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# KNOW THE FACTS

MiamiRealtors/Facts



MiamiRealtors.com



# Helping Realtors buy and sell businesses in South Florida!

Business

How to figure out  
the value.

***IS THE SELLER SERIOUS?***

You get the listing, Now what?

Who is involved in the  
transaction?

What can you sell?

Documents in the Transaction.

# Business Brokerage

- Many opportunities to get involved in Miami and South Florida.
- There are not enough "Business Brokers" to meet the demand.
- Unlike residential and commercial real estate, where there is a lot of competition.
- You need to understand the process to get the job done and the deal closed.



# Business Brokerage

- Focus on getting quality listings with accurate financial information, “curb appeal,” and teams in place.
- Ability to understand financial statements:
- Most important are Income Statement (P&L), Tax returns and Balance sheet).
- Without accurate books and records, selling the business is more challenging but not impossible.



# How to figure out the value

- **Sellers Discretionary Earnings (SDE) = Net Profit + Owner's Salary** + Payroll Taxes for Owner's Salary + Depreciation + Amortization + Interest + One-time Expenses (non-recurring) + Owner Benefits + Perks

## Option 2



- **EBITDA (Passive Investment)** = Same as SDE except subtract salary + benefits of an “operations manager.”  
Larger businesses are usually purchased by groups, not an individual who will be an owner/operator.





# How to figure out the value

- If possible, own the business and the real estate. The SBA amortization period for real estate is usually over a longer period of time.
- The business is providing the cash flow. Real estate has deductions and appreciates over time.
- When there is an exit, most of the time the real estate will sell for more.



# How to figure out the value

- There could be a situation where the business can only operate in a specific location. Grandfathered.
- Unlike properties where the sale is reported to the county assessor, these sales are reported to different databases.





# Is the seller serious?

- Blue Sky Value vs. Reality
- Biggest challenge: How serious is the seller and what is the real reason they called you?
- Difficult conversation where you meet a business owner.
- Emotional attachment.





# Is the seller serious?

- Keep in mind they may not be selling for the money: burnout, relocating, past retirement age.
- They may not give the real reason right away.





# Is the seller serious?

- “How much pain are you in?”
- Try to find out what is really going on. Why did the seller contact you. Get the information up front and don't rush to take the listing.





# Servicing the Listing

- **Market the listing** on well-known business-for-sale websites, emails, direct mail, and industry lists.
- **Subscriptions** are required to get the listing out can't just place it on MLS and wait.
- **Confidentiality is key**—NDAs are needed in most cases.
- Well-written listings with solid financials attract strong responses from website ads.





# Servicing the Listing

## ◦ **Confidential Information Memorandum (CIM)**

includes:

- Business details
- Key points
- Financials
- Reviews
- Growth opportunities
- Pictures
- Answers to common questions





# Servicing the Listing

- Prequalify buyers before involving the seller to avoid frustration.
- Assess if the buyer has:
  - Funds available
  - Relevant experience
  - Plans to operate the business
  - Financing strategy
- Meetings via phone, Zoom, offsite, and onsite visits while maintaining confidentiality.





# Offers, Counteroffers, Accept, Decline

- **Due Diligence** – What does buyer want to see? Try to get the list prior to accepting the offer. How much time? Who will be conducting due diligence? Set the expectations. Small privately owned businesses usually do not have audited financial statements.
- **Why does buyer want the business.** – “ I’ll buy any business if the numbers add up” or “ I do not intend to work in the business” – not the best buyer.





# Offers, Counteroffers, Accept, Decline

- **Lease Assignment** – What does landlord require of new tenant? Seller may need to remain as guarantor until lease ends.

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# Offers, Counteroffers, Accept, Decline and Close

- •**Seller owns the property** – Long term lease, option to purchase. Selling both.
- **Financing Contingency** – Does seller agree on the note terms, personal guaranty, may want collateral.
- SBA – is a long process, a lot of paperwork. Term sheet, underwriting, third party valuation, loan commitment, closing check list.





# Offers, Counteroffers, Accept, Decline and Close

- **In person or electronic closing.** Seller gets paid, buyer completes the purchase.
- **Finally, you get the compensation.**





# Who Is Involved in the Transaction

- **Simple cash or small seller finance deal** –  
Realtor can have both sides of the deal
- Bank loan for both the business and real estate –  
Buyer and seller have their own agents, attorneys, accountants, SBA broker, bank (lender), Business development officer (BDO)





# Who Is Involved in the Transaction

- **Just remember, when you started the process, it was you and the seller meeting together with the goal of getting the business sold!**





# What Can You Sell?

Most obvious – Restaurants (~ 25% of active listings), beauty salons, dry cleaners, convenience stores, gas stations, vape shops.

