

HOW SPONSORS SCREEN PROSPECTIVE PROJECT ACQUISITIONS

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The most valuable resource to an established syndicator is time. There is not sufficient time to do due diligence and investigate the hundreds of projects which have to be reviewed in order to find one that will produce sufficient income for the investor and the sponsor. The real estate market is competitive and cap rates at this time are at an all-time historic low (meaning prices are at an all-time high). A syndicator needs to have a process to make quick early decisions on which projects it will place under contract. Following are some of the tips Standard Management has developed and uses in its acquisition process.

1. Do not incur any substantial due diligence expense until you have the project under contract. While various members of your staff and contacts may do drive-by, calls made to local brokers, and a quick cash flow calculation decision to proceed, the syndicator needs techniques to be efficient and cost effective in making that decision.
2. With respect to apartment buildings we have a check list of items that can be ascertained from our home office premises or with conversations with representative of the Seller and internet resources. Some of the apartment checklist are:
 - (a) Age (1980)
 - (b) School ratings
 - (c) Poverty ratio
 - (d) Roof structure and construction characteristics
 - (e) Density ratio (number of units per acre)
 - (f) Parking ratio
3. Shopping Centers:
 - (a) Traffic through and at the intersection and passing by the property
 - (b) Sales per square foot of key tenants where available
 - (c) Parking ratio.
 - (d) Percentage of common area recovery.
4. In addition to the many property specific screenings that can be done from the syndicators' office, there are general parameters syndicators often use. Some will select a certain number of cities to acquire property in as well as those they avoid. Some have a limitation on major metropolitan areas. This can be as few as 5 and as many as 40 or 50. Others have parts of the country like the west coast or a particular state they prefer. A number of the west coast syndicators only consider either the 11 or 13 western states. It is quite common for California syndicators to only consider California or consider California, Nevada or Arizona.
5. Many syndicators require certain physical size or financial or both. For example apartment projects that are at least 200 units or more. Purchase price is often a factor. What the syndicators resources and ability (raise equity for project) with available debt determines which properties to pursue.