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How to Handle Low Ball Offers

by M. Anthony Carr

If your house has been on the market for quite a while (3 to 6 months), you may have already dropped your price and now you're waiting for the buyers to rush in and make wonderful offers on this now-priced right property. And then it happens.

The lone buyer does appear, like a bandit in the night and offers you even less than what you just agreed to. Quite a bit less ~ about 10 percent less. So on your \$350,000 house, that you just dropped to \$324,000, you now have an offer for \$299,000. With a seller subsidy request of \$5,000. At this point, your net is \$294,000.

So how do you handle such a low-ball offer. Well, first of all ~ don't panic, get angry or lose sleep. Especially, don't reject the offer right off the bat and tell them to come back when they're serious. Remember, it's now a negotiation game and the buyer IS serious or he or she would not have made an offer.

Several things have happened before this offer came in. The buyer, with his agent, has researched the market, walked through as many as 30 or 50 properties, conducted a study on the value of the property and written an offer for your house. Remember, you just won the lottery. They could have written on any other house, but they selected yours. So let's get busy.

First of all, do an analysis of your own goals and needs. How much do you really need to come out of this house to meet your goals of moving to your next home? What could you really live with and what amount are you going to counter. Remember this last point ~ what are you going to counter? This is assuming that you're not rolling over and that you're going to stay in the game.

Next, conduct a comparative market analysis of the house once again. What's happened in the market to get this buyer to offer such an offer (notice I didn't say 'low'). It might be that your house is now worth that amount. And if it is ~ that's okay, because it probably means the house you wanted to buy up into is also worth less. At the worse, you're going to take away less money. The best thing to look at, however, is that now you're going to buy up with a smaller down payment because the buy-up property is also less.

Now, let's start the negotiation. Keep in mind, this is for the long haul. Keep it alive as long as the buyer will keep it alive. Give up a little bit at a time. If you reduced the house to \$324,000, expecting an offer of \$319,999 with closing costs of \$10,000 ~ then start there. You're already willing to accept a net of \$309,999, so you're not really that far off. Understand you're not going to get top dollar with no seller subsidy. So come down to \$320,000 and give them their closing costs. So now, your net has come up to \$315,000.

Hey ~ you're actually ahead of the game if they accept. Oops ~ they don't. Now they've countered to \$309,000 and still want the \$5,000 in closing. (Now our net's at

\$304,000). Great. Just think. When you started, you were \$324,000 apart (remember, you had NO offer at all). Now, you're only \$5,999 away from the net you were willing to accept in the first place.

We're almost there. Now, before I go much further, here's a negotiation tip ~ keep this civil. Use a lot of complements about the offer, the buyers and the agent. "What a great offer. Thanks so much for writing. We are very excited about selling this house to you."

You want the buyer agent and his/her clients to know you're wanting to work with them. You've been waiting six months for this day (negotiation day) and you want to keep everyone engaged in the process to get your goals met ~ sold and on your way to your new home in the country.

Now offer your final counter (or maybe next to final). You definitely want to use the complements at this point: "We are so close." "I can't wait till we wrap this up, then we can all celebrate."

At this point, you know the buyers want to buy and your sellers are ready to start packing, so emphasize that you're very close. Use a dialogue like this: "We are so close. We have some goals to meet, just like you do. And I hope we can bring this together to get us both where we want to be."

This is when you make the final offer and stick with it. If you offer \$314,000, they definitely get what they need and you get closer to your final net ~ which at this point would be \$309,000 ~ just \$999 off of your initial goal. Then you know if it goes forward or you're back on the market. However, don't be so stubborn that you lose the lone buyer because of \$2,000 or so.

If the buyer is stretching and this won't work, this is when the honesty comes out. The agent may tell you, "If we can't do \$309,000, it's just not going to work. It goes too far beyond their qualification." Then you can decide whether to keep it on the market (hoping you don't have to drop the price again), or you cut the loss and move forward with settlement.

Be patient with the process. Don't get upset, remember, they're trying to meet goals just like you are. By working together, both can get what they want.



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Foreclosure Fallout Landing On Neighboring Homes

by Broderick Perkins

Foreclosures in your neighborhood don't just cost homeowners their homes ~ as if that wasn't bad enough ~ they also depress nearby home values and rob the tax base for as long as two years.

The Center For Responsible Lending (CRL), which reported in "Losing Ground" that more than 2 million households will face foreclosure due to risky loans, now says the story doesn't stop there.

CRL's latest report, "Subprime Spillover" says for each of the millions of foreclosures on home loans originated in 2005 and 2006, the home values of more than 22 homes will suffer.

The study comes on the heels of a RealtyTimes.Com report "Foreclosures Undercutting Social Benefits of Homeownership" which reveals an increase in social turmoil due to foreclosures.

Studies have long associated homeownership with reduced crime, better educated kids, higher incomes, less reliance upon welfare, more politically active residents and even reduced teen pregnancy, among other benefits.

It's not surprising then that the positive effects of homeownership are vanishing with growing declines in homeownership, especially where there are concentrations of lost homes.

The CRT study, which focuses on some of the financials cost of foreclosures says:

44.5 million neighboring homes will experience devaluation because of subprime foreclosures that take place nearby.

The total decline in house values and tax base from nearby foreclosures will be \$223 billion.

Homeowners living near foreclosed properties will see their property values decrease \$5,000 on average. The financial damage is probably going to be worse.

CRL concedes it used conservative estimates in both "Losing Ground" and "Subprime Spillover."

The center based its findings on research that says a single foreclosure decreases nearby home values by an average 0.9 percent, but additional foreclosures have a cumulative effect. Each additional foreclosure on the same block strips home values by an additional 0.9 percent. And the impact is

higher in lower-income neighborhoods, where a foreclosure reduces nearby home values by 1.44 percent.

Despite economic forecasts that insist the housing market's woes haven't or won't impact the general economy, CRL's report isn't the first to reveal economic fallout will indeed occur.

In October, ACORN released (Association of Community Organizations for Reform Now) released "Foreclosure Exposure 2: The Cost to our Cities and Neighborhoods," an analysis of data from private and federal sources predicting the potential economic impact of foreclosures on just 96 metropolitan areas.

The report says property owners, local governments, lenders and investors alike in the 96 areas stand to lose more than a combined total of \$25 billion.

The dollar cost includes the economic impact as well as the cost of social degradation stemming from lost social services, under-funded education, and increased crime, among other social factors.

Property tax revenues, bolstered by homeownership, help provide city services but foreclosed properties shrink city and regional tax revenues, making it harder to provide good schools, police protection, code enforcement and other services.

"Foreclosures don't just hurt individuals and families, they hurt entire neighborhoods and communities, leaving homes abandoned and vulnerable to vagrancy and crime," ACORN reports.

Without breaking out the data by race, CRL says the foreclosure spillover effect will hit African American and Latino communities harder.

"We note that communities of color will be especially harmed, since these communities receive a disproportionate share of subprime home loans," CRL's report says.

In a "Foreclosure Exposure", a study of 172 cities, ACORN quantified the disparity.

CRL says, in general, 24 states and 42 counties will bear the brunt of foreclosure spillover, experiencing declines of more than \$1 billion each in local house prices and tax bases.

States hit hardest will be California, New York, Florida, Illinois, New Jersey, Maryland, Arizona, Massachusetts, Virginia, and Pennsylvania. Counties to be hit hardest will include Los Angeles County, CA; Cook County, IL; Kings County, NY; Miami-Dade County, FL; Queens, NY; Orange County, CA; Bronx County, NY; Broward County, FL; Maricopa County, AZ and New York, NY.



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