



# THE ULTIMATE GUIDE TO SELLING YOUR COMMERCIAL PROPERTY

Next Phase Commercial, brokered  
by Epique Realty



[www.NextPhaseCommercial.com](http://www.NextPhaseCommercial.com)



# WELCOME!

Selling your commercial property is a strategic business decision. Whether you own an office, retail, industrial, multifamily, or special-use asset, the process is more complex than residential real estate. It requires preparation, documentation, and careful navigation of market, legal, and financial factors.

**This step-by-step guide empowers you to:**

- ▶ Prepare your property for the market
- ▶ Understand value, zoning, and environmental requirements
- ▶ Navigate buyer financing (including SBA loans)
- ▶ Master due diligence, negotiations, and closing
- ▶ Maximize your outcome and minimize surprises

Keep this guide handy and consult your Next Phase advisor at each stage!

# WHY WORK WITH ANDY AND HIS TEAM?

**Clear Advice. Smart Deals. Strong Results.**

When you work with Andy and his team, you get more than just a real estate agent—you get a dedicated partner focused on your success. Here's what sets us apart:



**Proven Results:** Years of experience closing deals for buyers, sellers, landlords, and tenants across the Twin Cities and beyond.



**Full-Service Support:** A team approach means you get expert help at every step, from property research and marketing to negotiation, closing, and post-sale service.



**Modern Marketing:** We use the latest technology, digital marketing, and data-driven systems to maximize exposure and find the right opportunities for you.



**Personalized Strategy:** No cookie-cutter process. We adapt our approach to fit your unique goals and needs.



**Clear Communication:** Honest, straightforward advice with consistent updates—so you're never left in the dark.



**Accountability:** Every lead, showing, and opportunity is tracked. We follow up, nurture relationships, and ensure no detail is overlooked.



**Our goal is simple:** To make your real estate journey smooth, successful, and stress-free.

Let us put our expertise, systems, and care to work for you.



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# STAGE 1:

## PRE-MARKET PREPARATION

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### Setting Your Sale Timeline

- ▶ Why are you selling? (Retirement, reinvestment, 1031, partnership, liquidity, etc.)
- ▶ Do you have a deadline? (Related purchase, exchange, partnership, etc.)
- ▶ Need to coordinate with tenants or partners?
- ▶ If considering a 1031 Exchange, notify your broker up front.

## Understanding the Market

- ▶ Is your property type in high demand?
- ▶ What are current local vacancy rates, recent sale comps, and cap rates?
- ▶ What's the outlook for your market segment?
- ▶ Your broker should provide a custom market and pricing report.

## Valuing Your Property

- ▶ **Income Approach:** Most common ( $\text{NOI} \div \text{Market Cap Rate}$ )
- ▶ **Comparable Sales:** Used for unique or owner-user properties
- ▶ **Replacement Cost:** For newer or special-use assets
- ▶ **Documents needed:** Rent roll, leases, financial statements, service contracts

## Choosing the Right Broker

### Ask:

- ▶ What's your experience with my property type/market?
- ▶ What's your marketing and pricing strategy?
- ▶ Do you have active buyers/investors?
- ▶ How do you handle confidentiality/off-market deals?
- ▶ How will you keep me updated?



**Seller Shortcut:** Get a written marketing plan and a list of needed documents.

## Preparing Your Property

- ▶ Exterior: Clean-up, landscaping, repairs, signage, parking lot
- ▶ Interior: Declutter, lighting, safety, HVAC
- ▶ Notify tenants (if appropriate)
- ▶ Prepare key documents and financials

## Required Documentation Checklist

- ✓ Rent roll
- ✓ Leases & amendments
- ✓ Financial statements (2–3 years)
- ✓ Service contracts (HVAC, landscaping, security, etc.)
- ✓ Property tax/utility bills, insurance
- ✓ Environmental reports (see next section)
- ✓ Survey, floor/site plans
- ✓ Title report/policy, deed
- ✓ Zoning documentation (see below)
- ✓ List of recent improvements/repairs

# ENVIRONMENTAL DUE DILIGENCE

*(Add this to your Required Documents & Disclosures section)*

## Phase I Environmental Site Assessment (ESA)

- ▶ **What:** A review of site history, records, physical inspection, and interviews to identify environmental risks or “Recognized Environmental Conditions (RECs).”
- ▶ **When Needed:** Almost all CRE sales, especially with lender involvement.
- ▶ **Seller Tip:** Order a Phase I ESA before listing if your property is older, industrial, or near potential contamination sources.

