

DISCOVER THE SECRETS ON...

How To Make Your Apartment Complex Ready To Sell

...For The Highest Price And In The Least Amount Of Time

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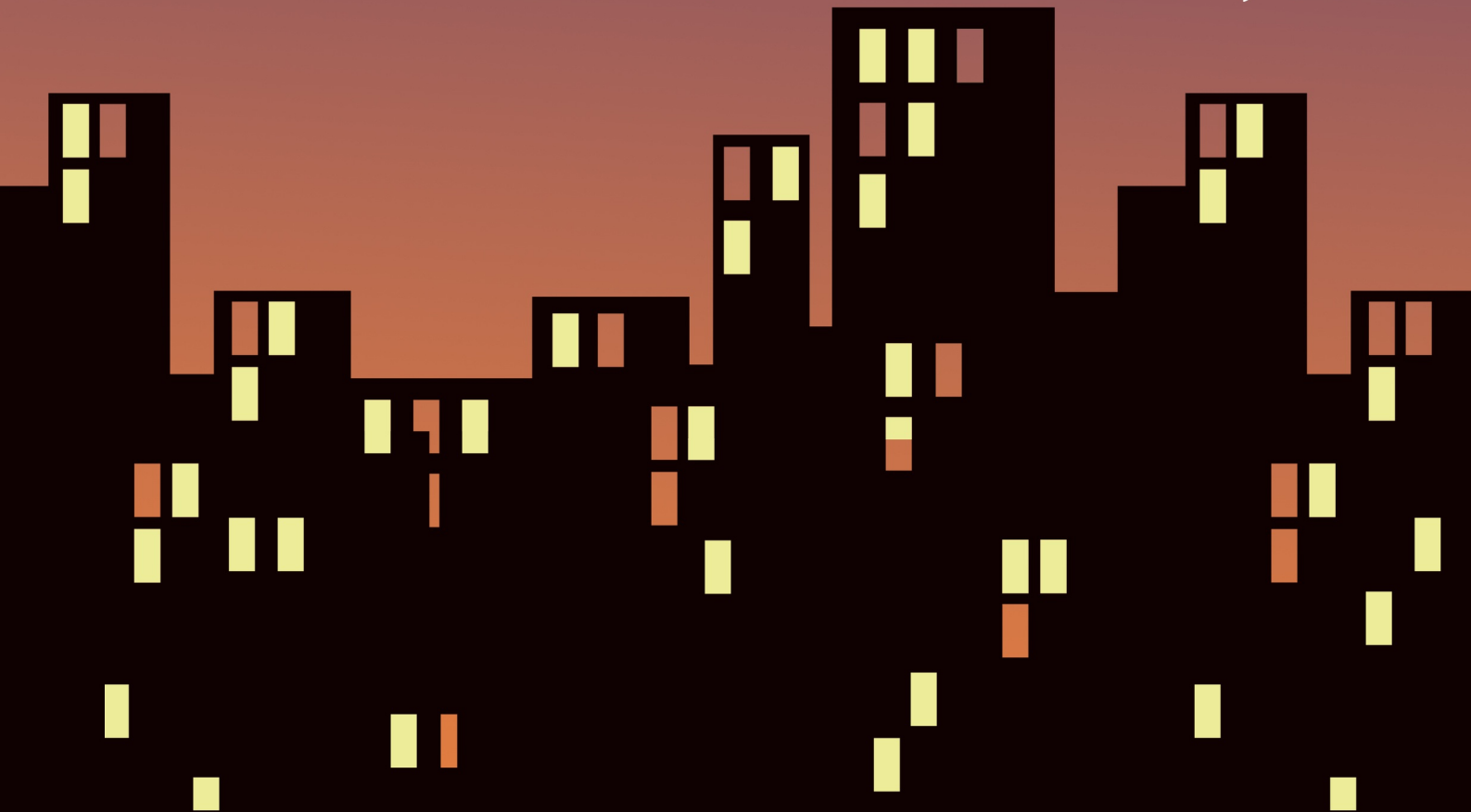


Table Of Content

How To Make Your Apartment Complex Ready To Sell	1
Exterior Condition	2
Interior Condition	6
Financial Documents	9

How To Make Your Apartment Complex Ready To Sell

How To Make Your Apartment Complex Ready To Sell

In this article I'm going to show you how to make your apartment complex ready to sell.

