

If You Don't Ask, The Answer Is Always No

It is always interesting to me that a buyer or agent will call me up and ask me, as the listing broker, if the seller is flexible on the price. The more aggressive ones will even be so bold as to ask me "How low will the buyer go down in price?" or "What is the seller's bottom price?" In September 2004, I listed a house in Moorpark California at \$539,000. The 3 prior sales for the same model were all at exactly \$615,000 and closed escrow in April to June 2004. This was just before the real estate slowed down in summer 2004. I had received 3 offers between \$510,000 and full price within the first month. The seller didn't accept any of the offers because she wanted more than my asking price. I had promised her multiple offers and hopefully a bidding war. Then I got a phone call from an agent in Thousand Oaks. "My client does not want to pay over \$500,000 for a house. Will your clients take that offer? I want to know before I show them the house, because I do not want to waste their time." My response; "I never know what my clients will do. Make an offer and find out." They never looked at the house or made an offer.

I find this very interesting, because one for one, regardless of my answer, I have never received a written offer, after one of these phone calls. Buyers, who do this or send their agents to ask, are not really buyers, in my opinion. They are tire kickers, someone just curious how low a seller will go. With the information they go to the next seller and tell them "The Jones's will take \$---so you are too high. If you want to sell it you have to come down." There was no offer in that comment that if the seller came down that the prospect would buy. This person is looking for the cheapest deal he can find, and experience has shown that when they find it they are still not satisfied because they may find a cheaper deal.

I remember when I was taking a class in negotiations in 1980 and learned never to get caught in this game. It was 1983 and the market was dead. I remember that the agent for a house in Beverly Hills offered a Free Rolls Royce with the house he was selling. I had been trying to sell my house in Arcadia for \$250,000. A buyer came to buy and asked if I would take \$200,000. Being well trained I said. "Will you buy the house for that price if I will?" The prospect, not really being ready to buy, said, "I'll have to think about it." What the buyer prospect didn't know was that if I gave him the house for his offer price he would have made \$20,000 the day he closed escrow. The truth is he didn't know what the house was worth and he wasn't ready to buy it for any price. He was house looking and it was fun to see what you could negotiate.

Why I never answer this question about "What will the seller settle for?"

First of all, legally, to answer this question would be a violation of my fiduciary relationship with the client. If the client is asking \$400,000 for a business or real estate he has stated his asking price in the listing. For an agent to say anything else means that the asking price is not real. We might as well just put a number out there like \$350,000 or Best Offer. Most car dealers do not take my offers even if it is the best offer. They have an undisclosed bottom price. Why bother putting asking prices on anything if you are then going to say the price is flexible. Let them make an offer and find out if the price is flexible.

Besides the legal aspects I have learned, from experience, that I do not really know the answer to the question. Sellers will tell me that their bottom line is \$400,000 but then accepts an offer for \$350,000 after 3 weeks of negotiations. Time changes people's mind as to what price they will settle for. If the seller has a bad week, his accepting price will change. Time and circumstances changes everything.

This shows up when sellers are talking to buyers directly. If the seller is going to say anything directly to a buyer about the being flexible on the price, he is cutting his own throat. Why bother put an asking price on a property or business if everyone isn't going to tell the same story. We might as well just publish bottom price that the seller will not go below under any circumstance. The seller will never get more than the price he tells anyone he will settle for. But more importantly, I would be only guessing. I do not really know what is going on in the mind of my clients.

In summary - when putting a business on the market, a seller must state an asking price. Sellers have a difficult decision when determining an asking price. Either 1) The asking price is the seller's real bottom line price and more traffic will be created but, buyers might still offer less. OR 2) They ask higher than they are willing to settle for and so have room to negotiate but if the asking price is too high the buyers may not look at the business at all. This is a real dilemma for Sellers.

Buyers, many times, are afraid that if they make an offer substantially less than the asking price that the seller will be insulted. This is very true. This seller, based on one of these two methods, has decided on the asking price. It is both illegal and immoral for the broker to discuss the seller's position on price without an offer in hand. If you have an interest in this business but do not agree with the asking price please make an offer that you, as a buyer, would be comfortable with. If the seller is insulted by the offer, it is the broker's job to take the heat and still get you a counter offer. My father told me when I was 17 years old and he wanted me to collect confidential information, "If you never ask, the answer is always NO." So, please make any and all offers you wish.

About the Author

Willard Michlin is a Business Broker, California Real Estate Broker, Accountant, Well knew Public speaker and Administrative/Business Consultant. He can be contacted at his Ventura, California office by calling 805-529-9854 or by e-mail at kismetrei@earthlink.net. See other articles by Willard Michlin at <http://www.kismetbusinessbrokers.com>

Source: <http://www.tntarticles.com>