## Phase II ESA

- ▶ **What:** Soil, groundwater, or building material testing, triggered by concerns in Phase I.
- ▶ **Impact:** If contamination is found, it may require clean-up, delay, or price adjustment.

## Phase III ESA (Remediation)

- ▶ **What:** Formal remediation/clean-up plan and execution if contamination is confirmed.
- ▶ **Seller Impact:** Remediation may be required for closing or to reduce value. Early awareness = better strategy.



**Seller Shortcut:** Gather all prior environmental reports, permits, and remediation records before listing.

# ZONING: WHAT EVERY SELLER MUST KNOW

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## Why Zoning Matters:

- ▶ Determines permitted uses (office, retail, industrial, medical, etc.)
- ▶ Dictates which buyers (owner-user, developer, investor) will be interested
- ▶ Buyer's lender will require zoning verification for financing

## Required Documentation Checklist

- ✓ Obtain official zoning classification (e.g., C-1, I-2, B-3, etc.)
- ✓ Collect any variances, conditional use permits, or special zoning approvals
- ✓ Get a zoning verification letter from the city/county (highly recommended)
- ✓ Check for active or historic zoning/code violations
- ✓ Review overlays, restrictions, or use conditions

## During Due Diligence:

- ▶ Be ready to assist with buyer/lender zoning questionnaires or approval processes
- ▶ Provide documentation quickly to avoid delays



**Seller Shortcut:** A zoning verification letter (and a clean record) builds buyer confidence and speeds up closing.

# HOW BUYER FINANCING AFFECTS SELLERS (SBA LOANS)

## Why it Matters:

- ▶ The buyer's loan type affects timeline, certainty, and terms.

## SBA Loans (vs. Traditional Commercial Loans):

- ▶ Used by business buyers intending to occupy at least 51% of the property
- ▶ Require more documentation, environmental reviews, and SBA-specific appraisals
- ▶ Longer timeline: SBA deals often require 60–90+ days to close
- ▶ More likely to require a clean Phase I ESA and additional documentation from you
- ▶ Appraisals and underwriting may lead to renegotiations or extra concessions
- ▶ Not available for investor buyers—SBA is for owner-users only

## Seller Impact:

- ▶ Prepare for longer timelines, stricter documentation, and more requests from the buyer's lender
- ▶ Weigh the certainty of SBA deals versus cash or conventional buyers
- ▶ If time is critical, conventional/cash buyers may offer more speed/flexibility



### Seller Shortcut:

Ask upfront about the buyer's financing plan—plan for delays if SBA is involved.

# PLANNING FOR A 1031 EXCHANGE

- ▶ Allows deferral of capital gains taxes when reinvesting in another like-kind CRE asset
- ▶ Strict deadlines: 45 days to identify, 180 days to close after sale
- ▶ Funds must be held by a Qualified Intermediary (QI)
- ▶ Replacement property must be equal to/greater than the value

## Seller Tips:

- ▶ Notify your broker early if planning a 1031—your sale timeline matters!
- ▶ Choose a QI before accepting any offer
- ▶ Include a 1031 “cooperation clause” in your purchase agreement





## STAGE 2:

### IN-MARKET

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#### Staging & Property Readiness Checklist

- ✓ Clean all areas, declutter
- ✓ Repair visible issues (roof, parking, lighting, HVAC, restrooms)
- ✓ Professional photos and/or video tour
- ✓ Approve and review Offering Memorandum (OM) and marketing package
- ✓ Ensure all documents are organized and ready to share with qualified buyers

## Marketing Your Property

- ▶ OM/flyers with key details and financials
- ▶ Listings on LoopNet, Crexi, CoStar Moody's, your broker's site
- ▶ Email blasts to brokers/investors
- ▶ Signage and open house/broker tours
- ▶ Social media and paid online ads
- ▶ Weekly updates from your broker

## Pricing Strategy

- ▶ Based on recent comps, cap rate, NOI, and current market demand
- ▶ Work with your broker to balance speed and price goals

## Showings & Buyer Feedback

- ▶ Coordinate showings with tenants if occupied
- ▶ Collect feedback and adjust marketing as needed





## STAGE 3:

### UNDER CONTRACT TO CLOSING

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#### Receiving Offers & LOIs

