

HOW TO VALUE AND SELL YOUR REAL ESTATE PRACTICE

BY: PAT HIBAN

What we will cover:

- ▣ 1. Why Sell?
- ▣ 2. Where to find a buyer.
- ▣ 3. How to determine what it's worth.
- ▣ 4. Terms of getting paid.
- ▣ 5. How and Why I did all of the above four.

Hello Mr. FSBO.....?

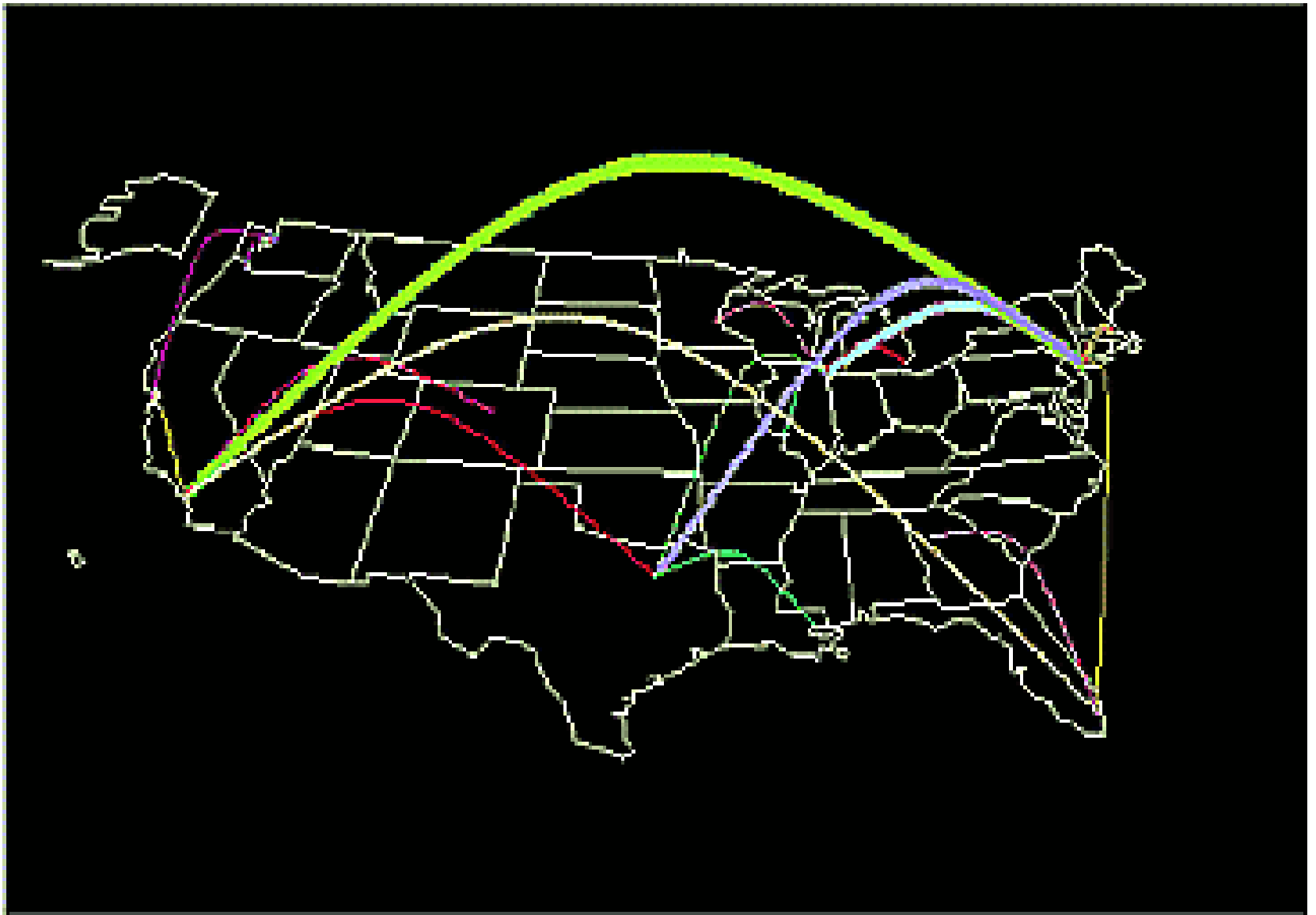


Who will buy my business?



