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

“Creating A More Educated Georgia”
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

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LoopNet search results for Statesboro

“Creating A More Educated Georgia”
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CoStar search results for Statesboro

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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

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Negotiating the deal

• Understanding the types of leases and terms of each
• Dealing with the landlord
• Comparing the responses

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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

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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

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Anatomy of an acquisition

• Identifying alternatives
• Negotiating the deal
• Documenting the deal
Knowing your Surroundings
• Commercial buildings
• Residential buildings
• Other real estate types

Sources of information
• Loopnet – www.loopnet.com
• Co-Star – www.costar.com
• County land records
• Brokers
• Shoe leather / tire rubber

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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

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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?