



Overview of Bid Process

The NM Apartment Advisors bid process and why we use it.

As a buyer – have you ever had the frustration of:

- taking the time to submit an offer on a property only to find out that the property has been sold (sometimes months ago)?
- taking the time to visit a property only to find out the “deal has hair” —that the property has incurable defects?
- written an offer only to find out that the Proforma numbers were not even close to reality?

As a buyer’s agent – have you ever had the frustration of:

- Not receiving return calls or emails from listing agents?
- Finding out at the closing table that a minimal or no commission was being offered?
- Discovered that a property your client has long wanted sold off market?

After some \$250,000,000 in sales in 300+ transactions and based on our experiencing in auctioning off commercial real estate the the FDIC/RTC in the late 1980s/early 1990s, NM Apartment Advisors has developed and refined a marketing process that we believe ensures the best representation for our client – the sellers – while providing buyers with a fair and transparent process to use in submitting offers on our listings. Buyers agents, because of our registration process, are more protected than in a traditional process.

NM Apartment Advisors has used this process, **The Bid Process**, for over a twenty-two years on thousands of apartment units across New Mexico. In fact, to date, we have listed/sold over 16,389 units in \$754,861,616 in 873 transactions, many of which featured the BID process.

The following text is provided to buyers and buyers agents as an explanation of a marketing process that NM Apartment Advisors has been using since 2001 to represent its clients – the sellers. To date,

NM Apartment Advisors promise:

Our commitment is to carry out each sale, using this process, in such a way that is open, honest, transparent and fair to all parties.

we have used this process in over \$50M of apartment sales and have received feedback from buyers and buyer’s agents that when this process is followed, it ensures their buyer a forum for their offers and a “level playing field”

***Disclaimer:** In today’s current market conditions, qualified all cash buyers are experiencing a one-in-five to one-in-ten odds of securing an investment – buyer competition for investments is fierce with many investments selling over list price.*

NM Apartment Advisors’ Bid Process

New Mexico Apartments offers many of its listings through a fixed-bid deadline process. If you are a potential buyer, seller, or agent representing a buyer, the following should thoroughly explain our process and procedures.

What is it?

Our marketing process is a structure that we use to manage the marketing, data dissemination, touring, and offering for many of our apartment listings.

How does it work?

Information: We make every effort to make all potentially interested parties, agents specializing in apartments and apartment investors aware of each available property at the same time. Anyone who receives information on one of our listings may go to our web site, www.nmapartment.com, and download a flyer and an APOD on the property. After reviewing these, a buyer may complete an online Registration and a Confidentiality Agreement. When we receive these documents we will provide the buyer, and their agent, a link to additional documentation that will allow them to download the,



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usually very extensive, data and analysis that we have completed for the property. Usually included are completed rent rolls, analytical financial modeling, unit floor plans, and surveys and other information designed to allow the buyer to have as complete an understanding of the property as possible.

Registration process

As the part of NM Apartment Advisors initial marketing material, you will find a link to an online registration and confidentiality agreement. This must be executed before any buyer is allowed to attend a tour or receive detailed information on the property. Sellers expect the buyer to maintain a reasonable standard of conduct, disclose their agency relationship, and agree to keep the Seller's confidential information just that confidential.

The registration form also allows a buyer's agent to make sure that they are indeed representing this buyer. All too often, we've had less than scrupulous buyer's agents attempt to represent a buyer with whom they do not have a buyer's agency relationship, and "inject" themselves into a deal. By requiring that your client, the buyer, execute this agreement, we ensure that you are part of the procuring cause of the sale.

Property Tours: After reviewing the information we have on the property the buyer may wish to attend a tour of the property. These are scheduled long in advance. Individual tour dates are not available. Self guided tours, a buyer or agent taking it upon themselves to walk the property and speak with the manager or tenants are not allowed. Any buyer doing this will likely be banned from participating in the offer process as the seller will consider them to be trespassing.

Offers: The buyer may submit an offer at any time but it is strongly encouraged that the buyer attend the property tour prior to submitting an offer in order to establish credibility. In general offers will not be responded to until the day after the bid deadline. Why do you wait to respond to offers? Our goal is to shift the focus of the selling process away from which offer comes in first and to which offer, and buyer, is strongest and most likely to perform.

