

THE BEST WAY TO PREDICT
YOUR FUTURE IS TO
CREATE IT!

How to Acquire or Sell a Real Estate Business

Subject Content by Judy LaDeur

presented by
JoAnn MacHamer



FIRST, ASK YOURSELF... IS THIS FOR ME?

ARE YOU:

- 1-5 Years from Retiring?
- A top-producing agent or team leader whose retirement plans have been pushed back? (market conditions)
- Wanting to make your current business more saleable?
- Thinking of acquiring a business within the next 5 years to be more profitable?
- Just curious?

NEXT ASK YOURSELF... DO I HAVE A SALEABLE BUSINESS?

DO YOU HAVE A CRM?

- Recent surveys show that 87% of people would use their former agent BUT could not remember his/her name or how to contact them.
- Your job is to build and organize a database and maintain those relationships on a daily basis.
- Remember the 10% RULE!
 - 10% of the people in your database will give you business or refer your business every year.
- Relationships that lead to referrals BUILD your business VALUE!

ENSURE GROWTH AND MAKE YOUR BUSINESS SALEABLE – STAY IN TOUCH!

- **Monthly Outreach!** - 12 times a year (Newsletters, Social Media, Market Updates Birthdays and Anniversaries).
- **A Call Makes All the Difference!** – Call at least 3 times a year.
 - Address by name and ALWAYS ask if they have time to talk to you.
 - Share real estate market information to keep clients “in the know”.
 - Ask about current status. Are they looking to move up (for more room) or move down (for less maintenance).
 - Referrals through Gratitude: Always share how your business depends on great clients and ask if they know of anyone who needs your services.
- **Sphere of Influence!** - Meet F2F with clients at least 2 times a year (Seasonal Celebrations, Lunch, Coffee, or Client Parties).

THE TRANSITION PERIOD - WHAT TO ASK YOURSELF IN THE INTERIM

- **Don't Rush!**
 - The timeframe to sell or acquire a business from beginning to close should be a minimum of 6 months but preferably, one year.
- **Decision Qualifiers:**
 - Do the buyers/sellers have a similar vision for the future of the business?
 - Do they have your same values, style, and follow up commitment?
 - Would you like working for them?
 - How would your current clients respond to the new team in charge? Vice versa?
 - Are they willing to continue the current marketing strategies for future growth?

MOVING FORWARD – SAYING YES TO TRANSITION

- **You've decided to Transition. NOW WHAT?**
 - You DO NOT have to sign a contract at this time - Discuss agreed-upon terms and conditions.
 - REACH OUT to your contacts! - Explain that you are now working with another agent.
 - Create a TEMP AGREEMENT - Work together and structure compensation accordingly.
 - Listings – Did you want to keep all your current listings?
- **Working Together as a New Team:**
 - Agreements must be in writing and reviewed by your Broker.
 - Begin referring buyers to your new team (with agreed-upon referral percentage).
 - After 6 months, co-listing can begin with a 50/50 split for up to a year.
 - You may indicate a custom split agreement.

HOW DOES THE PROGRAM WORK?

- **Business Plan**

- For a period of 6 months to a year, both agents should meet with a Broker to review the business plan agreement and confirm all intentions of working as a team.

- **What Does the Agreement Cover?**

- Details of Commission Splits with regards to sales, listings, and referrals
 - Remember! Splits outside your agency may be different.
- During the 6 month to 1 year period, you should be working on a referral basis known as THE TEAM OF _____ & _____.
- After the trial period of 6 months to 1 years, REVISIT the working relationship to confirm whether both parties wish to move forward.
 - If you decide not to move forward, complete all current pending transactions and notify clients that you intend to work separately.
 - If you decide to move forward, establish the time frame that the “retiring” agent will leave the business.

SAMPLE FINANCIAL BREAKDOWN

- **Business Value** - Just as a home is worth what it's worth on the day the buyer signs a sales agreement, your business is worth and valued at the time of sale.
- **Standard Practice**
 - A business is typically worth 1.5 times the amount of revenue it created in the last 12 months. *However, the business is worth what a buyer is willing to pay for it.
 - Example: Selling agent current income = \$200K and buying agent's current income = \$100K.
 - $1.5 \times \$200K = \$300K$ – The Purchase Price of the business

SAMPLE TRANSACTION BREAKDOWNS

- It could take 1-3 years to build up to potential income of both businesses.
- Each time the acquiring agent has a closing, an amount of 15% of EVERY CLOSING is paid to selling agent for a period of 1-5 years or until the agreed amount has been paid for the business.
- Sample Breakdown of Transaction at Closing
 - Example: \$400K sale x 3% = \$12,000 to the acquiring agent
 - \$12,000 x 15% is \$1,800 per side to selling agent and \$10,200 to acquiring agent.
- Sample Income of Agent Acquiring the Business
 - \$100K income prior - \$300K new potential income
 - Example: Home pricing \$400K would require 167 total closings or 33 per year for 5 years.

DURING ACQUISITION – IMPORTANT FACTORS TO CONSIDER!

- **The amount of marketing to both databases**
- **The number of hours it takes to build a new business**
- **The relationship you have with your database**

THE PAPERWORK – WHAT FORMS WILL I NEED?

1. **Contract between retiring agent and acquiring agent**
2. **Contract Between the acquiring agent, retiring agent, and the Broker (for purposes of disbursement of monies and management of databases)**
3. **Guidelines for agents to follow**
4. **Program policies**
5. **Confidentiality agreement for agents regarding contracts and program terms**