DOWNLOAD PDF HOW TO BUY AND SELL APARTMENT BUILDINGS

Chapter 1 : Sell Your Apartment in 30 Days!

Flipping an apartment building is NOT a long-term, buy and hold strategy. You need to understand exactly how you're going to increase the value in the property. Remember, it always comes back to rents, NOI, and ultimately the cap rate.

When buying, find out where everyone is selling, evaluate the area, and negotiate the best deal possible. Sell when everyone else is buying. Good markets exist all over the world at varying times. Concentrate on weak markets, not weak properties. A weak market is the most favorable condition in which to buy. Prices are depressed and profit potential is high. Sellers just want to get out. Identify markets with the largest gains in building permits from one year to the other. With a diversified local economy, the overbuilding should be absorbed. A weak market caused by conditions other than overbuilding should be scrutinized carefully. Builders get paid for building and they will keep on building as long as they get paid. More often than not, banks are the ones doing the paying. The market becomes deluged with an excess of inventory. This is when you should step in. Employment Trends Base employment is probably the single most important factor contributing to the economic health of an area. In evaluating employment trends, be careful of construction employment. During boom-and-bust building activity, the labor base can become distorted by construction related jobs. If possible, eliminate construction employment figures when plotting trends. Predicting growth industries and where they will be located can give you a further indication of where future employment growth will take place. Talk with the local city planner to determine the direction of city growth. Plans for shopping malls, universities, and business parks create a potential demand for employment and desirable apartment locations. Demographic Factors Affecting Apartments Demographic factors are also important in evaluating demand. People tend to marry later and divorce is on the increase, both of which result in a larger single population. In addition, people are living longer, and we have the empty nest syndrome, as grown children move away from the family home usually into apartments. The parents no longer need a large private home and many choose an apartment as well. The number of households is increasing, and the size is decreasing. The affordability of single-family homes is also decreasing. To improve your timing, you must become familiar with apartment cycles. Cycles results from the influence Apartment Supply and Demand have on the marketplace. Economists spend countless hours trying to accurately predict them, and gurus for the current year are the ones who guessed correctly the previous year. As long as their crystal ball remains clear, they will continue to be called on for their advice. One false prediction and they are ousted from the Nostradamus Hall of Fame. Apartment cycles are difficult to forecast. Understanding them will give you the insight to make intelligent decisions. Join our mailing list!

Chapter 2 : How to Buy an Apartment Complex (with Pictures) - wikiHow

How to Buy and Sell Apartment Buildings, Second Edition also shows you how to concentrate your assets for higher returns, use consultants so you aren't left on your own, set up a family living partnership to protect your assets, and much more.