Who To Sell Your Business To:

- ▣ 1. Someone who is willing to move from another State to take over your business.
- ▣ 2. A brand new agent in the area with a lot of passion, belief, and money.
- ▣ 3. A fierce competitor.
- ▣ 4. Someone on your team!



Are you in a desirable location?



How will you get the word out to millions or agents?



There's a new Realtor in town...



A Fierce Competitor....



Who is the best person on your team?



Mike Sloan and Pat Hiban



How to Value your Team?

- ▣ 1. Net Earnings Multiple
- ▣ 2. Gross Earnings Multiple
- ▣ 3. Book Value
- ▣ 4. Appraisal
- ▣ 5. Make something up based on the size of your ego....☺☺☺

Net Earnings



Multiples

- ▣ Consumer reliant businesses such as Real Estate Sales that depend on a salesperson or sales force to churn the coals so that the fire continues to burn.....
 - Between 1 and 6
 - Average: 4

Gross Earnings



Are Liar Loans allowed anymore? (AKA :stated income)



Gross Income Multiplier

- ▣ Average for Real Estate Businesses:
- ▣ 1-2
- ▣ Average is 1.5 x

If you are willing to trade more hard work for buying listings and can severely cut costs and maintain revenue, Gross Income Multiplying may work but Net Income Multiplying is safer.

If business was liquidated
today.....



Appraisal



- ▣ This is the easiest, non confrontational way to value the business.
- ▣ Most appraisals are very helpful if there is a dispute in true value but be prepared to have to accept an even lower value if it doesn't come out in your favor. (Be carefulit could kill the deal as easy as it could get you more).
- ▣ Most appraisers simply use a Net Income Multiplier anyway.
- ▣ Appraisers charge several thousand dollars for a good business appraisal. If you and the buyer can simply agree on a multiplier (1,2,3,4 or 5) you can save the appraisal fee.

TERMS

- ▣ 1. CASH!!
- ▣ 2. Buyer business loan
- ▣ 3. Owner Financed
- ▣ 4. X down and Y each month/year
- ▣ 5. Revenue/Incentive based
- ▣ 6. Referral Fees
- ▣ 7. Salary
- ▣ 8. All or several of the above

CASH MONEY



MILLIONAIRES

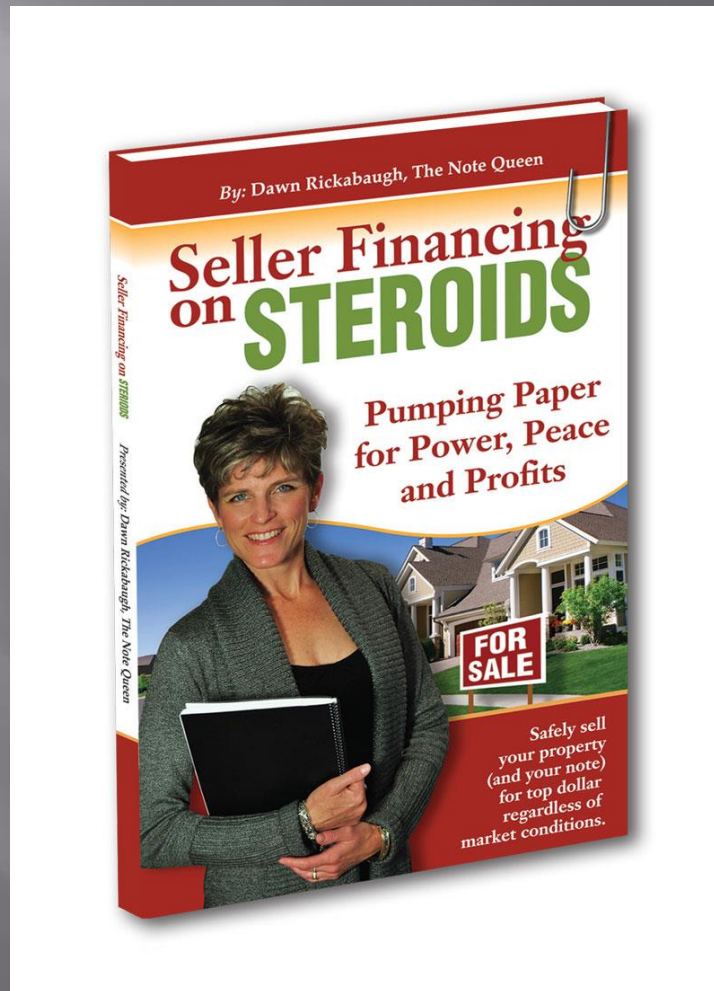
Same as cash so long as you don't
co-sign

U.S. Small Business Administration

SBA

Your Small Business Resource

Ties you to the success of business. Not Recommended.



