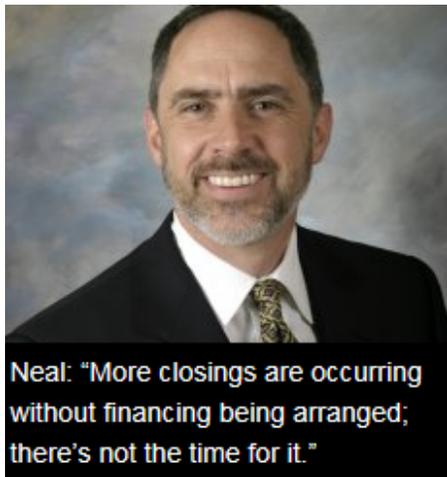




## **DON'T CUT CORNERS JUST TO CLOSE QUICKLY**

By Carrie Rossenfeld

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NEWPORT BEACH, CA—The ability to close transactions faster is becoming more necessary in this competitive market, but that doesn't mean you shouldn't dot your I's and cross your T's, Hager Pacific Properties' managing partner Rob Neal tells GlobeSt.com. The firm recently acquired a 208,570-square-foot industrial property in San Marcos, CA, via Colliers International for \$9 million in an all-cash transaction that required only 25 days for inspection

and close of escrow. We spoke exclusively with Neal about the trend of shorter closing times and other trends he is noticing with closings.

### **GlobeSt.com: What is allowing for shorter closing times in real estate transactions?**

**Neal:** It's hard to say. Of course, it's become a trend, and now we expect every buyer to do this going forward, although buyers are never asked by a seller, "Hey, can you close more quickly?"

### **GlobeSt.com: Why is it especially important for buyers and sellers to be able to close quickly today?**

**Neal:** For a buyer like us that can close quickly, it can tilt the table our way and allow us to get the deal. In order to do this, you have to have unique capabilities. Everybody in the real estate business at every level is extraordinarily busy right now, but the vendors we've worked with in due diligence we've worked with for the last 20 years, so we are able to call on them and they will drop other jobs and turn their attention to us. They recognize that they can bring real value to us. Many buyers, while they wish they could do due diligence, are probably not in the position to do it quickly.

We use all our own capital; we don't have outside equity partners and we don't have to bring anyone else into the decision-making process. No matter how streamlined the institutional model may be, it's another level of approvals that have to be secured. That means a lot of reports and presentations, and that all takes time. We don't do that. The four of us partners get on the phone, and we can get down to business and make a decision very rapidly. While this recent deal in San Marcos was short, it's not our record—our record is four days on an industrial building in Orange, CA. We were able to do it because of what I just described, which is lost on a lot of buyers.

As the market becomes more competitive, there are more buyers than there are properties for sale. Buyers look for ways to distinguish themselves from the pack, and one of the ways is to pay more, which we're not anxious to do. If you demonstrate certainty of close, if you have a track record and the seller can talk to other sellers who can vouch for you, that will help. So will a shorter due-diligence period. This is important because once the due diligence is done, the buyer goes for hard money which is non-refundable. At that point, the seller knows they have a deal; prior to that, it's just a negotiated price and the buyer still needs to do inspections—it's contingent. But knowing you have a done deal is compelling for a seller.

**GlobeSt.com: What other trends are you noticing with closings?**

**Neal:** More closings are occurring without financing being arranged; there's not the time for it. It all comes back to time. When the market is in an earlier cycle, sellers can't be quite as picky, so buyers are able to arrange financing in the due-diligence and escrow period. No one really has the time to arrange financing for desirable properties in the current part of the cycle, so there's a proliferation of all-cash deals—someone has to have the cash in pocket and has to have things lined up before they're too far along in the transaction. No matter how quickly you can arrange for third-party financing, it's too long for most deals these days. During the topping out of a cycle, more and more deals accelerate, and a known player always wins.

**GlobeSt.com: What else should our readers know about shorter closing times?**

**Neal:** Just because you close quicker doesn't mean you don't have to check all the boxes. These are large transactions, and if you're sacrificing your accuracy for the sake of tying up a property and closing quickly, that's reckless. It's incumbent upon any buyer to be competitive by accelerating the due diligence, but not to the detriment of the deal. It's a tremendous amount of

work, but systems and processes are important. Don't turn situations into problems by not having the internal systems to thoroughly vet the property.