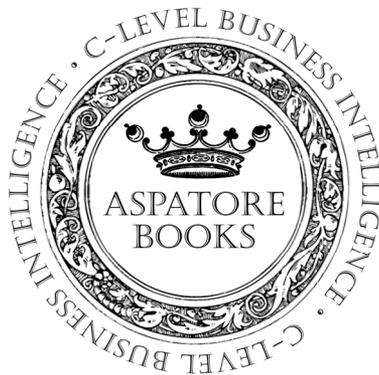


I N S I D E   T H E   M I N D S

# California Real Estate Client Strategies

*Industry Leaders on Understanding the Market and  
Best Practices for Success*



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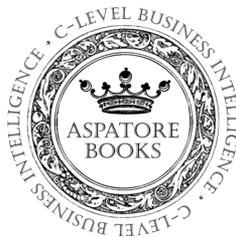
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# Empowering the Consumer: Buying and Selling Homes in California

Anthony Marguleas

*Owner and Broker*

Amalfi Estates



A real estate agent's goal should be to help people buy and sell homes with the utmost dedication to professionalism and fairness for both sides of the transaction. The art of being a *good* real estate agent lies in collaboration between agent and client—a collaboration that is built on trust and mutual respect. The agent listens to and understands the client, either buyer or seller, and provides valuable information, advice, and attention to detail. The agent's job is not so much finding a house as it is making sure that clients are happy and their needs are met.

In an age when real estate “professionals” have acquired a reputation for inefficiency and for misleading people either on purpose or through ignorance, I made it my personal mission years ago to empower consumers as they make one of the biggest financial decisions of their lives, the complex and costly process of purchasing or selling a home.

I help buyers find the home they are looking for by asking the right questions and teaching them what to look out for. I consult and advise them from the initial offer through to completion. When clients are ready to sell their home, I want them to feel confident and happy that they are making well-informed decisions.

A home is the single most expensive purchase someone is ever likely to make—or the most expensive sale one will ever undertake. Clients must feel that the person with whom they are entrusting this transaction is qualified and professional. No one would allow a student doctor to perform open-heart surgery on them; likewise, buyers and sellers want experienced professionals to guide them through this process.

Real estate is a cutthroat business. Agents are desperate for clients—buyers or sellers—and some are more concerned with displaying their image across bus bench ads and proclaiming their sales volume than with providing reliable, thorough service. Accountants and doctors do not use bench ads to proclaim the total value of their sales from their clients or patients. This approach to procuring clients can devalue the profession.

In California, most real estate companies function as “dual agencies,” meaning they represent both the seller and the buyer, often in the same transaction. This potential conflict of interest is a real threat to buyers if

they are not sufficiently well informed and do not know the right questions to ask. The conflict can create untold financial damage to the buyer, the seller, or both. If agents can sell their own listings (i.e., find their own buyers) and make 100% more money as a result, then there are bound to be some unethical people working in the business. This situation does not arise in other fields: Can you imagine the same attorney representing both plaintiff and defendant? California is one of the few states where dual agency is still allowed.

A parent real estate company can also employ the appraiser and own the title company, escrow company, home warranty company, retrofitting company, and, until a recent lawsuit, the home inspection company. While this is not necessarily a bad thing, buyers should beware of the potential for conflict of interest, however appealing the “one-stop shop” may be.

### **Setting Professional Goals**

Many well-trained agents pride themselves on their knowledge of the real estate business. They continually educate themselves to make sure they serve their clients well. In my opinion, the difference between an “amateur” and a “professional” is fundamentally related to the amount of ongoing training the agent undertakes.

Reputable real estate agents not only stay up to date on the local real estate market and business trends, but also keep ahead of the game. They place a strong emphasis on refining negotiation skills, which are key to any agent’s success, as well as on technology.

Gaining a real estate license in California is relatively simple. It takes only 48 hours of coursework to obtain an 18-month license that entitles agents to sell homes. By comparison, it takes 1,500 hours to qualify as a hairdresser, or 6,000 hours to become a certified public accountant (CPA). The real estate license is one of the easiest professional qualifications to obtain.

Perhaps as a result, there are approximately 400,000 real estate agents in California. Inevitably, some of these take advantage of the minimal qualification required to do business. However, to do the job right in such a complex industry that involves one of the most important parts of our lives,

real estate agents must perform additional extensive study and participate in ongoing education.

Real estate agents should be absolutely proficient in and accustomed to using the latest technology, whether using a portable Global Positioning System (GPS) to help find the way from one property to another, accessing Web technology to update the company Web sites with new listings and high-quality digital imagery, or providing tailored MLS Web links for buyers.

