

The Acquisition Process

The Acquisition Process – General Outlook

Every syndicator has a different process in which they manage their acquisitions. The main thing to remember is that building a defined process and sticking to it will help you run an efficient company and help you win more deals and scale quickly. In this document I will lay out the acquisitions process that I've been using in my company. You can make amendments to your process the way you see fit. However, it's important to understand how the acquisitions process work from the brokers point of view.

Brokers upload deal information to their websites and send emails to their buyer list. On the websites/emails, they may or may not include the price and the deadline to submit offers. If they don't – you'll need to reach out to them and inquire about them.

After the information is out, there is a set date for all potential buyers to submit a letter of intent ("LOI" in short). Usually, it takes 3-4 weeks between initial information release to the LOI dead line. In most cases, brokers hold property tours with potential buyers starting the day they release the information and until the last day to submit the Best and Final offers (more about that stage below).

After all offers are submitted, the broker reviews them and sends a summary to the seller, along with their recommendations on who to proceed with.

The next step is a Best and Final round. The seller chooses the groups they wish to continue with, and the broker reaches out to those groups and invites them for the Best and Final round. Usually the highest bidders make it to the best and final, but it's not always the case. Buyers have 5-7 days to sharpen their pencils and submit an amended offer.



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After the selected buyers who have made it to the Best and Final round submit their final offer, the broker invites a few of the buyers to a Seller Call, based on the seller's selection. The seller holds calls with 3-5 groups and interviews them.

After the seller speaks with all buyers, they choose the winning buyer and the official negotiation starts.

During that period, the buyer and seller sign a Purchase Sale Agreement ("PSA"), and begin the Due Diligence period, where the seller discloses information on the property based on the buyer's request. If there is any deposit, it is paid most often when the PSA is signed, or a few days after. During that time, the buyer signs a loan agreement with their lender.

After the Due Diligence period is over, and assuming everything went well, the buyer completes the purchase and the money is sent to the seller. If, however, the buyer found things they were not aware of, and are significant enough, they might try to renegotiate the price or the terms, or both.

Your Internal Acquisition Process

Now that you have a general sense of how the process works, it's time to build your internal acquisition process. Look at the "Acquisitions Manager" spreadsheet. I laid out the process I use in my company, but you can amend it to suit your needs. I will go over each step and explain it. We will get into more depth of each step later.

1. Potential deals – this is where my team adds all the potential deals that passed our deal criteria.
2. Initial underwriting – all deals that are in "potential deals" are going through a quick underwriting that takes less than an hour to complete.



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3. PM budget – if a deal looks good (IRR above a certain threshold, such as 13% IRR, which is not quite our minimum 15% IRR, but close enough), then we ask our PM to tour the property and come back with:
 - a. Operations budget – how much it will cost to operate the property
 - b. CapEx budget – how much will it cost to perform renovation, both interior and exterior, and to take care of deferred maintenance.
4. Rent comp calls – after receiving the PM budget and adjusting our model based on those numbers, if the deal still looks good – my team calls 5-7 comps to verify rents.
5. Property tax assessment – if the deal still looks solid after we compared the rents to the comps, we reach out to a property tax expert to assess property tax for each year.
6. Loan quotes – we get about 3 loan quotes and compare them to one another. Sometimes the deal falls through here, because loan terms are not competitive and the IRR drops.
7. If the deal still looks good, we submit an LOI.
8. If we are invited to the Best and Final round, I fly to tour the property. If you live close to your property, you can tour it before submitting an LOI. This is also the stage where we sharpen our pencils and get more accurate numbers from our PM and try to see if we can offer more – and sometimes less – than our LOI offer. Many times, we discover things in our tour that changes our assumptions (e.g. old roof that costs \$900,000 to replace).
9. If we make it to the Best and Final round and were selected as a buyer, we continue in the same manner I described in the previous section. We work with our PM to manage the due diligence process.

To get your FREE Acquisition Manager Spreadsheet Template, [click here](#).



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