This is my story about how I bought a unit apartment building with money raised from private individuals. This deal closed against all odds and then nearly bankrupted me. One of the biggest struggles that many new investors have is in coming up with the money to purchase their first real estate properties. Well, BiggerPockets can help with that too. Frank had a marketing agreement in place with Richard that if he referred a buyer, he would be paid a marketing fee nice, huh? I ran the sample rent roll he sent me through my deal analyzer software and quickly realized that there might be an opportunity. I confirmed this with some quick rent comps on rentometer. I then asked Frank for an introduction to Richard, who was looking to assign the contract to an ultimate buyer maybe me? She was motivated, but not super-motivated. My sense was that the purchase price would be at fair market value based on the financials on the building, but that this might be a value-play opportunity. I decided to proceed, and we agreed on these terms: My heart was pounding! My first apartment building! Every year, the owner has to register the current rents with the city. The last time the current owner did this was , so there was a compliance issue that needed to be resolved. In addition, selling a building in D. This rarely happens, but it complicates and oftentimes delays or even prevents a sale. It turns out the tenants had decided to exercise their rights to purchase the building, and the seller was working with them on this process, which can take months to play out. I realized that these two issues would take longer than the 20 day contingency period we had put in the original contract. So I fixed this by having the seller sign another addendum that reset the due diligence period until these issues were taken care. At this point, I was in a holding pattern. I checked with the listing agent once per week to get an update. It took seven weeks to satisfy those two contingencies. I was a bit surprised that the TOPA matter was addressed so quickly. I learned later that she agreed to pay the tenants an agreeable amount at closing if they would waive their rights to purchase their building vs. Now that these two issues were taken care of, I had to spring into action and start my due diligence. I only had 20 days to move forward or cancel the contract. I wrote the owner a letter requesting all kinds of documents. She took a long while to respond, and then the documents I got were incomplete. Eventually I got the documents I felt I needed, including her bank statements. This was completely unacceptable! The value of the property is based on the income of the building, and her income suddenly was only half of what was advertised. I told the listing agent that we could not proceed with the contract as it was, and I gave him three options: The seller insisted that the tenants would all pay. As far as I was concerned, this deal was dead. Too bad because I had spent countless hours on this deal already. Three weeks later, the agent called me back and said the seller was going to guarantee the rents. OK, that would work. We revived the deal with yet another addendum that spelled out the terms of this rent guarantee: All contingencies were satisfied except for the financing contingency , and we agreed to close within 45 days. This deal came back from the dead, and now we were moving forward again! The lame explanation was that the loan committee changed their mind about the location and were no longer comfortable with proceeding. This is where my previous networking with loan brokers came in handy. I called up another broker I had spoken to about this deal. Initially, the term sheet from the lender he was representing was not quite as attractive. However, they jumped at the deal and said they would close within five weeks. I explained the situation to the listing agent and exercised my option to extend for an extra 30 days by paying an additional deposit. The new lender took care of business and we closed four weeks later. Five months after we were under contract. How I used Private Money to Finance the Purchase From the very start, I wanted to use money from private individuals to purchase this building. I want to give you some background on how this was possible. For several years, I have been renovating houses, fixing them up and reselling them for a profit. The title companies took care of the promissory note and recording the deed, and it was simple to do. People like and trust real estate, the returns were good and the perceived risk was low. It was surprisingly easy to get friends and family to invest for these reasons. As I was eyeing commercial real estate , I polled my existing investors to see which ones were interested in buy and hold commercial real estate and if they could refer me to anyone who they thought might be interested. I quickly assembled a small group of individuals who were interested. Everything about the building was accurate photos, location, financials, etc , except the purchase price â€" I adjusted that to achieve the returns I wanted for my investors. In other words, I approached potential investors with a deal package that looked like the real thing. By the time I got this property under contract, I had already primed my investors. When I sent out the deal overview for this property, my investors responded quickly. I then paid myself an acquisition fee of several thousand dollars at closing. Based on the number of hours this deal took, none of my investors had an objection. It not only protects you but also spells out to the investors the terms of the deal, how profits are split, how decisions are made, and what the potential risks are. I felt mighty proud of myself for closing this deal, even against all odds. But the fun was only just beginning. Paul is a good guy, I suppose his heart was in the right place. He wanted to make sure everybody, including me and the District of Columbia was doing their job. He repeatedly sued me for alleged housing code violations. I was in court every six weeks. This was his way of communicating with us, and we responded by addressing every issue we reasonably could. In the first six months of this, my property manager and attorney were handling all of these cases. I thought this was the way you do things. I realized that if this went on for a year or longer, the legal fees alone would exhaust our capital reserves. I had an urgent meeting with the attorney and asked him about the sustainability of this plan. He then admitted that for most of these hearings, I did not need legal representation but could represent the LLC myself. Now you tell me? Well â€¦ I guess I never asked either. I quickly replaced the attorney with one who billed promptly and provided fixed-cost pricing for most eviction-related issues. I also started going to court myself. Not a very pleasant experience, but I started getting used to it. We were systematically working through the issues. In addition to making the court system work, Paul also contacted other governmental compliance agencies, such as the DCRA, which issues construction permits and enforces violations. He would call them daily, reporting construction activities. Because of the high visibility of this building within the agency, the DCRA was enforcing the letter of the law, which in D. These permits are expensive, and they can only be pulled by licensed contractors in other words, I could not do it myself. Then Paul called the EPA regarding alleged lead paint violations, and of course, an inspector arrived the next day, asking for a lead paint inspection from a licensed professional. Two thousand dollars later, we knew we were lead free in all of the units. But there was lead paint on the railings in the hallways. To be lead safe, each time a tenant moves in, you have to certify that the unit is lead safe and you have to disclose any lead paint that is known to be in the building. Our 3rd party lead paint inspector then came back and certified the building as lead free. Another several thousand dollars later, I now have a lead-free building. My primary concern was running out of money. If we ran out of money, I would have to go back to the investors, tell them that their capital reserve money that was slated for renovations was exhausted, and that they needed to put in more money. Failing that, I would lose the building in bankruptcy and never raise money again. Not the best start to my commercial real estate investing career. With each certified letter containing violations or a summons to appear in court, my despair grew. I had trouble sleeping, I was tense. A paralyzing fear was starting to overwhelm me.