### **Real Estate in California**

In California, especially in Southern California, appearances are everything. That approach applies to real estate. Agents, real estate companies, and the homes for sale must look good because first impressions count above all. In the case of my company, Amalfi Estates, we make sure our signboards are custom printed for each open house and we ensure that our Web site is informative, up to date, and easy to navigate.

The homes themselves must look their best. Our firm recommends home staging for properties that are not fulfilling their potential, and we have numerous success stories of fast sales at higher-than-anticipated prices to back up the validity of the process. Hand in hand with staging comes the priority we place on good photographs. The firm has its own professional photographer who spends up to eight hours at each home, taking high-quality photographs in a variety of light conditions to make the property show to its best advantage.

### **Learning the Ropes**

It takes a lot of preparation, a lot of work, and many hours to become a successful real estate agent. To be successful, real estate agents must hone their skills by taking classes, from negotiation to contract law. The more knowledge the agent has, the more he or she can pass on to clients and the more useful his or her services will be.

Consistency is the key to success in real estate. It is important to find out what works and do the same thing over and over again—well. Too often

new agents try out too many different approaches in marketing or in geographical location. They need to focus on one area, such as a single neighborhood or a particular property type (e.g., condominiums, luxury homes, or beachfront property). Real estate agents can then tailor their message to consumers appropriately, making themselves the “specialist” in that particular aspect of their business. Consistency in branding and marketing is also very important for success. Consistent messages in public relations, marketing materials, signage, and client relations all drive the message home.

A real estate agent must be a mediator at certain times and a facilitator at others to ensure that buyers, sellers, and the other agents are happy. A good agent knows how to look at the big picture and not let emotions get involved.

The most exciting part of a career in real estate is that no two days are alike. As an agent, you get the opportunity to learn something new every day. Though they may get up early and put in long hours, agents are generally motivated and inspired and find the career rewarding. If something goes wrong, good agents correct the problem and redirect the situation in a professional manner.

Good relationships are critical to being a real estate agent. Every client-to-agent relationship is different. Every agent-to-agent relationship is different. Good working relationships with other agents are vital. Some agents are difficult to work with and some clients are fairly demanding. But when people are flexible, relationships are easier, as is the entire process.

The demands of real estate are different every day and it is difficult to predict what new challenges will arise. For example, we are currently working with a client who is very concerned with *feng shui*, a Chinese doctrine related to the placement and arrangement of space for achieving greater harmony with the environment. As a result, we bring a compass to every house visit to see not only which direction the house itself is facing, but each individual room as well.

## **Working with Salespeople**

The most important tools in real estate are training and technology. Almost everyone who works in real estate has a personal computer. Some agencies require real estate agents to share desks and portable GPS systems to help locate properties. Not all firms emphasize technology, but at our firm we have a dedicated Webmaster who keeps our Web site up to date and uppermost on the local search engines. The team also benefits from sales inquiries, which are managed by a dedicated sales manager.

The field of real estate involves a lot more emotion than other fields because of what a home represents to buyers and sellers, in addition to the fact that it is often the largest single investment in most people's lives. Buyers and sellers must be able to trust the agents with whom they work. When real estate agents understand that, and work with that philosophy, it makes selling much easier. The moment an agent starts working only for the money, relationships with clients and other agents suffer and the agent starts to lose credibility and, ultimately, business. Do it for the love and the money will follow.

## **Generating Business**

Referrals and testimonials are a major part of most realtors' business, even for those who work in big cities. Integrity and honesty are highly prized commodities in the real estate world. Referrals from current and previous clients are the best way agents gain new clients.

In addition, most real estate agents do regular mailings to existing and potential clients. For example, at Amalfi Estates we send postcards about new properties for sale as well as reprints of articles that feature news about our agents or our company. We also sponsor local activities, such as polo matches, which helps to raise the company profile.

Typically 20% of the agents do 80% of the business.

## **Buyers and Sellers**

One of the main duties in representing a buyer used to be to locate the property for the client. Now that the Internet makes information much more accessible, that role has changed completely. Often, clients have new property listings automatically e-mailed to them. As a result, they often find the properties they want themselves. In order to provide a useful and relevant service to clients, good agents have become specialists in negotiation, contracts, and setting up home inspections and other services to make sure the home does not have any unforeseen issues.

Representing a seller requires completely different skills, particularly in Los Angeles, which is a highly competitive market. Many real estate firms develop a comprehensive marketing plan for each home for sale. They introduce this plan to sellers at the first meeting. The marketing plan is critical to the ultimate sales success.

Real estate agents must make sure the property shows all of its best features and minimizes the negative points. Agents should oversee cleaning crews, moving companies (to store excess furnishings), handymen, painters, termite companies, pre-inspections, stagers, and photographers. Creating a buzz in the local real estate community about the home is very important.

