343 North Benton Way
Los Angeles, CA 90026

Dana Mendez
(818) 205-2161

Save Money FSBO or Big Time No-No?

An owner of a 24 unit building in Downtown LA advertised his property for sale without consulting a commercial real estate agent. He priced his property based on the proceeds he wanted to net, rather than comparable sales, and did not even post a picture or income. Seeing the opportunity to present a new listing to her clients, Dana Mendez called the owner and set an appointment to view the property.

Soon into the meeting, Dana uncovered the owner's real reason for selling (management problems and a balloon payment), as well as the true income, which did not support the asking price. Dana offered to perform a complimentary Market Analysis and suggested that the Seller consider listing the property with an agent who was capable of pricing and marketing the property effectively, so as to attract the most buyers and obtain the highest price. The owner refused and insisted that he was equipped to handle the marketing and negotiate the deal.

Soon after, the owner listed the property at the same price with a part-time residential agent whose office was an hour from the subject property. Dana presented the agent with a very strong offer, but the agent was unfamiliar with commercial real estate forms and rejected the offer because she did not understand it. After she attempted to disqualify Dana's well-qualified and very serious offer, the buyer moved on but Dana kept the property on her radar.

A month later, the property hit the market again, this time at a slightly lower price with a commercial agent new to the Westlake area. Dana again submitted the offer on behalf of her buyer. This time, the Seller was much closer to his balloon payment due date, thus making him exponentially more motivated to sell. Dana's Buyer entered into escrow $200,000 below list price. After careful and calculated negotiations that required understanding the Seller's position, motivation, and meticulous contract writing, the buyer obtained a significant credit for repairs, as well as a no-cost AITD loan at a low interest rate.

During escrow, after reviewing the books and records, Dana realized that the Seller (who had represented himself when he purchased the property) actually legally owned only a 20% interest in the building due to a poorly handled escrow and lack of representation when he bought it. This was news to the Seller (and listing agent), resulting in litigation against the person who sold him the property, costing him money and time he did not have.

By the close of escrow, Dana's buyer had obtained a whopping $300,000 off the original list price, an excellent loan with only 20% down payment, and below market GRM and cost per unit. Unfortunately, the Seller found himself with no proceeds and significant lawyer's fees. It pays to consult a professional, and your proceeds will reflect your choice. You get what you pay for!