I have sold dozens of apartment complexes in the last 7 years and there is always a theme of how smooth the transaction can go or the difficulty to get one to sell.

It always boiled down to the same things, did the owner have all the documents ready, did we get access to the property when requested, and was the condition of the property conducive for a sale based on the price?

I want you to think about what you wanted when you purchased the property.

- * What were the financials you requested?
- * What were the documents you asked to see?
- * What condition did you expect the property to be in?
- * Did you expect prompt delivery of documents when requested?
- * Did you expect to get access when you asked for it?

If you want a fast sale, and for the highest possible price, then you need to follow this guide to prepare your apartment complex to sell.



Exterior Condition

There's only one thing as the owner you cannot control, the property's location. Everything else is under your command.

The condition, look and feel of the exterior is one of the most important factors on two fronts.

First, as a renter curb appeal is huge to me.

If I'm driving up to a property and the entrance has trash around it, the sign is faded or not there, the parking lot has pot holes and you can't see the stripes, and the exterior of the buildings look like they haven't been painted in 20 years, do I think I want to even look at the inside?

If I do manage to look at a unit, I'm going to continue that negative vibe and nick every little thing I see, even if the interiors have been completely updated and are beautiful.

If the exterior was a joy to see and everything was in excellent condition then my experience during the tour will follow the same positive vibe, even there may be some obsolescence and minor flaws.

The same is true about selling your apartment complex. When a buyer prospect turns into the driveway, they will have the same negative or positive vibe, and this will continue through the entire tour.

It all starts with the outside of the property and the first impression some gets when they enter and will determine how the potential buyer structures their initial offer.

Entrance

The entrance to the property is where first impressions occur. Ensure there is no trash around the entrance, there aren't objects that allow people to loiter around, the sign is in good shape and readable, and if it's lit, the bulbs are good and bright.

You can't control what happens on the sidewalk, if there is one, and in the street, but you can keep it clean.

You want the landscape to be clean cut and have some color at the entrance, especially around the sign. The lawn at the entrance should be mowed, edged, and have no leaves or garbage.

The shrubs should be trimmed and pleasing to look at as you enter the property. Use flowers that annual so you always have color at the entrance, even during the winter.



Parking Lot and Striping

As you enter the property the parking lot should be pleasing to the eye. If it's concrete, then it shouldn't have raised cracks creating a rough surface to drive on and weeds growing through the cracks.

If it's asphalt, there shouldn't be any pot holes or areas of wear that cause for a ride through the parking lot.

I know there will be times when you must sell a property and you won't be able to have nice parking lots. Just be prepared for a price reduction because of it.

Ensure the striping is visible and if you have handicap units, or the common areas have been updated to be ADA compliant, then you must have parking for handicap with visible blue striping and signage.

If you have parking stops. ensure they are in place and in good condition.

One thing you can do to make an older parking lot look better is hit it with a thorough pressure washing. This will bring the colors back in the striping and make the surface look clean again.

Landscaping

No different than the entrance, the landscaping through the apartment complex must be clean and pleasing to look at.

One area of focus is around the managers office and/or clubhouse and pool area, if you have them.

They are the focal point of the amenities and the first place a new buyer, or renter, goes to get a tour of the property.

You want to ensure you have a lot of color in flowers, using annuals so they bloom during the winter, and spread them around the entrance to the clubhouse, office and pool area.

If you don't have the budget for flowers you can use red bark to give areas some color and at least ensure the shrubs are trimmed, lawn is mowed and edged, and there's no leaves or garbage any where on the property.





Exterior Paint

As you're driving through the parking lot looking for the office your head is on a swivel looking at everything.

