

# Rich Ideas

Commercial and Investment Real Estate



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## WHY?

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Why? Webster's defines this word as "for what reason or purpose." If you are actively involved in the buying or selling of real estate, there is a good chance you will scratch your head and ask yourself "Why" sometime during the sales process.

This first one is when a seller says they would sell their property (for example) for \$600,000. They do not have a broker. Just a private transaction. The seller asks if we could bring a buyer at their price. We answer "of course", and when we do, seller says, that was too easy. My asking price was too low. So they "counter" a full asking price offer. WHY? Do you really want \$600,000? Perhaps you really do not wish to sell it? Or perhaps you knew it was "such" a premium price that you did not believe a buyer would want it at such a price? Many questions, but few answers and not enough space in this newsletter.

Another that has popped up more frequently than usual is the request for monthly financials. Monthly? WHY? If the property made \$100,000 in profit in 2017, but no money in the month of September, does that change your offer price? Is the September income so important that it determines if you will make an offer at all? Many buyer's BANKS are asking for the monthly financials during the loan review process. Perhaps those buyers need a new bank.

Third, have you ever been involved in a transaction that has a 30 day (or less) close? There are no contingencies so actually closing 30 days from now seems like "a piece of cake", right? But in some cases it takes 6 to 10 weeks LONGER than the 30 day deadline. WHY? Once in a while we get the "We are busy" from those working on getting the transaction closed. Yes, everyone is busy. Being busy is what we all do! All parties agreed to a 30 days closing. We are 100 days PAST contract. On a deal that was cash with no contingencies? Buyer and seller have both been ready for some time. Perhaps you can fit this one into the schedule too.

Fourth, we list number of properties that are in sub par condition. For that reason, they are offered "AS IS". Many investors go through the property. Some ask for an engineers inspection to rule out any unseen large issues, if any. Then, after an engineer goes through the property, some buyers request a credit for the old roof that needs replacement. It needed replacement BEFORE the showing. They want credit for the furnace that is old. It was old before the showing. WHY? The asking price is low due to condition which has been priced into the listing already.

Sometimes, an out of town investor will submit a Letter of Intent (LOI) offer. Basically a handshake offer but they do serve as a foundation for the contract offer. After days of negotiating, we finally come to a deal. Now, it is time for the attorney to take over and structure a contract. But the buyer goes silent. There is no reply from e mails, phones calls or texts. WHY? Is it just a game to get an LOI? Is that their past time? No one understands why someone would spend DAYS negotiating a deal to then not want to actually go to contract on that deal?

Try to control the things you CAN control. And try not to let those items you can not control bother you. So when you get those goofy requests, or closings way outside what you agreed to, or buyers that vanish once you come to a deal; please know, it is just part of the process. The 'not so fun' part of the process. Just roll with it! Good Luck!





## ***What does THAT mean?***

Buyers sometimes get caught up in the “buzz phrases” of real estate. Try to keep it simple so anyone can understand it. Many phrases need to be removed from buyer’s vocabulary since few know what they mean.

“Will the seller hold paper? Translation? I do not have any money but would like your seller to hold a 25% second mortgage so I can get a first mortgage from my bank with “25% down”.

“Is the price negotiable”. This one is funny since most of the time it is asked before anyone knows the profit. Suppose it has the most profit you have ever seen and its priced at the bottom of the market. And you want to ask if the price is negotiable BEFORE knowing anything about the property. Interesting!

“Can you let me know if you get other offers?” What? Does this mean the buyer is going to think about it until “infinity”? But if an offer comes in he/she is definitely interested and will think “vigorously” about it?

And related to the above, “I am going to run the numbers”. Translation? I do not have a valid reason to say “no” to this property so I need more analysis, so much more analysis that I can not make a decision anytime soon.

Serious buyers are just that. ....SERIOUS. They know what they want. They know their numbers. Their financing is READY to go. They put a deals together! And they do it fast. Be more like them!



## ***Flipping Houses.....***



## ***You are doing it wrong!***

### ***Did you know?***

*Three of the first five U.S. presidents died on July 4. John Adams and Thomas Jefferson died in 1826, the 50th anniversary of the country's birth. James Monroe, the fifth president, died five years later on July 4, 1831.*

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