

## Crowdfunding Commercial Real Estate in 10 Easy Steps

Commercial real estate brokers are starting to realize that crowdfunding can be a simple and easy way to potentially ***more than double the amount of money they earn*** from every commercial property they list for sale. Crowdfunding can work for office buildings, warehouses, apartments, hotels, shopping malls, franchises and virtually any income-producing commercial property.

If a broker lists a property for sale but does not have a buyer in his back pocket the scenario is always the same. A few months of time-consuming walk-throughs, hassling with the brokers claiming to represent potential buyers they already know are not interested and negotiating and re-negotiating low-ball offers that inevitably fall through.

Then there will be those conversations where you must tell the seller it might be a good time to lower his price even though you told him when he signed the listing agreement you were certain the asking price was fair.

The listing broker has no control over how long the process will take. When the sale finally closes the listing broker will earn ½ of the total commission, split with the buyer's broker.

With crowdfunding, the listing broker can do a lot less work, maintain complete control over the sales process, keep all the commission and more.

Let's walk through a typical transaction:

Step 1: You list a small office building with an asking price of \$5 million. You can tell the seller that you will be able to get the price they want in as little as 90 days because you are going to form a group of investors to purchase the building.

Step 2: Form an LLC to purchase the building. You will be the manager of the LLC. You can take a management fee each year, commissions for new leases and a portion of the profit when the building is ultimately re-sold.

Step 3: Arrange for the mortgage you need from your best banker. Assume a 70% loan to value mortgage. Arrange for an appraisal, inspection and a report on market conditions.

Step 4: Prepare a spreadsheet showing how much income the building will generate from rents after all expenses. Anticipate future vacancies and escalation clauses.

Step 5: Prepare a web page that has pictures of the building and the highlights of the facts that make this a good investment. Load all the pertinent documents (LLC agreement, appraisal, etc) into a drop box accessible from the webpage. This new webpage will be accessible through the webpage you already have.

Step 6: If you are raising \$1.5 million (30% of \$5 million) with a minimum investment of \$25,000 per investor you need to close 60 investors. Only accredited investors, those with \$1 million net worth or income of \$200,000 per year can invest. If you listed a commercial property you probably had some real estate investors in mind. Because you are selling smaller slices of the pie you can also approach wealthier individuals, doctors, lawyers, and CPAs in your community.

Step 7: Begin by sending e-mails to prospective investors who are close enough to the building to drive by. You can purchase e-mail lists of accredited investors in nearby zip codes. Marketing is very much a numbers game. If you send out 10,000 e-mails and only close 30 investors, you send out another 10,000 e-mails, etc.

Step 8: The web page will have a “button” where prospective investors can ask for more information. You can expect to spend some time speaking with people who are local to your office who may own other real estate and people in your community who you want to get to know anyway. If they don’t buy into this building, they may buy into the next or refer other sellers to you. A crowdfunding

campaign will differentiate you from the other real estate brokers in your community.

Step 9: The webpage will also have an “Invest” button. If an investor wishes to invest pushes that button it will direct him/her to a form that will take the information needed to verify that the investor is indeed accredited. That verification is done by a 3<sup>rd</sup> party vendor. It will also direct the investor how to send funds to an escrow account where they will be secured until the offering is complete. The investors’ signatures are captured electronically.

Step 10: Do it all over again. These listings do not come along every day. It is much easier to locate and convince 60 accredited investors to put up \$25,000 each than to locate one or two investors who can write a check for \$1,500,000. If the commission for listing this building was 6%, instead of splitting that with the buyer’s broker and earning \$150,000, you just took home \$300,000.

Syndicate Path offers a turn-key solution providing every one of these steps for real estate brokers who want to take advantage of crowdfunding to more than double their income.

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