One of the things that can catch a buyer, or renter's, eye is the paint on the exterior of the buildings.

If at first glance it's fresh and clean with a neutral color, then they keep scanning.

If it's dingy, peeling, bright or dark non-pleasing color, then they start to look harder at the beams, lamp posts, siding, doors, and window frames for more flaws.

Other than color selection, here is where you can give the property a thorough pressure washing and bring the color back to the paint. This is a much more affordable option and makes the property look ten times better.

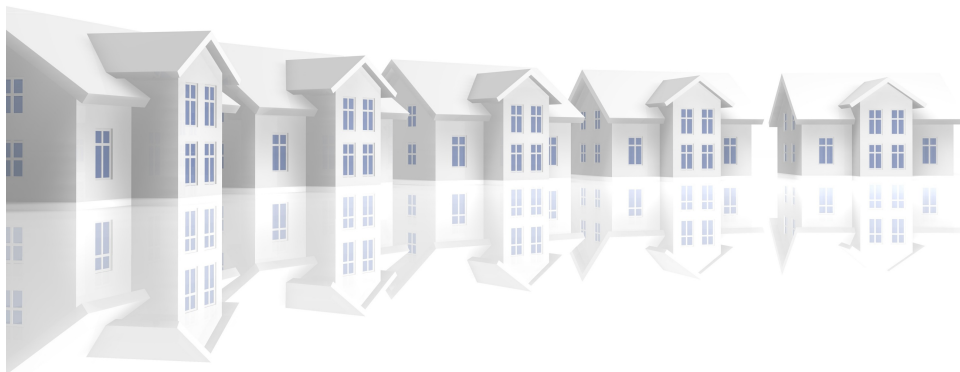
Roofs

Another thing the buyer is going to look at as they tour the property is the condition of the roofs.

If the roofs are older than ten years, make sure that the fascia boards, soffits, flashing at firewalls and vents, are all in good condition and not leaking. A good pressure washing can clean them and make them almost new again.

It would be prudent to have a roof inspection done prior to putting the property on the market so you at least have a report of what needs to be fixed and can answer the buyer's questions of roof condition and age.

If there are roof leaks, get them fixed. Nothing kills your price more than roof issues and leaks.



Amenities

If you have amenities, such as a pool, barbeque area, playground, basketball/volleyball/tennis court, dog park, or car wash station, ensure they are all clean, landscaped, free of trash and leaves, and in good condition.

Amenities don't just sell renters, they also sell buyers. If your pool is green or the pumping system isn't working properly, this can adversely affect the sale of the property.

If you have a dog park, ensure that the grass is cut, the benches are painted and clean, the fence is in good condition and the gate works, and there's no dog feces laying in the park.

If the exterior of the property is clean, well maintained, and pleasing to look at, then touring the interiors will be a breeze.

Interior Condition

Before we discuss interior condition, I want to talk about the best position to put the property in for sale.

Contingent on the exterior being clean and in good condition, if you haven't updated any units, now is the time if you can afford to do so.

Take a small sample of units, preferably ones that need the most work, and update them to market standards, tour the comps to see what they're doing.

This will allow you to rent the units at a higher price and show the new buyers the proof of rent bumps to better solidify their proforma and make the property more marketable.

The initial units have available for touring should be your best or model unit, a make ready unit, and the absolute worst you have.

You maybe asking why show the make ready and down units? This will ensure an accurate offer from the buyer, so they don't try to re-trade later when they walk all the units during due diligence.

Model Unit

If you have a model this should be the first unit you show them. Do not leave it for last, because you want the buyer thinking of the possibilities of upgrades during the rest of the tour, especially when they see the down unit, if there is one.

The model should be clean, freshly painted with an earth tone neutral color, not white, and updated with the following as general rule of thumb:

- Kitchen counters
- Kitchen cabinets and hardware
- Flooring
- Lighting
- Plumbing fixtures
- Hardware
- Washer and dryer connections
- Ceiling fans
- Wall paint color
- Bathroom vanity, mirror, and tub surround

Each of these items can vary by market and it's important to walk your competition and see what they're doing to get the rents they're getting.