Chapter 3 : How I Bought a Unit Apartment Building with No Money Down (And How it Nearly Bankrupted I

To buy an apartment building, start by visiting potential purchases with a real estate agent so you can decide what you want to buy, like a mixed-occupancy building or resident-only building. Then, request the rent roll from the current owner, which contains all of the tenants' names and the rent they pay, so you can calculate if the purchase.

Apartment building loans are a lot like other residential real estate financing. It all starts with a property, borrower and lender, and it all ends, if all goes well, with a closed loan and newly purchased or refinanced property. What constitutes an apartment building? Detached homes, condominiums, duplexes, triplexes and fourplexes typically are classified as one-to-four-unit properties, or one-to-fours. Properties that have five or more dwellings are categorized as apartment buildings or multifamily housing. The most important property metrics are: The annual income, minus expenses that a property generates from its operations Debt service coverage: Measure of cash flow relative to debt payment obligations Loan-to-value LTV ratio: A measure of the loan amount relative to the value of the property "The property has to service its debt at a comfortable margin," Borland says. Borrowers who need more flexibility might want to turn to a small bank, says Blake Kreutz, commercial loan officer at County Commerce Bank in Ventura, California. A typical configuration of many apartments over a few stores is treated as an apartment loan. Apartment buildings that are vacant or only partially occupied can be financed; however, the loan might be short-term and have a variable rate with the expectation that it would be replaced with long-term financing once the property has been stabilized. Like one-to-four loans, apartment loans come in standardized types that lenders can sell to Fannie Mae or Freddie Mac and customized types, known as portfolio loans, that lenders keep on their own books. Standardized or conforming loans typically have a slightly lower interest rate, but the guidelines are more rigid. Loan terms and types Apartment loans can be long term 25 or 30 years or short term five, seven or 10 years. Interest rates can be fixed, variable or hybrid, which start out fixed and then reset or become variable after a specified time period. Shorter-term loans can be renewed or refinanced at the end of the initial term, though the interest rate likely will adjust and some fees could be involved. LTVs top out at 70 or 75 percent, which means the borrower needs a 25 or 30 percent down payment to buy or that much equity to refinance. A lower LTV usually gets a lower rate. Fees Borrowers typically pay a loan origination fee and customary closing costs, including appraisal, title and escrow costs, plus expenses for any inspection, environmental or other due diligence reports. Property insurance is a must. Flood insurance will be required if the property is located in a government-designated flood zone. Ownership Most buyers purchase an apartment building through a limited liability corporation, or LLC. If the borrower pays off all or a large portion of the loan, the lender applies a formula to determine how much the borrower must pay to make up the forgone interest. Other apartment loans have a prepayment scheme known as a step down. The format is an example. Borland explains, "If you pay the loan off in year one, you owe 3 percent of the amount you prepaid. Starting in year four, at month 37 or after, you get to pay it off with zero prepayment. An assumption can be used to sell a property and avoid a prepayment penalty. Documentation Once the decision to apply for a loan has been made, the borrower needs to give the lender all the information he or she needs to make a decision, says Frank Barefield, Jr. Rather than force the lender to extract the information piece by piece, Barefield prepares a or page package that is designed to provide the lender with all the information they need about the property. Pictures of the property Property description:

Chapter 4 : Find Real Estate, Homes for Sale, Apartments & Houses for Rent - calendrierdelascience.com/

Buying Apartment Builings in the "Right Place at the Right Time" is the way to become wealthy. Learn how midsize apartment building investments can increase your Income and lead the way to "real" wealth.