Agency

NM Apartment Advisors and its clients are glad to cooperate with Buyers agents and Transaction agents. Sub-agency is not offered and dual-agency is prohibited by office policy. You heard that right, we will not be representing a competing buyer.

Agent Duties

As a buyer's agent, procuring cause is often not enough to earn your fee—NM Apartment Advisors offers a one page document that can be provided upon request on what a buyer's agent typically needs to do to earn their fee.

Compensation

Most of our sellers pay a brokerage fee that is in the range of industry norms for the size of the property. Typically we share this with outside selling brokers on a 50%/50% basis, unless we have co-listed the property and then usually that fee is 33%/33% selling side, and 33% to buyers side. Not all sellers offer compensation. A few, particularly institutional owners, work with us on a consulting fee arrangement and specifically do not allow us to compensate outside agents. In these rare cases you must seek compensation from your buyer and we will make it very clear that no fee is offered to a buyer's agent, but only because the seller demands it. Please review the compensation particulars as disclosed in the confidentiality agreements for each property.



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Bid Deadline: All offers must be received prior to the bid deadline, or call for offers. The seller may choose one offer, may reject all offers, or may choose a handful of bidders from which to solicit a “best and final” offer.

What makes an offer competitive? Price is important. Most properties sell at or above list price. However, a high priced offer means nothing unless we have a high degree of confidence in the buyer’s ability and intent to close the transaction on the terms negotiated. To establish buyer credibility we like to see 1) that the buyer has invested their time in becoming deeply familiar with the property, 2) that the buyer’s underwriting assumptions are accurate, and inline with those of lenders, 3) that the buyer can demonstrate a history of similar acquisitions in which they performed.

Buyers often demonstrate their familiarity with the property by making some portion of their earnest money becoming non-refundable at certain key junctures in the transaction: the acceptance of their offer, the removal of the inspection contingencies, and the removal of the financing contingencies. A buyer that submits, along with their offer, a deal history that specifies the details of their most recent acquisitions, dates, addresses, brokers, lenders, – is an advantage.

Once a buyer is selected the transaction will proceed through escrow and closing.

Why do you use this process?

We have developed this process, and refined it through many transactions because in a market where there is an in-balance, where there are more buyers than sellers, it has advantages for both buyer and seller. For the buyer, they can be assured of a transparent process with clearly defined dates and rules, which insures fairness by awarding the opportunity to purchase the property to the entity who values it the most and who is best qualified. In our process all buyers are treated equally. For the seller, as well, our process insures that the entity placing the highest value on the property, and showing the best ability to close the property on the terms negotiated, will likely be the buyer. In short, the process that we have developed serves to manage the offering and negotiating process in a way that is most fair to all parties.

NM Apartment Advisors promise:

Our commitment is to carry out each sale, using this process, in such a way that is open, honest, transparent and fair to all parties.

Our promise to our seller

For each property sold with this process we have a series of preplanned marketing milestones, tour dates, and bid deadlines. We commit to our sellers to adhere to these.

Our promise to the buyer

We are committed to treating each buyer fairly and in a way that allows every buyer to compete on a “level playing field”. We have designed this process so that buyers might advance their cause on the basis of what they are offering the seller, how competitive their offer in regards to price, time lines, and their familiarity with the property. We promise the buyer that our selection process looks only at these variables that benefit the seller. Other variables whether they have their own agent, or who their agent is, whether they are in-town or out-of-town, which do not impact the seller, will not affect how their offer is received.



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Our promise to the buyer's agent

We will accept the registration of your customer or client, with our registration and confidentiality forms correctly completed by your customer or client. Once our client accepts your registration, you are protected. We acknowledge you as the sole procuring cause for the sale. Past registrations have been rejected when we believe the buyer's information has been forged, the same buyer has been registered by multiple agents or when a non-qualified buyer has been registered.

We promise to update you of the offer deadline and advise you of the final disposition of the property and carbon copy you on all correspondence from our seller to your buyer.