Make Ready Units

You want to let the buyer tour the make ready units, on the other hand, NEVER let a tenant tour an apartment that isn't ready to rent!

The reason we show the buyer make readies is they can see the condition of the units in a raw state, and it allows your property management company, if you have one, to showcase their talent in getting units ready to rent in a timely manner, in case the buyer wants to retain them or their staff.

At a minimum you do want to make sure the unit is clean, to an extent. Have the maintenance staff keep the area clean and free of debris, swept, and no trash, tools or hardware laying around.

This will give a better impression for the buyer.

Down Units

I know, you don't want to show the potential buyer a down unit at this stage. Guess what? They're going to see it anyway during due diligence.

Remember when we walked them through the model unit? We got them thinking of the possibilities for this property and running the numbers in their head to see the dollar signs on the other side.

When you show them a down unit after looking at the model, they start to see the possibilities and picture that unit looking like the model and the rent increase from it. If you showed them the down unit first, all they think about is how many crappy units like this and now I have to pull all this money into this property, without a vision of what could be.

As with the make ready unit, have the maintenance staff keep the area clean and free of debris, swept, and no trash, tools or hardware laying around. Just because it's down doesn't mean it has to be messy.

The condition of the property is one of the biggest factors when getting the price you want. Just as important is the financials of the asset.



Financial Documents



Apartment complexes are typically valued on the performance of the property. This means that you divide your income, minus expenses, before you pay your mortgage and interest, by the market cap rate to get the value.

In other words, let's say your net operating income, or NOI, the formula from the previous paragraph, is \$100,000 and your market cap rate for comparable properties is 10%, then divide the NOI by 0.1 and you will get a value of \$1,000,000.

I know you already know this. The reason I bring it up is you must prove to the buyer your NOI is really \$100,000.

As you know when you purchased the apartment complex you asked for certain financial records before you did a property tour.

If you really want to sell the property quickly, you will need to have the documentation and financial records ready the moment you hit the go button.

T-12 and Current Roll

The first thing every buyer asks for is the trailing twelve-month profit and loss statement, otherwise known as the T-12, and the current rent roll.

If you, or your property management company, have not been keeping good financial records, this will affect the value of the property.

You need to have a property management software program like Rent Manager, Yardi, or Appfolio, to keep proper records. Quickbooks, although great for businesses, is not ideal for property management software because of the reporting inside the software.

If you're not currently using a management software, get one now and transfer all your data in it. It will be well worth the effort to get this done.

One of the faults of Quickbooks is you can't pull a rent roll. You must have a rent roll for the buyer in order to get the most value for the property.

You can write one yourself in excel, but the buyer will see right through this and think your trying to hide something.

Beyond the buyer, if the property goes under contract and the buyer is looking to a lender for a loan, then the lender will want the T-12 and rent roll for their underwriting.

If you don't have them, they will deep and make you very uncomfortable to sell your property, in some cases, making the apartment complex un-financeable.

The key is to have a training twelve-month profit and loss, the previous three year's P&L statements and a current rent roll.



Capital Expenses last 3 years

One other item you can have at the ready for a potential buyer before they make an offer is a report for the last three-years of capital expenses.

This will give the buyer an indication of the work that's been done on the property and somewhere they don't need to spend money.

These will be things like:

- Replacing appliances
- Replacing flooring
- Roof replacement
- Upgrades or updates
- Installing new amenities

These items will help determine the capital expenses the buyer will be looking to put in the property and give them a more accurate proforma, which helps sell the property.

The remaining financial documents and documents will be needed after the buyer goes under contract to purchase the property.