- Contractor businesses such as landscaping, tree trimming, irrigation, commercial cleaning, demolition, security guard services, property management for HOAs and condo associations, roofing, painting, HVAC, plumbing, septic, and electrical.
- Manufacturing, distribution, and contract packaging.
- Marine-related industries.



**SELL**



# What Can You Sell? (Cont'd)

- Niche legacy businesses.
- Recycling and waste management centers.
- Medical practices & pharmacies.
- Mobile home and RV parks.
- Self-storage facilities.
- Businesses with real estate that are “grandfathered in” at a specific location and where permits for new ventures are no longer issued in the area.





# Hidden Cost

- **Working Capital.** How much money will be needed to operate the business after closing.
- Deposits. Utilities, Vendors, Rent. Many E2 Visa buyers in South Florida most likely do not have credit established.
- Marketing Costs, Upgrades to equipment, social media, rebranding.
- Costs and fees to obtain a loan.
- Closing costs. Compensation





# How to Get Listings

- **Traditional Marketing:** Drop cards, postcards, direct mail (buy a targeted list).
- **Networking & Relationships:** Previous sellers, lunches, events, referral and leads groups, Chamber of Commerce.
- **Digital & Email Marketing:** Website, email marketing, LinkedIn, newsletters.



JUST LISTED



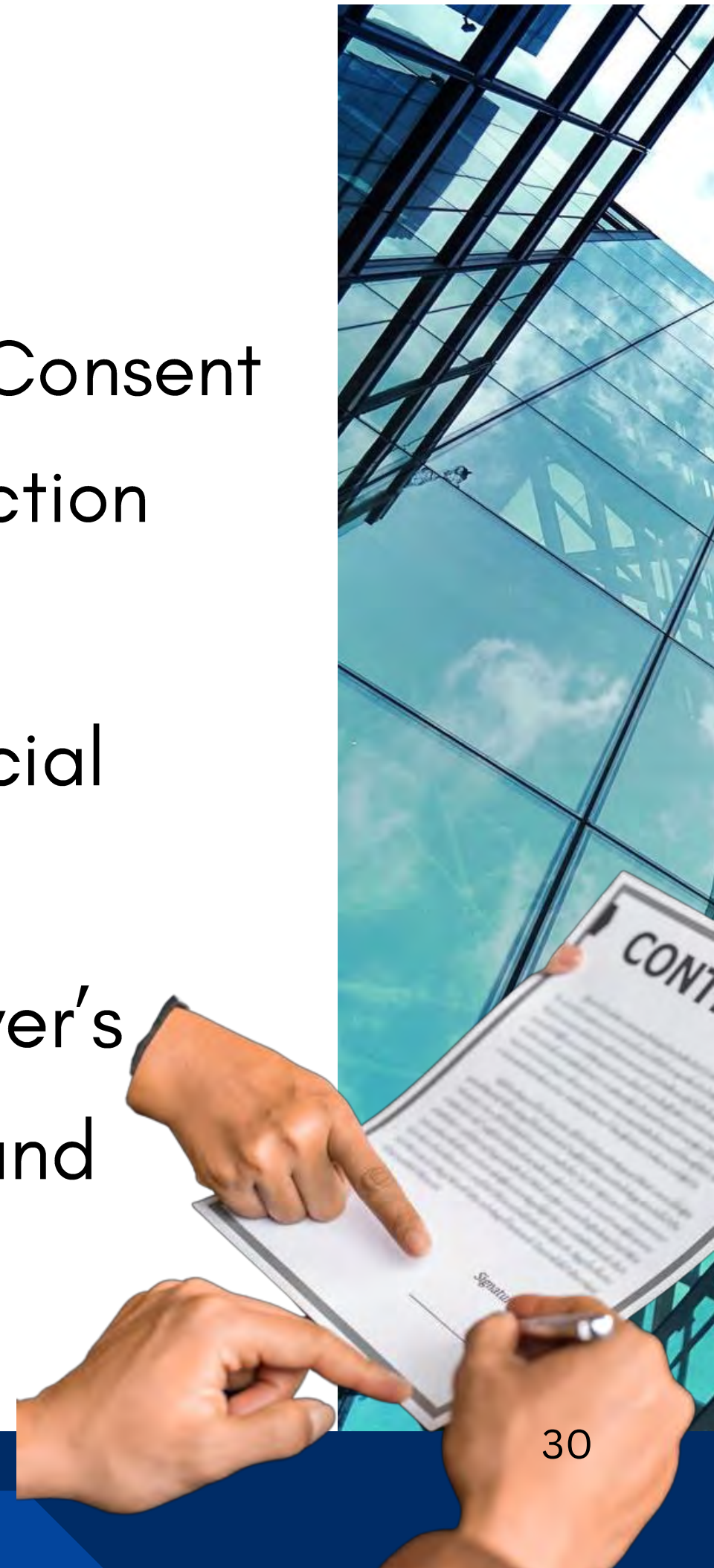
# How to Get Listings (Cont'd)

- **Leveraging Professionals:** Residential and commercial real estate brokers.
- **Current Listings:** Use them to generate new leads and attract potential buyers.