What NM Apartment Advisors expects from you:

Understand that our exact process is based in a contract between our client, the seller, and our company. Please do not ask us to modify it. Please understand that part of our agreement with the seller is that property tours only occur as scheduled and that all prospective buyers receive information simultaneously which means that your client has authorized us to send them information on the property the moment we receive it and that we will carbon copy you on all correspondence to your client.

Additionally, NM Apartment Advisors has a single page checklist of buyer's agency duties that we would be glad to share with you – as a buyer's agent if you complete these tasks, you will have represented your client and earned your fee.

What is the best and final round?

In the event of a multiple offer situation, our firm will analyze and summarize the offers and make a recommendation to the Seller that we moved to a Best and Final Round.

In this round of negotiations, we will send out an email similar to the example email on page 5. In this email, we will let you know the best components of all of the offers and ask that you respond with 72 hours with:

1. the intent of holding your offer,
2. the intent folding (withdrawing) your offer or
3. the intend of raising your offer

We will then summarize those offers for our Seller and assist them in identifying the most qualified buyer based on this criteria:

1. Ability to close this transaction
2. A buyer and offer that meets the Sellers's goals including:
 - A. Price
 - B. Terms
 - C. Minimal obstacles between offer and closing
 - D. Closing date

Buyers who make an offer that is below a certain threshold (usually in the bottom half), will also receive an email thanking them for their interest and letting them know the Seller is in a Best and Final round.



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I've heard you conduct buyer interviews—why?

Occasionally, the best and final round will yield more than one offer that a Seller might accept. To assist the Seller in differentiating offers, the Seller may request that our firm conduct a telephonic buyer interview

Typically, these interview calls cover the following topics:

- Previous deals
- How you analyzed the property
- List of anticipated Renovations
- Who are the Decision Makers
- Source of Equity
- Source of Debt / Lender
- Inspections
- Any other concerns you or the Seller may have
- Questions you might have

These interviews help us help the Seller understand how you view the property, the market and allow us to smoke out any issues that we can provide additional information on.

Sample Best and Final Email to top bidders:

Good morning!

Congratulations are in order; your offer has placed you in the top 50% of buyers for the best and final round for the property a 2340 Garfield SE.

First - I wanted to thank you and your client for submitting an offer on this property.

Second - please confirm receipt of this email.

Third, please know that the property, during the very short time we have been marketing the property has garnered a large audience of investor/developer interest. During the time we have had this property listed for sale, the marketing metrics on this listing were: 5,000 owners/investors received a postcard mailing on the property in two different mailings, the property had 700 views in the local residential MLS system, 110 views in the state wide Commercial MLS (CARNM), 110 views in the national commercial CIE and 137 flyers were download from the NM Apartment Advisors Inc web site, and we had 62 people signed up for the tour, and 36 who registered for tour and 24 who attended in person.

The result of all this market activity was multiple offers.

Offer Summary

If the Seller had the ability to take the best component from each of the offers, it would be at a price of \$540,000 all cash, \$20,000 in earnest money, a 5 day due-diligence period, a closing in 15 days.

While we realize that assembling an offer containing all of the best components may not be possible, we did want to offer you the opportunity to be the top bidder and eventually owner of the property.

Invitation to best and final round

Based on the above information, the Seller has authorized us to extend to you one of three options:

1. HOLD confident that your offer stands on its own and needs no improvement you intend to leave your offer where it is.
2. FOLD thinking you did not really want to own this property that badly, you would like to withdraw your offer.
3. RAISE you do not want someone else to have this property, and you intend to better your offer by updating your letter of intent/ purchase and sale agreement with a new price and/or terms. Please note, in this final round, we cannot accept any offers with an escalator we just need your final, best price.

If there is anything you feel you can offer to demonstrate the surety of your ability to close (i.e. deal resume, proof of funds, banking reference, references from other sellers, letter to the seller), now would be the time add that to your offer.

Out of respect for those buyers who submitted offers, we will be moving the property to pending status today.

The Seller has respectfully requested your written response no later than 11am on Monday, April 10th, 2023.

Thank you for your continued interest,

Todd Clarke CCIM CIPs CEO/Qualifying Broker and Broker for the Seller

NM Apartment Advisors Inc.

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