

# 10 STEPS TO PREPARE YOUR PROPERTY MANAGEMENT COMPANY TO SELL!



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## Decide To Sell NOW.... In 12 Months!

Without a doubt - the absolute first step is actually DECIDING to sell. Planning to get to that point can fall into line with a bit of preparation and an open mindset to implement some changes that may be needed in your organization. For example, if you decide to sell the home you live in - you may first do some interior painting while you live there. Yes, it's smelly and intrusive - but it saves time and money when the sales transaction actually happens. It makes the home more attractive to potential buyers. The same holds true with getting a property management company ready to sell - you first need to get your house in order. Here is the most important part of this message - SO WHAT if you never sell....think of the improvements to your business you would have implemented and the benefits you will reap from going through that effort to prepare to sell either in 10 days or 10 years.

## Get Your Financial Records In Order

In preparing anything for a potential future sale, the first place you will want to start is to ensure you are financially sound with strong record keeping and financial controls put into place. The most immediate request from any buyer is for a brief history of financials going back at least 12-24 months. We recommend all property management companies seek out, review, and implement the NARPM Accounting Standards which can be found at [www.NARPM.org](http://www.NARPM.org). The value of strong financial records cannot be accurately quantified, but the seller is in a much better position to accurately depict the performance history of the organization either good,

bad, or other by being confident their numbers are accurate and up to date.

## Develop a Strong Management Team

Buyer's want the business to work from the very beginning. Seldom does a buyer want to fork over a large amount of cash, and then inherit a ton of extra work in making the business run by implementing a viable management team. Finding the right seat on the bus for the existing team members (if any) is often the most challenging part to a business. Implementing control outlines such as the EOS - Entrepreneurial Operating System - will ensure the people on your bus 1) Get it 2) Want it and 3) Have the Capacity. In EOS this is called the GWC method. Learn more by going to: <https://www.eosworldwide.com/>

## Implement Strong Operational Controls

Does your business run without you? This is the end result of strong operational controls where the important and repetitive factions of your business have written processes & procedures in order to perform those tasks on a daily basis. There are many methods to accomplish this inside of a property management company all of which have been mentioned before. They are 1) Implement the NARPM Accounting Standards. 2) Implement EOS. 3) Implement / review all information and apply as needed the CRMC (Certified Residential Management Company) checklist.

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## Increase Revenue

There are two schools of thought when purchasers look at companies to acquire. The first is they want the hands off, revenue maximized, expenses controlled, run by itself business - OR - they want the dumpster fire they can fix and significantly increase returns from. If it is your intent as the seller to get maximum value for your business, you must maximize the revenue wherever possible by increasing fees, implementing new fees, and solidifying the revenue already coming in. This usually means implementing a campaign of value added programs generating more revenue for the company. Your mindset as a seller must be in line with the concept of the more revenue you can generate, the more you can pay team members, which ultimately allows you to provide a better service for your clients.

## Decrease Expenses

Another very useful drill that every business owner should go through on a quarterly basis is to review their expenses. Too many times people sign up for a subscription based service, and never implement the actual product they are paying monthly for. It's called "subscription fatigue". When doing this review, dig deep into numbers and find out if that extra amount spent for something here, or that reimbursement check there, adds up to a legitimate cause. The biggest expense of any service based business is staff payroll - to include the company owner's payroll. Watch this carefully and have a 3rd party review this quarterly for accuracy. Lastly, a rule of thumb when considering a salary for the company owner is to ask the question what would it cost to replace

that owner with the role they perform? Imagine a buyer coming into the company and assuming they will have to hire your replacement. Is your salary in line with current market rates for the role?

## Reduce Your Personal Role In The Business

When you exit the business - will the business have a gaping hole in the daily operations that you are performing? Here is a great litmus test to run, go on a 1 week vacation with minimal contact with your company, then a 2 week vacation, then up to 30 days. See where things begin to break and decision points falter. Every acquirer wants to know how much "magic" will exit the business with your performance when you are no longer in the daily grind. Do your clients have your personal mobile phone number? Phase this out immediately by getting a new number, or training your clients to call somewhere else. The whole intent of this effort should be focused on preparing the business for you to NOT be there once a buyer takes over.

## Remove Any Personal Assets In The Business

The most common thing when looking at the company books of a business is the owner's vehicles, mobile phones, company credit cards, and personal insurance are ingrained in the company expenses. Once an owner has committed to selling their business, effort must be made to eliminate those personal expenses creating a cleaner balance sheet. Is the software subscription normally paid for by the business that the owner uses in real estate sales going to stay with the business? Take a hard look at the business from the purchaser's eyes and

identify things tied to the owner about to exit - and work to remove those.

## Reduce The Amount Of Family Member Involvement

With most family businesses - there is family involved willingly or not. Many business owners employ their children in the business with some sort of legacy intentions. However, those plans may change and family members may not be on board with the decision maker looking to sell. In addition, look at things from the buyer's point of view - will they want the disgruntled brother in law still around to perform maintenance on behalf of a new business owner? Are the kids of the business owner still performing duties in the business that may be affected along with their usual compensation? In some instances, family involvement puts a difficult dynamic on completing a sale by undermining the decision to sell in the first place. Be

aware of this and get your personal house in order along with the business.

## Research and Understand The Process of Selling

Finally one of the most important steps to take when entering the realm of selling your business is a humble sense of reality. Your business may be worth less than what you think and may not bring the price you hear about from other acquisitions. Having realistic expectations on the price AND the process going into this will ease the stress level significantly and work to make a win/win scenario for all involved. Also, understanding the process from the introduction, initial due diligence, letter of intent, full due diligence, to day of closing and finally to transition will ease the stress level. Consult with us further so we can discuss the process of selling your property management company!

## What We Do

The Property Manager Broker service is designed to fill a major need as the industry undergoes consolidation. There is an extreme knowledge gap between sophisticated buyers of property management companies and the prospective sellers. Until now, a property management company owner simply goes to the local business broker to assist them in selling their company. Or worse, they did it without much help. This can be a mistake that leads to an uncomfortable sales process and even the loss of tens of thousands of dollars. We are here to change that.



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