# Documents Needed

- **Listing Agreement** Corporate (LLC) Resolution to Sell, Consent of Partners, Consent of Spouse Documents in the Transaction
- **Confidential Marketing Agreement** (CIM) with financial “Recast” – approved and signed by the seller.
- **Confidentiality Agreement (NDA)** for each buyer. Buyer’s wants and qualifications. Buyer’s Financial Statement and Proof of Funds.





# Documents Needed

- Commercial contract if real property is involved in the transaction.
- Due diligence list from the buyer, and confirmation from the seller of which requested documents are available.
- Escrow confirmation letter of the buyer's deposit.
- Addendums.



# Documents Needed (Cont'd)

- **Asset Purchase Agreement.** Prepared by an attorneys will use an attorney.





# Documents Needed

- Loan application and documents (if applicable).
- Application with landlord – lease assignment.
- Closing documents prepared by the closing attorney.
- Confirmation of compensation due to the broker.



# Pros of a Business Broker

- 1 Rewarding- helping sellers
2. Buyer – build a legacy
3. No nights and weekends
4. Get insider knowledge
5. Multiple transactions- residential and commercial
6. Less emotional – buyer
7. We are a conduit for the transaction
8. Variety in the transaction
9. Less COMPETITION- double dip





# Cons of a Business Broker

- 1 Deal takes longer to close
  2. Must have reserves for business
  3. Usually have a high degree of complexity
- Need have a good team.
4. Must control your emotions.
  5. Sometimes you don't have control the outcome.
  6. Other third parties can kill the deal.



# Pros of a Business Broker

- Build a list with your niche and update it all the time.
- Build a solid relationship with the seller
- Know the rules





# Scenarios Senior Living Facility-

Financial performance and valuation – Review the P&L and other financial documents.

- Understand the licensing and regulatory compliance.
- Understand the location and occupancy rate.
- Know the zoning and land use.
- Operational considerations – Staffing – Who is the administrator? Will there be a partner?





# Recast Example- Assisted Living Facility

I CARE Residential Assisted Living LLC  
Profit & Loss  
January through December 2023

	Jan - Dec 23
Ordinary Income/Expense	
Income	
Bank Promo Credit Fee	218.57
for Service Income	191,618.67
Interest Refunds	5,343.91
Total Income	191,881.70
Expense	
Advertising and Promotion **	3,672.85
Automobile Expense **	4,921.80
Business Licenses and Permits	486.25
Check Charge	29.68
Consulting Fee **	25.00
Dues and Subscriptions	105.91
Finance Charge	42.31
Gas **	554.37
Vacation Hotel Expense **	2,369.00
Insurance Expense	4,706.59
Meals and Entertainment- Birthday Parties	446.21
Medical	122.50
Medical Records and Supplies	260.00
Mortgage Expense	17,715.93
Office Supplies	3,381.40
Outside Side Service	200.00
Payroll Expenses-Wages	19,500.00
Payroll Expenses-Taxes	1,722.75
Phone Expense- Personal	2,032.93
Professional Fees **	2,555.00
Reimbursement	200.00
Rent Expense	15,000.00
Repairs and Maintenance - Roo Replacement- 2023	7,854.57
Sub-Contractors-1099	11,465.00
Supply-	11,546.88
Tax	33.00
Travel Expense- Personal Development	526.47
Utilities	7,211.49
Total Expense	118,687.89
Net Ordinary Income	73,193.81
Net	73,193.8
Income	1

2023. Add-backs-  
Provided By Owner

Automobile	\$4922
Gas.	\$554
Vacatio Hotel	
expenses	\$2370
Insurance.	\$1800
Meal &entertainment	\$446
Medical.	\$123
Maintenance.	\$7855
Travel.	\$526
Phone.	\$2050
Supplies.	\$4500
Grand total	\$23,646.



# Presenter



Denise Chambers Palmer  
Lic. Real Estate / Broker  
[denise.chambers@keystolegacy.com](mailto:denise.chambers@keystolegacy.com)  
[www.keystolegacy.com](http://www.keystolegacy.com)



**KEYS  
TO LEGACY  
REALTY**

