



## Don't Worry So Much About The Price

Sellers who decide that a specific dollar figure will buy their apartment building and won't budge from that bottom line may sell themselves short. Buyers who drop out of a transaction for a property they love because the seller's counter-offer shocks them may be quitting before they have really started negotiating.

When a buyer makes an offer to purchase a commercial property, the purchase price is a prime consideration, but it represents only part of the total value offered to the seller. Problems may arise for both sides of the transaction when this fact is forgotten.

The value expressed in a buyer's offer to purchase, or in a seller's offer to sell, involves 5 key elements -- a financial package:

1. Purchase Price, the stated amount of dollars offered by the buyer, represents a significant contributor to value, but there are other important factors which can reduce the amount the seller

receives or which can compromise the transaction. It's not the purchase price, but the net proceeds of the sale that sellers -- and savvy buyers -- should concentrate on.

2. Closing Date, or the day ownership changes hands and the seller receives the money, can represent cost or value to both parties. Savvy buyers usually attempt to meet the seller's preferred moving date, especially when the seller has committed to purchasing another property or needs the proceeds of the sale on a specific date. For instance, a closing before that date may be expensive because the seller would have to move out and store everything until they could move into their new home. That double move and the inconvenience represent out-of-pocket costs and time lost that make the actual purchase price lower than stated. A closing date later than the seller's preferred date may leave the seller owning two properties --and paying off two mortgages--at once. The seller may incur extra costs in arranging bridge financing to meet legal obligations to close on their new home before they receive proceeds from the sale of their current home. Choice of closing date may represent costs or value to the buyer as well. Balancing this reality for both parties is key in negotiation.

3. Inclusions and Exclusions to the sale also represent costs and value for both parties. Appliances, heating systems and draperies are common seller inclusions designed to boost value for buyers. If warranties for everything from a new roof or solar panels to new appliances cannot be transferred to a buyer, these items become "second-hand" and will probably represent less value to buyers. Buyers are also free to include excluded seller items, like an antique light fixture, in the offer to purchase. Deals have been lost to disagreements over light fixtures, fireplace accessories and vintage furnishings, so prudent sellers remove contentious items before listing. A buyer may offer less than list price and ask for nothing; a seller could sign back for more money and include items to sweeten the pot. Value is very subjective for these non-real-estate items and that's where negotiations can get heated.

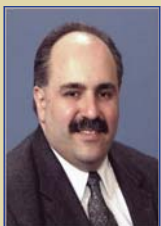
4. Terms and Conditions are clauses in the offer which cover "what if" risks for one party and the obligations of both parties. These clauses detail what the buyer asks the seller to do for the purchase price. Arrange a survey or include a treasured light fixture? Sellers can create conditions in an offer to sell, but usually conditions are of greater concern to the buyer, particularly if approval of a third party like a lender or city planning department is involved in determining the property's suitability. Conditions to arrange financing or a home inspection are among the "ifs" that define the offer to purchase. The degree of uncertainty attached to the conditions and the buyer's related ability to close effect the value of an offer. For instance, a buyer who is pre-approved for a mortgage of sufficient size offers less risk to a seller. However, if the purchase price is significantly-above market value, the lender may not approve the mortgage, so a condition for financing is essential to

*"Fixating on price in real estate may cost you the deal."*

protect all parties. A full-price offer with conditions that will be difficult to meet may hold less value than an under-list-price offer with no conditions. Alternatively, if the conditions are merely formalities, the conditional offer could represent greater value. Would you recognize the difference if you were the seller? That's where the expertise of the real estate professionals involved becomes valuable...

5. Intent and Sincerity are vital aspects of an offer although difficult to quantify. How determined is the buyer to buy, and why? How determined is the seller to sell? If either party changes their mind after the contract exists and before the closing date, the injured party has remedies in court. These legal steps may not make up for lost time and, perhaps, a missed market. An investor or flipper may decide to cut losses and bail out of the deal if the market drops significantly before closing. A seller may have second thoughts if their plans to move fall through. For both parties, value should lie in the certainty that the other party will close in spite of market shifts.

Yes, price matters, but there's a lot more involved in creating an offer that demands to be accepted. That's why an experienced real estate professional is a valuable contributor to success. Professionals can calculate, or at least estimate, the seller's net proceeds after costs related to the offer and deduction of commission. This information helps the seller accurately evaluate an offer to purchase. Understanding cost and benefit for all elements of an offer helps a buyer intent on ownership to create the best financial package possible.



**We send this newsletter with the hope that you find it informative and helpful in your decisions regarding multi family real estate. The market is always changing and we like to help keep you up to date with articles, tips and our property listing information. Please feel free to contact either of us if you have questions regarding any multi family properties, or regarding the changing trends in multifamily real estate.**

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## Economic Conditions Improving

Positive signs on employment and national economic growth should start being felt in the housing market in the coming several months, say top economists.

The Labor Department reports that there were 2.7 million job openings last month -- 200,000 more than in the same survey the month before.

Meanwhile, the consensus forecast among private and government economists for the main barometer of the U.S. economy's health, gross domestic product or GDP, is for a very solid 3 percent during the first quarter.

Alan Levenson, chief economist for T.Rowe Price Associates, said the latest reports are "indicative of a labor market and economy that is in the midst of recovery."

That's hugely important for real estate because expanding employment cre-

ated by a rowing national economy are the essential fuels to power housing demand and sales.

Even though harsh weather conditions knocked the wind out of pending home sales and real estate shopping in many areas during January and February, analysts say the spring and summer market should be strong.

Lawrence Yun, chief economist for the National Association of Realtors, says the \$8,000 and \$6,500 federal home purchase tax credits that expire at the end of April for signed contracts -- and the end of June for closed deals -- should squeeze a lot of sales volume into the spring and early summer months.

Assuming slow but steady improvement in the jobs picture, Yun forecasts a solid second half of the year as well.

Kenneth R. Harney

**Today's real estate market has real opportunities for the buyer. Prices have come down, many of today's sellers are motivated to sell, and rents and occupancy are up. For more information on today's market, call us!**

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## Property Listings

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	<b>336 Units</b> South County  <b>\$15,500,000</b>		<b>76 Units</b> South County  <b>\$4,200,000</b>		<b>64 Units</b> Olivette  <b>\$3,490,000</b>
	<b>58 Units</b> St. Charles  <b>\$2,990,000</b>		<b>54 Units</b> Central West End  <b>\$3,999,000</b>		<b>48 Units</b> St. Louis  <b>\$990,000</b>
	<b>21 Units</b> St. John  <b>\$76,500</b>		<b>12 Units</b> University City  <b>\$799,000</b>		<b>6 Units</b> University City  <b>\$749,000</b>
	<b>24 Units</b> Riverview  <b>\$750,000</b>		<b>Mixed Use</b> Dogtown  <b>\$529,000</b>		<b>2 Family</b> Richmond Hgts.  <b>\$263,000</b>
	<b>2 Family</b> University city  <b>\$259,000</b>		<b>2 - 2 Family</b> Webster Groves  <b>\$199,000</b>		<b>3 Units</b> St. Louis  <b>\$169,500</b>