**Real Estate Sample Business Plan**

**Executive Summary**

**Introduction**

Golden Valley Real Estate, LLC (GVRE) is a start-up company in the Tucson area. It is the mission of GVRE to provide real estate services in the newly established Golden Valley Retirement Community, located to the Northwest of scenic Tucson, Arizona. GVRE is a full service real estate, mortgage, and title company.

The Company

GVRE will be a limited liability partnership registered in the state of Delaware for tax purposes. Its founder is Mrs. Susan Egan, a former agent for RE/MAX real estate company, where she worked for 23 years.

The company plans to be leveraged through private investment and a limited number of loans. The company expects to begin offering its services in June. The company’s main clients will be retirement age couples looking for a community that can offer significant services for their age group and income levels. Since Mrs. Egan is within this demographic group and knows and understands this market’s needs, she believes that she can appeal to such clients far more than most other competitors.

**The Services**

GVRE offers comprehensive real estate, mortgage and title services to our diverse clients. With Quadrant Homes, Inc. as our sponsor in the newly finished Golden Valley Retirement Community, we will have a premier position as the dominant seller of these new homes, condos, and retirement apartments. In addition we will offer a full range of services to facilitate the purchasing and selling of real estate including the following:

Home search database.

Moving consulting, quotes, planning, etc.

Mortgage consulting and loan preapproval.

Community information.

Title transfer.

Obtaining a comparative market analysis for potential sellers.

Appraising.

Property preparation.

The Market

The retirement industry has been steadily growing over the past twenty years. The percentage of the U.S. population over the age of 55 is at an all time high of 21% and is growing at an average rate of 3% each year. In certain parts of the country like the American Southwest, which has a high concentration of retirement communities, the growth rate is about 8%. This percentage is also expected to grow as the first of the “baby boomer” generation begins to reach retirement age in the next decade. It is estimated by the U.S. Census Bureau that the retirement industry, that includes homes, medical facilities, specialty equipment, retirement entertainment services, etc., accounts for 4.8 billion dollars each year.

**Financial Considerations**

Start-up expenses and funding required are modest. They include expenses and the rest in cash needed to support operations until revenues reach an acceptable level. Most of the company’s liabilities will come from outside private investors and management investment, however, we have current borrowing from Bank of America Commercial Investments, the principal to be paid off in two years. A long-term loan through Valley National Bank will be paid off in ten years.

The company expects to reach profitability in the first year and does not anticipate any serious cash flow problems. We conservatively believe that during the first three years, average profitability per month per segment will be adequate. We expect that about one sale per month will guarantee a break-even point.

**1.1 Mission**

It is the mission of GVRE to provide real estate services in the newly established Golden Valley retirement community, located to the Northwest of scenic Tucson, Arizona. GVRE is a full service real estate, mortgage, and title company.

**1.2 Keys to Success**

GVRE’s keys to long-term survivability and profitability are as follows:

Establish and maintain close contacts with residential real estate listing services, and all other service organizations that GVRE uses, such as Artco mortgage service company.

Keeping close contact with clients and establishing a well functioning long-term relationship with them to generate repeat business and obtain a top notch reputation.

Establish a comprehensive service experience for our clients that includes consultation, appraisal, sale preparation, community information, moving consultation, etc.

**1.3 Objectives**

The three year goals for Golden Valley Real Estate (GVRE) are the following:

Achieve break-even by year two.

Finalize and then expand our contract with Quadrant Homes, Inc. to broker real estate property in the Golden Valley area.

Establish minimum 95% customer satisfaction rate to establish long-term relationships with our clients and create word-of-mouth marketing.

**Company Summary**

GVRE will be a limited liability partnership registered in the state of Delaware for tax purposes. Its founder is Mrs. Susan Egan, a former agent for RE/MAX real estate company, where she worked for 23 years. The company plans to be leveraged through private investment and a limited number of loans. Mrs. Egan is establishing this firm as a “lifestyle” oriented endeavor in order to supplement her retirement. The company has its main offices in Tucson, AZ. The facilities include a conference room and office spaces. The company expects to begin offering its services in June of 2003. The company’s main clients will be retirement age couples looking for a community that can offer significant services for their age group and income levels. Since Mrs. Egan is within this demographic group and knows and understands this market’s needs, she believes that she can appeal to such clients far more than most other competitors.

