee Nelson





Documenting the deal

- Only use the Board of Regents form lease
- Call Joe Fucile or Lee Nelson with questions about drafting
- Issues that may come up
 - Indemnifications
 - Renewal notice provisions
 - Obligations that are contingent on going past one fiscal year
 - Additional rent if renewal is not exercised
 - Have the Landlord sign first



Anatomy of an acquisition

- Identifying alternatives
- Negotiating the deal
- Documenting the deal



Knowing your Surroundings

- Commercial buildings
- Residential buildings
- Other real estate types

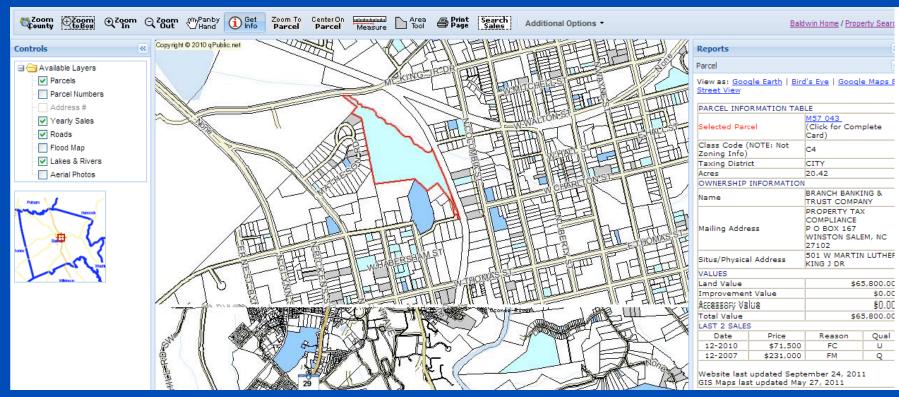
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- Co-Star www.costar.com
- County land records
- Brokers
- Shoe leather / tire rubber



County Land records:

- typically look under Tax Assessors page
- find "Property Information" or "Property Maps"
- Baldwin Co. Tax Assessor's page below





Negotiating the deal

- Advantages to sellers of dealing with the university / system
 - certainty of close
 - no financing contingencies typically
 - usually not going to be the highest bidder in open auction, but sometimes the only one
- Disadvantages of dealing with the university / system
 - not quick
 - cannot make certain commitments / deposits
 - sidelined by some issues private buyers can accept
- Finding competitive sales
 - county web sites
 - brokers



Business terms that can be negotiated:

- Price
- Closing date
- Condition of property vacant, as-is, etc.
- Earnest money deposit typically \$0.00 for BOR deals
- Release of easements / obligations



Other points to keep in mind:

- Always have a back up option
- Environmental issues can take a lot of time to paper over
- Note that appraisal values can be challenged discussed
- Call Joe Fucile or Lee Nelson to discuss



Documenting the deal

- Only use the Board of Regents form Option to Purchase
- Call Joe Fucile or Lee Nelson with questions about drafting
- We may get a SAAG involved



Issues to think about with a disposition

- Identifying comparable recent sales
- same sources as for acquisitions
- Should you consult and /or use a broker
- Open market or sealed bid
- Call Joe Fucile or Lee Nelson



Questions for potential brokers:

- What is the market area, statistics, and demographics? Are there any significant trends that would affect the property (e.g. conversion to residential, aggregation, etc.)?
- What are the other sales comparables on which they are basing any estimate of property value?
- As part of that question, what adjustments / distinctions in value do they make between the other sales and this property?
- What was the timing of the other sales?
- What other properties are on the market that are competitive? How do these compare with the property being sold?
- What is the marketing plan for the property? Ideally, this should be divided into periodic segments (i.e. first thirty days, X occurs, next thirty days, Y occurs, etc.). How long do they need to effect a full plan? How will any costs of the plan be divided?
- What specific ideas or recommendations do they have that would maximize the value of the property? Sometimes something as simple as mowing the frontage regularly can help.
- What is the target market, and how do they compile or access a database of prospects? What is Plan B if none of these prove viable?
- What are some of the other land / similar transactions they have closed in the last 24 months?



Questions?