X Down and Y per month

- ▣ This could be considered the same as Owner Financing. Both of these TERM TYPES are risky. If you must do them do not allow the buyer to put the liability for the contract in the name of an LLC that can easily be bankrupted.
- ▣ Have them signed personally and attach a lien to equity in their personal residence.

TRUE STORY

- ▣ A friend of mine sold their Real Estate team in 2006 for over a million dollars. The owner financed it. The payment was about \$10,000 per month. They moved away to another state. Within a year the buyer stopped paying. By year 2 the seller had moved back to original area and taken back over a business in chaos.

Revenue and Incentive Based

- ▣ Proven to be most successful term type.
- ▣ Requires your involvement. If your goal is to clean your hands and walk away, this may not be the term type for you.
- ▣ Some agents have contracts that they will write a certain amount of letters to the past client list or call a certain amount of clients etc.
- ▣ Some agents will pose with new owner for photos or change the name of team to include both team leaders (old and new) together.

Referral Fees

SALES PRICE: \$300,000

COMMISSION AT 3%: \$9,000

REFERRAL FEE OF 20% \$1,800

NET CHECK TO YOU! \$1,800

SALARY

FACT:
the word 'salary' comes
from the history of salt



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All or some of the above!



My Deal With Mike Sloan



Jan. 1 , 2010

- ▣ Mike paid half of the Book Value of the company. At that time we had downsized and were at our lowest value in 15 years. (Lucky for him ☺)
- ▣ There was 34k in the operating account and the value of the computers and furniture was 8k because I had sold it all the year prior and we were renting a furnished office space. So, he gave me 21k CASH. (I actually let him take it from his first few distributions because I'm nice)
- ▣ He managed the office for the next 2 years with no salary while I wrote and toured the country for my book.

- ▣ Any traditional sale or listing whereas I had no direct influence (ad call, internet, come list me's, etc.) I am paid 10% of the gross commission.
- ▣ Any direct referral from me-(past clients that ask for me, direct referrals from me, etc) , I am paid 25% of the gross commission.
- ▣ I get a salary of 40k.
- ▣ I get nothing from the settlement of an REO property.
- ▣ I get 50% of the company profit distributions.

2012 Retirement Revenue from Pat Hiban Real Estate Group

- ▣ \$92,859 –Commission income from 10% and 25% fees
- ▣ \$40,000 –Salary
- ▣ \$11,000 – Distribution in June 2012 (our yearly profit on the official profit loss was \$54,418 of which \$27,209 was mine-50%-but we distributed only 11k)
- ▣ Total - \$143,859

What my partner made:

- ▣ \$114,896 in commissions
- ▣ \$40,000 Salary
- ▣ \$11,000 Distribution
- ▣ Total- \$175,896

Explanations

- ▣ 1. There is not much profit in REOs (low average sale price and high overhead) so we do not pay any amounts off the top for those.
- ▣ 2. If I refer out a lead to another agent in another town I get 100% of the referral fee.
- ▣ 3. My responsibilities are none. I do enjoy being involved from the outside although. Mike and I text and or email daily over various employee, agent , legal and financial issues.
- ▣ 4. I am physically in the office for 4 hours a week. Usually because I need a scanner, etc to buy houses for my investment portfolio. I use our own agents to submit offers for myself to keep transactions arm length.

- ▣ 5. My photo remains on the one ad we run. Mike has no ego involved and does not want or need his photo on our ad.
- ▣ 6. We call our team name The Pat Hiban Real Estate Group as to maximize 25 years of brand awareness.
- ▣ 7. We both are in a “Welcome” video on our website.
- ▣ We had a lawyer legally change the ownership percentage of the business for accounting and legal purposes.

Questions?
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NEW YORK TIMES BESTSELLER AND
USA TODAY BESTSELLER

6 STEPS

7 FIGURES

A Real Estate Professional's Guide
to Building Wealth and
Creating Your Own Destiny

PAT HIBAN

FOREWORD BY **GARY KELLER**
—COFOUNDER OF KELLER WILLIAMS REALTY

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