**2.1 Company Ownership**

The company will be jointly owned by Mrs. Susan Egan and her husband Daniel, who will be putting up equal amounts of equity. All other financing will come from loans.

**2.2 Start-up Summary**

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Much of the company’s services will be outsourced. This includes title transfer, loan approval, appraising and market analysis services. Title transfer will be handled by TNT Legal Services, loan approval by GMC Credit Co. and appraising and market analysis by Templar Real Estate Services.

Each of these companies encourage independent agents to use their services and all have a proven track record in terms of affordability and service. These companies have also been selected because they charge a flat monthly rate. Management includes this rate in the profit and loss statement under other expenses. Our first priority is to help the seller set a realistic price on their property. But like most of us who have invested untold hours of time and energy into our property it may be difficult to remain objective when it’s time to price it and put it up for resale.

There’s a good reason for this. Usually property owners have much more than dollars and cents tied up in a home – an individual commitment that makes it a highly valued personal statement. But value becomes a reflection of the buyer’s perspective as well when that property is put up for sale…and pride of ownership may not translate to market value. When house hunting, the buyer will shop the market, compare available homes, and try to find the very best value.

Consequently, when the seller is ready to list their home, they need to step back and sharpen their focus. Look at the home objectively and price it competitively. This is where a real estate broker such as Golden Valley Real Estate can help. Listing property at 5% above current market value gives it a sales advantage that is ten times greater than if priced at 15-20% above. That’s a statistic that can’t be overlooked.

An overpriced home will suffer from lack of exposure, and the longer it remains on the market the more difficult it will be to sell. And it will remain so, even after price reductions are taken to attract buyers. That is why it is very important to determine an accurate and objective market value for your property. We’ll work with the buyers and sellers closely to achieve that, and to maximize their opportunities to sell their home at the best possible price within acceptable time frames.

Market Analysis Summary

GVRE will be concentrating on only one market segment. This will be the retirement market consisting of those individuals and couples seeking to retire to the Tucson area. As a retiree, herself, Mrs. Egan deals with the very issues that her clients do, thus providing insight and opportunities to better assist her clients.

The retirement industry has been steadily growing over the past twenty years. The percentage of the U.S. population over the age of 55 is at an all time high of 21% and is growing at an average rate of 3% each year. It is estimated by the U.S. Census Bureau that the retirement industry, that includes homes, medical facilities, specialty equipment, retirement entertainment services, etc., accounts for 4.8 billion dollars each year.

The retirement home industry consists of thousands of small housing communities. These communities range from those owned by major name-brand firms to tens of thousands of small, one-location firms.

GVRE believes that the greatest threat at the moment is in new entrants to the market who will want to capitalize on this high growth industry. The most likely entrants will be new, small real estate companies with fewer than ten employees. However, the one major advantage GVRE has is its exclusive rights to act as the agent for Golden Valley Retirement Community. However, due to the high number of competitors and the overall low profitability of each firm, competition is quite intense.

Our most serious competitors are Bowditch Realty and RE/MAX. These companies effect us most because of their higher capitalization or geographical proximity.

4.1 Market Segmentation

GVRE will be concentrating exclusively on the retirement market segment. This means the company will be focused on buying and selling real estate to those seeking to retire in the Tucson area. This market segment has special needs and is almost always looking to find homes in specially constructed communities that serve those special needs such as medical, dining, entertainment, shopping, and other such facilities. Being the dominant broker for the new Quadrant Homes retirement community of Golden Valley will allow GVRE to fulfill those needs.

4.2 Service Business Analysis

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The power of potential clients is very great in this industry because most clients are very concentrated in our geographical area. Furthermore, clients tend to “shop around” for the best package of services and cost.

4.2.1 Competition and Buying Patterns

Competition

The real estate industry is highly fragmented, with a large number of potential rivals. Our most serious competitors are Bowditch Realty and RE/MAX. Bowditch is an established company that has been in operation for the past ten years, with a fine track record of quality service. It currently employees twelve agents and has long-term contracts with various home building companies. This company is slightly larger than GVRE in size and market capitalization.

RE/MAX is one of the largest and best known real estate firms in the country. It has hundreds of agents and very deep pockets that can be used to counter any sort of competitive move.

Buying patterns and needs

Clients usually deal with real estate companies based on their reputation of professionalism and quality of services rendered in the past. This reputation is difficult to obtain by new firms unless its personnel bring it with them from previous companies, such as ours. Price and scope are also important reasons for acceptance, especially if the company is small.