Ben Innes-Ker These two approaches will provide you a steady flow of great multi-family deals. Not just good deals, great deals. This is what makes wholesaling workâ€”deals so good that investors act fast to take them off the market, before other investors snatch them up. The ideal market for this is one where there are plenty of properties available to buy and growing investor demand. This situation is most commonly found in markets that are transitioning from a downturn or depressed economic state to an expansion. Commercial Brokers Brokers are a good source of deals, though mainly in down markets. In hot markets, the money is flowing and brokers take on a Master Of The Universe attitude, making them difficult to deal with. Properties are selling at listâ€”or being bid up. When a market correction comes though, the situation reverses. Supply exceeds demand, and they need your help to turn the properties back into cash. Most brokers have made unrealistic promises to an asset manager as to what price they can bring in, so they are going to carry on with hardball inflexibility on price the first time you contact them. What puts the negotiation in your favor isâ€¦ the numbers. Eventually if they want to sell the price must come down. The broker is unhappy, but believes it was a flaky buyer at fault, not too high a price. But again, seven weeks into the contract the buyer backs out, unable to raise financing. This scenario plays itself out two more times, and the listing is about to expire a second time. Due to market conditions, only a large price reduction will sell the property. He gets the OK. You may have made first contact during Buyer 1 or during Buyer 4. Finally, the day arrives when the broker learns that Buyer 4 is not going to close. The broker may reach out and call you. If not, you catch the fact in your regular follow up. Now, with the seller and broker sufficiently smacked around by the market, both are motivated and open to an offer at your price. You easily find a buyer who pays you a six figure assignment fee for the opportunity to take over the property, stabilize it, and lock in seven figures in equity and a five-figure net monthly positive cash flow. Play this contact and follow up activity out over five to ten brokers, and you have a steady flow of deals in development and coming to fruition. Over time, your reputation with brokers becomes gold plated, and deals start finding their way to you. Direct Mail Brokers offer high leverage, and working them as above puts you in the path of great deals, one after the other. When the market heats up and the expansion phase gathers momentum, broker-sourced deals start to dry up. To tap into the broader pool of sellers not serviced by brokers , you need other tools. One of the most effective is direct mail. You can get a list of all the apartment buildings in your county from the County Assessor. You can segment that list in a number of ways to uncover motivated apartment property owners needing a buyer to take their problem of their hands. One way to segment the list is to sort it for out-of-town owners. As a result, these owners remain under-serviced, and the demand for buyers who can help them remains high. Another way to segment the list is by apartment size. Once you have the list segmented into your desired target markets, mail them a postcard or letter quarterly. To stay busy, rotate through your different segments, one per month. If the seller is interested, but not yet ready to go forward, put them on your follow-up list and stay in touch until they ready to sell on your terms or sell to someone else. The qualifier for your following up with a seller is motivationâ€”a factor in their situation that requires they sell. By following up with sellers who have genuine motivation driving them partner dispute, inherited property, out-of-control management , you develop a pipeline of deals. While there are other effective ways to source great multi-family deals, commercial brokers and direct mail are the two approaches you can count on to produce reliable results. Leave your comments belowâ€¦.

Chapter 5 : We Buy Apartment Buildings | Sell My Apartment Building

The lesson An Overview of the Best Practices Brokering Apartment Buildings discusses the ideal way to list and sell small and medium apartment buildings. The l Slideshare uses cookies to improve functionality and performance, and to provide you with relevant advertising.

Investor Stories and Lessons I have often found that one of the best ways to learn is to look at a concrete case study. One of the biggest struggles that many new investors have is in coming up with the money to purchase their first real estate properties. Well, BiggerPockets can help with that too. Surprisingly, we found the property on Loopnet. Usually this means the property has been passed over or at least that it was just listed and is currently accepting offers. In this case, the property had just fallen out of contract from another buyer the day it was supposed to close and had just been put back on by the owner himself. Even properties in the worst parts of town sell for that if they are performing. This property, on the other hand, is in a good, albeit relatively rural, area. So we called the seller to take a look. Initial Analysis The first thing that was obvious was the property had very good curb appeal, but the parking lot was in complete disrepair. I must have driven over 10 potholes before getting to the building or perhaps the parking lot could be referred to as one giant pothole. In all likelihood, this was one of the major reasons for the low rents. Who wants to drive over that madness day in and day out? In this case, though, the units were rather small, making maintenance, turnover and utility costs less demanding. Anyway, while we were at the property, our goal was to do two things: The latter was rather easy in this case, as the seller was quite the talker. Indeed, anytime we got in the same room with him, we were there for at least two hours. Instead, we tried to figure out what the major issues were, get an estimate for the necessary repairs and figure out what we would want to look at further if we got the property under contract. Never rely on a seller provided pro forma; always use real numbers when you can and fill in the rest with your own estimates if need be. From there, I calculated what it would take to get a 10 cap rate and set that as my strike price. But there are a few key points to discuss here. First, I had done my homework up front. I knew what it was that I was willing to settle for although, as I note in the above linked article, I should have also picked a goal price instead of just settling for my strike price. The second point is that we asked the seller to come to our office. He had other interest in the property, and we wanted to separate ourselves from the pack. Being face to face allows you to tailor both your offer and how you present to what the seller really wants. In this case, he really wanted out of the property, as it had sucked the life out of him and his wife for the last couple of years, and the previous sale that had fallen through had really irked him. He wanted confirmation that we could close, and being face to face helped us assure him we could. No matter what, always stick to your strike price. Try not to be. Let him respond, even if it takes 10 seconds. I should note that I think I could have done better, but oh well â€” I hit my number. Due Diligence Due diligence is boring, and many investors slack on it. Yes, all caps is necessary when it comes to due diligence. Due diligence for any major acquisition is extremely important and investors often overlook a lot of items. On this property, we did the following: Walked each unit to determine the condition and deferred maintenance. Always walk every single unit. Got a roof inspection. Had our HVAC technician check out the boiler system. Had our electrician check out the panels. Got a bid on the parking lot. Scoped the sewer line. Got a structural engineering report on the two buildings with foundation problems. Got multiple quotes on insurance and flood insurance it was in a flood plane. Analyzed each lease and asked for proof of deposits for the last month to verify the rent had come in. We also verified the taxes and utility expenses. Reanalyzed my initial numbers to make sure everything was in line. But we found that one of the sewer lines had a break in it, and the flood insurance would be more expensive than the seller had paid, along with a few other issues. We also verified that our planned repairs to the foundation were sufficient and the HVAC and electrical were satisfactory. So far, we are about halfway through our upgrades, and the property is performing quite well in the early going. In this case, we decided to purchase the property with our own money. In the end, this appears to be a great acquisition for us. These deals are out there, even on Loopnet occasionally. But make sure to be conservative in your analysis and thorough in your due diligence. A large deal that goes sideways can suck the life out of you. Have any questions about the process we used to purchase this apartment building? Be sure to leave a comment below! Free eBook from BiggerPockets!

