

Economic Trends

To get deals, some agents search out properties that aren't on the market

In Costa Mesa, CA, a mere 52 homes were listed for sale in early January. With such super-tight inventory, Valerie Torelli's business could grind to a halt.

Instead, Torelli has decided to find her own inventory. Torelli and her agents at Torelli Realty have embarked on a campaign of door knocking and cold calling in hopes of finding homeowners who are willing to sell but aren't quite ready to hire an agent.

So-called off-market transactions have become so common in Costa Mesa that Torelli figures at least half of her business is done that way now. Torelli says her choices are simple: She can tell buyers no homes are available, or she can find off-market deals

"My career, my very existence, is based on having inventory to sell," Torelli says. "If I don't have inventory, I'm out of business."

One of the keys to dealing with off-market sellers, Torelli says, is to have a legitimate buyer lined up.

When Torelli has a buyer looking for a certain type of property in a specific neighborhood, she researches the market to find homes that fit the description. Then she sends letters to as few as 10 and as many as 200 owners of properties that match her buyers' needs.

To convince buyers that the offer is real, Torelli makes a point of including the first names of her buyers and something about the circumstances that have them in the housing market.

Response rates are low. Torelli figures only three in 100 homeowners answer her query. On rare occasions, a homeowner is so offended

by the offer that Torelli removes the person from any future contact.

Scouring the market for properties that aren't for sale seems a sure way for an agent to justify her commission. Yet when Torelli arranges an off-market deal, she'll sometimes collect a 6 percent commission, but she's willing to negotiate, and even to take only a 3 percent fee from the buyer.

"If I don't have inventory, I'm out of business."

"Five percent of \$500,000 is better than 6 percent of nothing," she says.

Torelli says she has heard a variety of reasons why sellers consider off-market deals. Some don't want the hassle of hiring an agent and getting their homes ready for sale. Others don't want neighbors to know they're moving. Or maybe an owner has a relative who's an agent and doesn't want to hire him.

It's not the first time that Torelli has found herself knocking on doors to find homes for sale. The late 1980s and the boom of 2005 brought similarly tight conditions to her market in Orange County.

Benefits for buyers and sellers

Southern California isn't the only place where off-market deals are happening. In Manhattan, BOND New York broker Margaret Garvey recently had a buyer who wanted an apartment on the Upper East Side, but nothing on the market suited the buyer's needs.

Garvey could have given up. Instead, she went to work. Garvey spent about eight hours

www.BrokersInsider.com

Reprinted from Real Estate Broker's Insider

© 2013 Alexander Communications Group, Inc. All rights reserved.

DO NOT EDIT OR ALTER REPRINTS • REPRODUCTIONS NOT PERMITTED

scouring floor plans of buildings in the area her buyer liked.

When she found a few buildings that were a match, she sent letters to the owners communicating that she had a serious buyer if they were interested in selling.

The round of letters elicited a dozen responses, and the buyer toured four units. On December 20, Garvey closed a \$618,000 sale.

The buyers appreciated the fact that there was no possibility of a bidding war. “They like the idea that someone is out there looking for a property where there’s no competition. When we go in with an offer, they don’t have to compete,” Garvey says.

The deal brought advantages to the seller, too, who was selling without an agent and paid no seller’s commission. As a result, he was able to do a deal for less than the \$640,000 list price of two similar units in the building.

“It really is a big advantage to a seller,” Garvey says. “In this case the seller had three children in this apartment, and if he had put it on the market, he would have had to get the family in and out for showings.”

Finding off-the-market properties isn’t the easiest way to do a deal, but in these days of tight inventories, it might be the only way some deals happen.

“It’s a little bit time consuming,” Garvey says. “To get one that’s going to work, you probably need to write to 100 people.”

If Garvey’s initial letter doesn’t work, she writes a second letter a week to 10 days later that assures owners her buyer is serious.

“Most people think we’re fishing, and sometimes the second letter will elicit a response,” Garvey says.

Not for the faint of heart

Eyal Amir, owner of I&I Real Estate in New York, specializes in finding not-for-sale properties for development deals, a process he calls an “adventure.” He finds properties not through official listing sites but through schmoozing sometimes eccentric property owners.

In one case, he chatted up a street vendor who turned out to be the owner of a desirable building in Manhattan. To build the relationship, he helped her rent a couple of units, and then approached her about selling to one of his clients.

Amir then approached the owner of the building next door about selling. The owner, who spoke only Spanish, angrily sent Amir away only to call him back to tell the broker that there was something in his eyes he found trustworthy.

Anyone can match a willing buyer and seller, Amir figures, but it takes a special set of skills to cajole owners who aren’t sure they want to sell.

“It has a lot of moving parts,” Amir says. “I see it more like art. These deals are much more unique.”

It’s unclear if finding off-market properties ever will be anything more than a niche. While such deals are common in Costa Mesa, they’re rare in Northern California, says Bill Aboumrad, owner of Legacy Real Estate & Associates in Fremont, CA.

“The multiple bids are so well-publicized that sellers want their property to go to the highest bidder,” he says.

As a result, Aboumrad says, off-market deals make up only a tiny percentage of sales. *Contacts: Valerie Torelli, Torelli Realty, 714-540-7355; Margaret Garvey, BOND New York, 646-666-2259, mgarvey@bondnewyork.com; Eyal Amir, I&I Real Estate, 646-723-4554; Bill Aboumrad, Legacy Real Estate Associates, 510-744-3500.* **REBI**

REAL ESTATE BROKER'S INSIDER

712 Main Street — Suite 187B, Boonton, NJ 07005-1450

Telephone: (973) 265-2300 • Fax: (973) 402-6056 • Email: info@BrokersInsider.com • Website: www.BrokersInsider.com

Real Estate Broker's Insider is published monthly by Alexander Communications Group, Inc.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

— From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers.



© 2013 Alexander Communications Group, Inc. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise, without the prior written permission of Alexander Communications Group.