

# CALIFORNIA Real Estate



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## HINDSIGHT IS 20/20

Lessons Learned from  
Failed Transactions

# → KILLER DEALS OR DEAL KILLERS?



Every REALTOR® has been there ... getting almost to the finish line and having a transaction fall through unexpectedly. While the reasons are as diverse as the deals themselves, the result is the same: Each failed deal equals lost money—and frustrated clients. The secret

to fewer transactions gone awry is to learn to spot the red flags before they derail the deal. • To help you out, we've rounded up some savvy REALTORS® who were willing to share some details on a recent failed deal—and what they'd do differently next time.

Straight Talk from  
REALTORS® on  
Why Deals Fail—  
and How to Avoid  
Common Pitfalls  
BY CATHIE ERICSON

## Know the buyer's and seller's motivations.

Jason DurJava, of Century 21 M&M and Associates in Turlock, recently approached a farmer with a great offer: Right at market price, all cash and set to close in 90 days. Even better, the prospective buyer was a solid client with whom DurJava had recently closed another seamless deal. But when the seller kept avoiding committing to a meeting to finalize the details of the offer, he began to realize something was wrong.

DurJava was puzzled—he says that from all observations, the seller appeared as sound as the buyer—the farmer had repeatedly stated that he not only wanted to sell, but needed to sell, and was just looking for a fair price.

“It became apparent that despite these assertions, he was never really 100 percent committed to selling his property,” DurJava says. He later learned that six months earlier when the farmer had appeared so eager to sell, his business had been in a slump. However, by the time the offer had come through, the business had rebounded and he had decided to try to make things work.

“Thankfully, the potential buyer was not bitter and knew that I had tried my best to get the deal put together,” DurJava says, adding that going forward he would no longer take sellers at face value. “I’ll do whatever I can to thoroughly investigate their motivation for selling, as well as any

circumstances that may make them change their minds.” Allan Glass, president and CEO of ASG Real Estate Inc. in Los Angeles, was recently in a similar position: full offer, all cash, no contingency. The sticking point? The buyer wanted immediate possession, and the sellers wanted to stay in the property and rent back until they could find another place to live.

“If you don’t know what’s motivating the seller, you are liable to try to force feed them a deal that is not what they want,” Glass says. “As the agent, you might feel that it couldn’t be easier or better, but if it’s not what *they* need, it’s not going to work.”

## Accompany clients to help them with good decisions.

Sherry Hughes of ZipRealty, Inc., in Walnut Creek, knows what can happen when clients venture out to look at properties on their own—they can make rash decisions that can lead to a failed deal down the road.

Her most recent cancellation came at her urging, in fact. A client had gone to an open house and fallen in love with a home. But when she went with them for a final walkthrough before scheduling an inspection, she looked up and noticed significant cracking in the ceiling and above door frames and in the corners of windows. They subsequently noticed problem areas with the siding, and the prospective buyers decided that



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this might be more than they were prepared to take on.

“This incident reinforced why it’s imperative to be with your clients when they are looking at homes. They wouldn’t have moved so far down the path if I’d been there with them at the beginning. My job is to point out things that they necessarily wouldn’t notice.”

### But manage their expectations.

Natalie Alchadeff, with Keller Williams in Encino, has seen the opposite problem—she says that recent deals have been falling apart because buyers are gun shy.

“They see the market going up and interest rates following. They start fretting that they won’t get their money back in five years when they decide to sell again, so they are second guessing the deal.” She says that a key red flag is when buyers start repeatedly asking for repairs. She says often it can signify that they are going through the process, but they are getting cold feet. “I talk to them about the fact that here in Los Angeles, these are ‘used houses.’ Today it might be the roof on one home; tomorrow it will be the electrical system on another.”

She says that while you ultimately want your clients to be satisfied, as a REALTOR® part of your job is to manage your buyers’ expectations, and educate them not only on the market but why it’s still a good time to buy with interest rates near historical lows.

“Remind them of the reasons that they are buying a home in the first place, and that those reasons haven’t fundamentally changed—tax benefits, the likelihood of appreciation in the long run and the benefits of buying vs. renting.”

### Make sure your client values your expertise.

Working with savvy purchasers has its benefits—and its pitfalls. Los Angeles area REALTOR® Chantay Bridges of Clear Choice Realty recently had a deal fall apart when a client failed to realize that a myriad of factors mean that no two transactions are ever identical.

The client had previously purchased

multiple investment properties and was turning a deaf ear to Bridges’ explanation of why one particularly complicated situation was unlikely to close. “In lieu of adhering to my advice in regard to items that were providing a ‘cloud on the title,’ the client decided to pursue the transaction.

“To no one’s surprise, everything proceeded exactly as I had predicted and the deal fell apart,” she says drily. “Don’t take on clients who are not interested in your professional knowledge and advice.”

Another example she has seen of clients ignoring a REALTOR®’s expertise occurs when clients fail to heed advice to act quickly on certain homes. “I know the market, and when I say it’s hot, it’s hot. If your client is not willing to take your advice, the property will be gone.”

### Don’t assume investors are qualified buyers.

Many REALTORS® love working with investors because of the high number of transactions they have completed, but Glass says he can be wary, because their past experience does not automatically make a “done deal.”

“You can’t take a buyer’s word that they are qualified even if you’re eager to get into a deal. Many times investors have so many irons in the fire that they will scuttle a deal if something better comes along. The most qualified buyer always is the one who’s willing and capable of performing on what they’ve offered.

### The bottom line: combining the right ingredients to bake up the best deal.

“Real estate deals are like baking,” Glass says. “You can add one or two wrong ingredients along the way and not realize you’ve made a mistake until you put it in the oven and it’s too late. Understanding how each decision affects the next and anticipating potential negatives from any party is the best way for REALTORS® to eliminate deal killers.” ♦

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