Chapter 6 : calendrierdelascience.com: Customer reviews: How to Buy and Sell Apartment Buildings

We are real estate cash buyers. When BuildingBuyer makes an offer to buy your house, we're ready to pay cash at closing. We close fast when we buy houses. Since we buy houses for cash, we can close fast sometimes in as little as 7 days.

But what to buy? You buy them because you place a certain value on the cash flow they produce or for the cash flow you can imagine them producing with some additional investment from you. Take the facts about the building the number of apartments, the total rent, the square footage, etc. Here are the tools: Gross rent multiple GRM Intuitively, the more rent the building commands, the more valuable it should be. So we can look at the rents and use them to get at an approximation of its value. Next, multiply the monthly figure by 12 months to get the annual gross rent. As I write this in late , in Los Angeles, a reasonable range for the value of an apartment building is between times gross rents. This is called the GRM: A run-down building in Compton might go for 7 GRM. Ideally, you want to review the data on recent sales of comparable buildings in the target area to get a sense for the rent multiples they have sold for. To get the GRM for a given comparable building, check the price it sold for and the rents it was getting at the time. Then, multiply the rents on your target building by ten to get your value. GRM is a quick and dirty way to get a valuation range for a building. But it leaves out something very important: To get a more accurate sense for the value of a building, we should look to the CAP rate method, which takes costs into account. We want to compare the actual profitability of a building to its value. You calculate NOI by taking the total annual rent and subtracting all of the costs of running the building, including property tax but NOT any mortgage payments. Then subtract the utilities, gardening, cleaning, maintenance, management, repair reserve and property taxes. This is a ratio between the price similar buildings have sold for and the NOI they were generating. Another way to think about this is: Beats a bank account, huh? Bulk buying Some buyers ignore the cash flow entirely. Or maybe like me! The two ways of doing this are by looking at the value per square foot of building and the value per unit. Here the buyer is saying: I figure those might change. They take the square footage of the existing building and multiply it by their rule of thumb to get an approximation of value. Our bulk buyer might just go: This is exactly what it sounds like. You take a rule of thumb for the value of each apartment and you multiply it by the number of apartments in the building. So your eight unit building is worth: This is a very blunt tool: That said, some people use it. Tying it all together As you can see, the different tools for valuing apartment buildings can lead to vastly different estimates of value. As always, value ends up being mostly in the eyes of the beholder: Are you a cash flow player? Then the CAP rate value is most important to you. You probably buy in bulk. And somewhere in that range is a fair value for the building.

Chapter 7 : How to Sell Apartments | Home Guides | SF Gate

This is my story about how I bought a unit apartment building with money raised from private individuals. This deal closed against all odds and then nearly bankrupted me. Don't make the same mistakes I did and learn how to raise money to buy your first apartment building.

Chapter 8 : TWO RULES FOR BUYING AND SELLING APARTMENT BUILDINGS

Search for Apartment Buildings for Sale and Lease. Browse all of LoopNet's Apartment Building listings and other commercial real estate including Land, Multifamily Apartments, Retail and Office Buildings, Industrial Property, Hotels and Motels, Shopping Centers and much more.

Chapter 9 : Apartment Buildings for Sale

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