



How To Generate 11 Offers In 7 Days

A woman who had inherited multiple investment properties from her parents contacted me to sell a mixed-use building that was becoming hard for her to handle. She had managed her family's properties for over 10 years and was ready to travel and enjoy a more care free lifestyle.

Although this particular property was well located in Downtown Los Angeles, it was also mixed use, made of brick, needed many major capital improvements, and had low rents. But the owner was motivated, so we priced it competitively and three offers rolled in right away. Great! After the buyers did their physical inspection, however, each one reduced their offering price significantly due to the extensive repairs needed. The owner became worried she wouldn't achieve her asking price and almost decided not to sell the building for fear of underselling her family's investment.

Due to the low rent and its difficulty to finance, I had already suggested that a great way to maximize the value of this property would be to offer a "seller carry" which is when the seller carries the financing, rather than a bank. Monthly payments are made from buyer to seller, in addition to the down payment. Because this seller wanted to achieve more monthly cash flow and less hassle, it was an extremely wise decision to offer financing on an otherwise impossible to finance building.

As soon as we went to market with the seller carry option and our extensive marketing campaign was implemented, 11 offers were generated in only a week! The best buyers were on the table and they were competing for our client's property. Everyone wanted to own a piece of Downtown LA, and the low down and interest-only payments were just the incentives buyers needed to get them to overcome the low rents and necessary repairs. Because there were competing offers, each buyer was asked to submit a "best and final offer" after inspecting the building. The accepted offer was completely non-contingent and \$10,000 OVER the list price. Escrow closed in 30 days and the owner was already traveling to visit family overseas and now receives monthly automatic deposits to her checking account from a loan servicing company.

**WHO SELLS YOUR PROPERTY, HOW IT IS SOLD, AND TO WHOM
MAKES THE DIFFERENCE IN YOUR NET PROCEEDS!**

The Importance Of Effectively Pricing Your Property

A busy working couple wanted to sell their only apartment building in order to “cash out” their investment and move their money out of real estate. Even though they were warned that we were experiencing a declining market and to sell sooner rather than later, they were busy and put off listing the property for months. When they did get around to listing the property, they obviously wanted to achieve the highest price possible. Instead of listing the property at a competitive price as recommended, they chose to “push the value” and listed \$200,000 higher than the recommended sales price.

After months of lowball offers (which usually come when properties are priced too high) in a steadily declining market, they got a strong offer at a low price and accepted. Unfortunately, this buyer saw that the property had been on the market for a very long time and tried to renegotiate numerous times. Ultimately, the sellers became frustrated with the demanding buyer and the sellers cancelled the escrow after a month-long negotiation period.

The need to sell grew and the sellers finally became more realistic about what their property was worth. Once the property was back on the market and the sellers became more and more fearful of the down market, they finally agreed to a sale price only \$10,000 higher than what they paid for it 4 years prior, and \$300,000 less than the original list price.

If they had only realized how quickly the market can change, and how important it is to generate substantial offers as soon as a property is listed, their apartment building may not have wasted so much time sitting on the market.

In a down market (and in any situation when a quick sale is needed), it is always most beneficial to take advice from market experts when pricing your property. You may think you’re doing the wrong thing, but competing offers always generate the best price and terms for the seller. If the sellers would have priced the property more competitively, they potentially could have made an extra 10 – 15% more on the price.

(See Also “How To Generate 11 Offers In 7 Days”)

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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!



Quadrupling Your Quadruplex

A young owner of a 4-unit non-rent controlled property in Inglewood was carefully considering performing a 1031 exchange and was concerned about whether or not it was a good business decision. She consulted Danielle Hoston and Dana Mendez about her property's value and her options in the current market. She was emotionally tied to the property but was open to her options because, after all, it was an investment.

She owned the property for a few years and knew she had equity but was surprised at how much equity she had after the evaluation was performed. She was even more surprised when she discovered that how low her return on equity was and how poorly her investment was performing.

While she remained hesitant due to her emotional ties, she agreed to go to market and list the property with Hoston & Associates, Inc. The market began to shift during her marketing period and the owner became concerned when she saw that her equity may be slipping through her fingers. Danielle Hoston and Dana Mendez vigorously increased the marketing efforts – even going so far as to pass out treats on Halloween – in order to locate a buyer and, shortly thereafter, opened escrow.

The owner was thrilled with the marketing efforts in a difficult market that Danielle and Dana executed and was happy to close escrow but still remained concerned about replacing her cash flow. Twenty days later, Danielle and Dana located a 16-unit non rent-controlled property in Los Angeles to complete the owner's 1031 exchange.

After some negotiation, Danielle and Dana were able to negotiate the price within the parameters of the owner's exchange dollars. She was able to close escrow without paying one dollar of capital gains OR using any of her own money. Furthermore, she nearly TRIPLED her cash flow and QUADRUPLED the number of units she owned. Needless to say, the owner was thrilled to complete a 1031 exchange and is looking forward to her next one.

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