It would be prudent to collect these records and documents prior to putting the asset on the market. You will need to collect:

- Tenant deposit report
- Utilities for the last 12 months
- Property tax bills for the last 3 years
- Insurance bills for the last 3 years
- Insurance loss reports
- Current maintenance request status
- Leases
- Tenant files
- All the keys
- Inventory of personal property
- Survey and environmental reports
- Old or new appraisal, if available
- Construction documents, if available

Having all these documents at the ready can speed up the process to getting closed, make the buyer more confident in the sale, and gives the broker the tools to get the property sold at the highest price and in the least amount of time

Summary

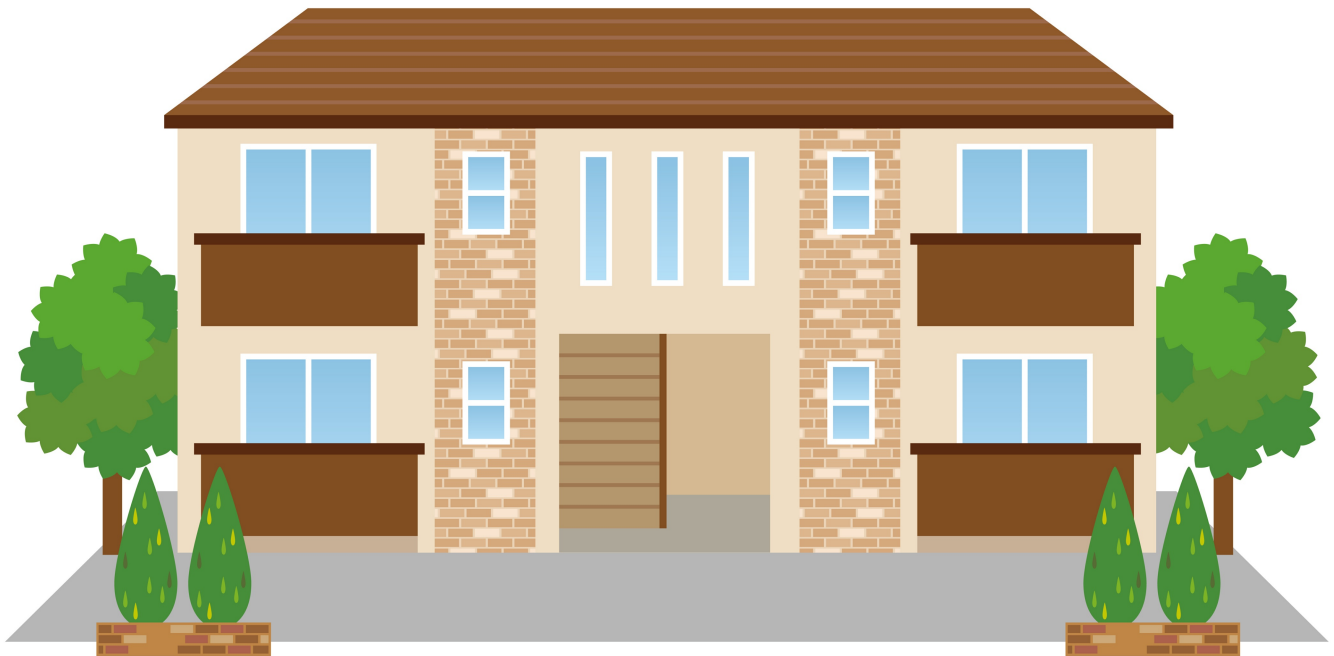
If you follow this guide and do the things I recommend throughout, you will have no trouble selling your apartment complex.

Make sure the property is clean and free of leaves and trash, power wash most, if not all, the exterior and parking lot, make the model as beautiful and show ready as possible, and keep the make readies and down units clean and free of trash, tools and hardware.

Getting the trailing twelve-month profit and loss, current rent roll, and capital expense report ready for potential buyer review, will speed up the process and give confidence in the buyer to move forward to the next step.

Likewise, getting all the remaining documents and reports ready for the buyer during diligence will help instill confidence in the buyer and broker, if you use one, and get your property sold at the highest price and in the least amount of time.

If you would like to talk to me about how to get your apartment complex ready to sell, you can email me at david@davidmonreoccim.com and I can schedule a call with you.



Thank You

We Welcome Your Feedback

Please feel free to get in touch with me
for any feedback or questions.

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