

Investments

There is so much to consider when looking to acquire an asset or invest in a project. Every property is unique and a detailed (and specific) plan needs to be put in place and executed correctly to be successful.

- Will it take 1 month or 1 year to cash flow?
- Will the leasing team dedicate enough time to fill up the building to cash flow positive or do we need to hire in-house management to control lease up? How long before we are into net income?
- What is the market vacancy and can we rent the building for our assumed lease rates to pay the mortgage and bills as well as get a return on our investment (“ROI”)?
- Are we buying the property on a cap rate that will allow us a yield that matches with the risk we are taking?

These are just some of the questions we get at Sky West. We ‘take the car apart’ and look at every aspect of a deal so every partner knows what they are getting into and what to expect. If we give you realistic expectations then we have done our job.

Sky West has over 20+ years and a team of experience people to take as much risk out of the acquisition as possible. We spend as much as a year looking at the risk.

Just a few of the due diligence concerns are:

- Has the Purchase contract been structured correctly with extensions built in to buy time? Is there enough ‘Free Look Period’ to make an informed decision without a loss of deposit?
- Do we have sound assumptions (which should not be too overly optimistic) ?
- Financial Modeling, Discounted Cash Flow Analysis and Net Present Value “NPV” are critical to make sure the investor gets his money back and a return on his/her investment.
- Timeframe – Make sure the investor and developer agree and assumptions can be hit to meet timelines, lease up, construction, stabilization and cash flow.
- Location – Is the property an “A”, “B” or “C” .
 - Ingress/Egress – Is the property or access on the right (or wrong) side of the street for customers to get in and out easily?
 - Does a stop light need to be installed costing \$450,000 to the partnership and how will this affect returns?
 - Was this figured into the purchase or was this an after-thought?
 - Does the partnership have realistic timeframes in place to get center re-leased? Without the experience to analyze this specific questions most investors only

guess and fall way short on realistic timeframes affecting returns and souring a deal.

- What does renovating the center or property do to existing tenants?
- How do you get rid of tenants legally so you don't have a lawsuit to deal with later?
- Absorption, Lease Up & Pre-Leasing during the Free-Look Period – Making sure you hire the right leasing or brokerage team and hold them accountable to the market proposal which got them the leasing assignment.
- Competition – What is the surrounding competition?
 - Is it local, regional, national?
 - Will national owner lower rents (because they are a national company and can withstand a loss) on the property across the street to get better absorption and affect your property?
- Debt – How much should we put on the property?
 - How fast do we pay it down for better returns?
 - Do you have a bank that is long standing in the community who will work with you?
 - Do you have a long standing relationship (or private banking relationship) that will help debt finance the acquisition or do you have to go to an outside source.
 - How much should you pay in fees to a bank?
- Equity – What is the right percentage ownership for the money being put up and what percentage should the developer get for doing the work?
 - Should the developer get his equity ownership based on performance?
 - What is a fair preferred return in today's market?
 - Should the equity come back first prior to net profit splits?
 - What is the fair way of getting the equity out of the investment?
- Tenant mix – What is the right mix for the property (Local, Regional or National).
 - How do you reach the right balance in the center?
- Construction costs – What type of contract do you sign?
 - Cost plus – What is the plus?
 - How do I know the GC is going to bring the project in on budget and on time?
 - Change orders;
 - Can GC's bill out and make more money on you?
 - What is a construction management contract?
 - Is this better than paying 10% on cost to a GC?
 - How do you know that the GC is not getting kick backs?
 - Should I use a construction funding company to manage the process?
 - How do I know where to find a credible construction funding company that will do a good job and make sure work is done before bills are paid?
 - Land costs – Am I paying too much for the land?
 - Are there easements I need to get with my neighbors and how much will it cost in time and money?
 - Infrastructure costs – What will it cost to put in all the horizontal development?

- City and agency's associated with approvals – Are they pro growth or no growth and will they work with the developer or investment team?
- Bonds – Can you qualify for a bond?
 - How much should a bond cost?
- Permits – Will the permits to build or do TI work cost a lot or a little and how much time will it take?
- Design and look of the property, asset or improvement.
 - Is the design too expensive to build increasing rents over market causing over-improvement and missing the market?
 - Is the design too elaborate for the area or does it fit?
- Mixed use sites – Will condo's work on the property with RETAIL and OFFICE?
 - Or should Sr. Assisted living replace condo's?
 - What is the mix for the property?
 - What is the 'Highest and Best Use' for the property?
- Appraiser
 - Who is the right appraiser (or company) to use?
 - Is it a bank appraisal and can we contest the banks appraisal?
 - Is it the right value?
 - What is the right price to pay for an appraisal?

The questions above are just a 'short list' and by no means all the questions that need to be answered. Sellers never want to give enough time and buyers always want more time than they can get on a purchase.

You need an experienced team to help you navigate thru all the issues. Sky West is the right team and can save you money and time.

We look forward to working with you.



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