- ▶ Buyer typically submits Letter of Intent (LOI) outlining terms, timing, and contingencies
- ▶ You may counter, accept, or negotiate

#### Negotiating Deal Terms

- ▶ Price, earnest money, due diligence length, contingencies (financing, environmental, appraisal, lease review, etc.)
- ▶ Your broker will guide you on the best strategies for your goals

## Handling Contingencies & Due Diligence

- ▶ Be ready to provide docs for buyer's review (leases, financials, service contracts, environmental, zoning, title)
- ▶ Allow buyer inspections (building, environmental, zoning, compliance)
- ▶ Respond promptly to information requests

## Closing Process

- ▶ Title/escrow manages docs and funds
- ▶ Final prorations: rent, taxes, utilities
- ▶ Deliver keys, codes, and tenant/vendor notifications
- ▶ Funds transfer and deal closes!



# KEY SELLER CHECKLISTS

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## Pre-Market Checklist

- ✓ Set goals, timeline, and strategy
- ✓ Interview/select broker
- ✓ Gather all documentation (leases, financials, environmental, zoning, etc.)
- ✓ Order Phase I ESA if needed
- ✓ Obtain zoning verification letter
- ✓ Repair, clean, and stage property

## In-Market Checklist

- ✓ Approve OM and listing
- ✓ Schedule/provide access for showings
- ✓ Respond to buyer questions

## Under Contract Checklist

- ✓ Provide all docs promptly
- ✓ Facilitate inspections and due diligence
- ✓ Review and sign closing docs



## SELLER SHORTCUTS & PRO TIPS

- ▶ Order Phase I ESA and zoning letter BEFORE you list: Avoid surprises and delays
- ▶ Disclose all material facts up front: Transparency builds trust and avoids renegotiation
- ▶ Choose a 1031 Qualified Intermediary (QI) early: Do not touch sale proceeds if you want tax deferral
- ▶ Ask every buyer about their financing: SBA = longer and stricter, cash/conventional = more speed/flexibility



# GLOSSARY OF CRE TERMS

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- ▶ **1031 Exchange:** Tax-deferral on reinvested real estate sales, strict timelines.
- ▶ **ALTA Survey:** Commercial-grade property boundary map.
- ▶ **Appraisal:** Professional property valuation (required by most lenders).
- ▶ **CAM (Common Area Maintenance):** Tenant-billed operating costs.
- ▶ **Cap Rate:** Return on investment;  $\text{NOI} \div \text{Price}$ .
- ▶ **Conditional Use Permit:** Local permission for uses outside base zoning.
- ▶ **Due Diligence:** Buyer's investigation phase (financial, legal, environmental, etc.).
- ▶ **Environmental Site Assessment (ESA):** Investigation for property contamination (Phase I, II, III).
- ▶ **LOI (Letter of Intent):** Preliminary written offer; non-binding.
- ▶ **NOI (Net Operating Income):** Income minus operating expenses.
- ▶ **Phase I ESA:** Paperwork + site visit to assess risk of environmental contamination.
- ▶ **Phase II ESA:** Lab testing for contaminants if risk is found in Phase I.
- ▶ **Phase III ESA:** Formal clean-up/remediation plan if contamination is found.
- ▶ **Purchase & Sale Agreement (PSA):** Final binding sale contract.
- ▶ **Qualified Intermediary (QI):** Required third party for 1031 exchange.
- ▶ **Rent Roll:** List of tenants, lease rates, and terms.
- ▶ **SBA Loan:** Government-backed loan for owner-users (not investors), stricter rules/timeline.
- ▶ **Zoning:** Government designation of property use (commercial, industrial, residential, etc.).
- ▶ **Zoning Verification Letter:** Official city/county letter confirming permitted uses.

# ABOUT NEXT PHASE COMMERCIAL

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Next Phase Commercial, brokered by Epique Realty, specializes in expert representation and successful outcomes for commercial property owners across Minnesota and Wisconsin.

We combine market intelligence, aggressive marketing, and a client-first approach to deliver outstanding results.

Contact us for a confidential property review or consultation!

📞 612.386.7249

✉️ [Andy@NextPhaseCommercial.com](mailto:Andy@NextPhaseCommercial.com)

🌐 [www.NextPhaseCommercial.com](http://www.NextPhaseCommercial.com)

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