

Is That The Best You Can Do?

I probably heard this question for the first time 30 years ago when a buyer asked me exactly that, "Is that the best you can do?" when I was selling him a house I rehabbed. Actually, it took me back at the moment but I quickly recovered my composure and answered, "Yes". If this buyer had been more persistent and asked a couple of times more, I might have dropped my asking price, but he gave up too quickly.

Generally, if you use this question more persistently, the results are much better if you are a buyer looking to get a better deal from a seller. I had a whole Educational Hour entitled "How do You Get a Seller to Accept a Ridiculously Low Price?" and one exact example was where the seller "drew a line in the sand" and said she would not take less than a certain price for a property. After her saying "No" to my offers ten times, as I counted them, she finally agreed to take 44% of her original asking price. The property, after a rehab, was sold for the price she was originally asking for a profit of over \$90,000.

I mention this not to brag, just to show how an investor can initially be influenced by a seller's attitude and passion about what price they are willing to take. Just a couple of weeks ago an investor got a probate lead and worked to get a contract on the property at the absolute minimum the seller would take. This investor had a 30 day inspection and he marketed the property for 2 – 3 weeks and apparently got no offers.

I say apparently because he cancelled the contract on the last day of the inspection period and walked away. Good for the investor because his only risk was his deposit, but not so good for the seller as he now had to start marketing the property again. Coincidentally, a student had previously called on the seller and lost the deal to the first investor who overpaid for the property, but likely believed he had to in order to get it under contract. This was because the seller was adamant that he would not take less than a certain amount.

The student dolefully listened to the story of the first investor not closing and asked the seller, "what is the best you can do?", or something very similar. This is the seller who had the line in the sand price, however, he was now 30+ days more motivated and realized that his original price was full retail. The issue with this pricing was that the property had not been updated and needed plenty of cosmetic work, but did have a new roof and central air conditioner.

The seller's response was probably startling to the student as the seller said he would take 60% of the previous sale price. That's a 40% drop in just a few days and it was only because the seller was now motivated. The student called and asked what to do and I said, "Offer 55% and we will pay the closing costs, except for the taxes accrued for the year". I felt compelled to counter with a lower offer so the seller was comfortable that he was getting close to his price. Had he balked and said, "No", we would have paid what he wanted.

The closing costs turned out to be \$1,564 dollars. I had stipulated the seller pay the accrued taxes without looking at them beforehand. The accrued taxes for the ½ year were less than \$400, but I was expecting 3 – 4 times that amount so that's why I made him pay them. It certainly wasn't a deal breaker for him and wouldn't have been for us.

Since the student lived two hours away, I actually wrote the contract and had it signed by the seller. The wrinkle was showing the property since the seller didn't want people traipsing through the house. He agreed to set an appointment when we could do inspections or have perspective buyers come by to see it but only occasionally. We decided to have a single showing and started to advertise the property. At the price we were offering we had an unusual amount of callers (15 – 20) and we set a specific time and date for the showing.

The showing was with the property in the same condition as when we got it under contract – filled with furniture and some personal items. What was astounding about the sale was that 16 people showed up and looked at the property. Just like in the days gone past, an actual bidding war ensued. I was beginning to think that Disney was buying land in Ft. Lauderdale and we didn't know about it. The final sales price was 14% above what we had originally offered it for and a gross wholesale profit of over \$23,000.

But, as they say on TV, "The story doesn't end there". The lucky buyer gave us an ultimatum that we had to close before a specific date two weeks in the future. It is very unusual for a buyer to stipulate a closing "on or before" a specific date. However, since the first investor that lost the deal appeared that he was going to close, the seller had his title company do the work for the closing. So all the title work was ready for closing but just needed to be updated for the title policy.

But, it gets even better. The closing documents were prepared by our title company and were mailed away to our buyer two days before the actual closing date. The buyers signed the closing documents and wired in the funds all in one day so we had the buyer's side of the transaction completed the day before the closing with the seller. The documents and funds were held in escrow pending the seller coming in and signing on the prescribed closing date.

Believe it or not, it still gets better! The morning of the closing, the seller decided to go by his house once more and pick up the mail for the last time. As he drove onto the property, he was aghast to see the front door ripped off its hinges and a band of merry men demolishing the interior of the house. After screaming at the handymen doing the demo, he called us and was screaming that we hadn't closed and we couldn't tear his house apart. Actually, he was exactly correct.

However, the seller did close three hours later and we did transactional funding to complete the deal despite the buyer's funds being in the attorney's hands. Why didn't we use the buyer's funds to close? Because we have a policy that we don't close using buyers' funds, even for cash transactions, because the title companies do not like these

transactions and a buyer can always come back and say that this wasn't properly disclosed and that can cause a ton of problems for the title company and us.

In summary, don't hesitate to ask repeatedly, "Is that the best you can do?" because it will be worth a lot of money to you the more you ask it. Even more importantly, don't stop at just asking when you are buying a property, ask anytime you buy anything!

To Your Limitless Success,
Dave Dinkel