Real estate agents should also make it their task to obtain all disclosures and reports, including the preliminary title report, termite report, and the seller's required disclosures. They collect these documents in advance so that when a purchase offer comes in, they are prepared to negotiate. Agents often submit this information along with the seller's counteroffer so that the buyers have all the information immediately, when they are the most emotionally attached to the home. Many agents submit these reports weeks after an accepted offer is signed. Then the buyer gets "buyer's remorse" and decides to back out. Some agents also provide the Notice for Buyer to Perform as soon as the contract states they are able to.

## **Determining the List Price**

Real estate agents use three approaches to determining a house's list price. The most common method is through sales comparison, comparing the

property with recent sales in the neighborhood, taking into account the size of the home, condition, lot size, and any improvements that have been made. In other words, if one home is 200 square feet larger than the home in question, we would guesstimate building costs at around \$200 to \$300 per square foot, depending on the age of the house. For instance, a newer house of the same size would list at about \$60,000 more than an older home.

A second approach to determining the list price is to look at what the home sold for in the past and adjust for market appreciation and any improvements that have been made. This approach only works if the home has been purchased in the past five years; any farther out and it is difficult to calculate how much the market appreciated. If, for instance, someone bought a \$1.9 million home two years ago and then put in \$100,000 in improvements, and the market has risen 10% for the past two years, the home would be worth approximately \$2.4 million. This method does not factor in whether the house was sold at a price too high or too low.

A third method is figuring out the land cost as compared with the cost of the improvement (to the home, landscaping or pool, for example). According to this method, if teardowns on similar-size lots are going for \$1 million and the cost to build is \$300 a foot for newer construction and it is a 3,300-square-foot home, it would cost \$1 million to build plus \$1 million for land, bringing the list price to \$2 million.

Then, the agent compares all three methods to see if they come to a similar number. If they don't align, we analyze why one figure is different from others and factor in the reasons one valuation method is not consistent with the others.

Assessing the market value of a home is a very sensitive area, particularly for the seller. Sellers often have an inflated view of what their home is worth, and a good agent will work with sellers to help them realize that an overly high price is a marketing disadvantage. Pricing the home properly from the start minimizes the time necessary to sell the home. Pricing too high risks keeping the home on the market for a long time; as the seller drops the price, the home gets the reputation of being stale and becomes more difficult to sell.

Valuing a home is also affected by location (the most important factor dictating price), competition of other similar properties in the area, timing (the condition of the real estate market at the time of sale), and the condition of the home (because first impressions are vital).

Realtors commonly hold open houses to spread the word of a new property available and attract potential buyers. Open houses are an art unto themselves. For agents, it shouldn't just be about turning up on the day and taking names. Open houses are typically staffed by a professional agent, who comes in early to make sure the property looks its best. It can make a big difference if agents provide extra services such as valet parking when street parking is at a premium. Real estate agents do not want prospective buyers to skip an open house because they cannot find a parking space. Three hours of valet parking is a small price to pay to secure high attendance and a potential sale. In addition, most realtors advertise open houses in various ways, including signboards (from 5 to 15 usually) and advertisements in local newspapers.

Some real estate agents and companies “stage” homes for open houses. This is where an agent hires a professional “home stager” (often with a background in interior design) to refurnish and often redecorate the home to make it show off to its best advantage. The aim is to accentuate all the positives. The process could, for example, include refurnishing a room to suit its original purpose, such as a dining room or bedroom that has been used as a home office and is piled high with papers and books. Or it could involve “staging” a small underused space and furnish it as a home office. Changing living space to be more marketable (e.g., a media room might be more appropriate for the local market) is a fundamental part of staging and making the home more desirable. Ultimately, “home staging” helps a home sell faster and usually for more money, and is especially useful when a property has been somewhat neglected or is overly cluttered with a mishmash of furniture and styles.

## **Improving Sales**

When a property is not selling as fast as a real estate agent would like, there are several things to consider. First, it is possible that the house has not

been staged; perhaps the home is dirty, cluttered, smells bad, or needs repairs. Proper staging can make all the difference.

Another possibility is targeted marketing. In this approach, the real estate agent will mail professional color postcards/mailers to 500 neighbors to drum up interest. In addition, all local real estate agents are e-mailed in advance of the home being advertised in the MLS (Multiple Listing Service). Agents also advertise in local publications.

Additionally, there are some tricks of the trade to disguise less desirable qualities. If the home is on a busy street, for example, an agent might show the house during less busy times and, if possible, create other “sound-blocking” devices, such as fountains in the yard or soft music. The agent might also market the home to people for whom sound is less of an issue, such as people who already live by an airport. In addition, it is important to remember that there is always someone who wants a particular type of house; for instance, some clients like being near a freeway because it provides quick access and cuts down on commuting time.

Sometimes all a home needs is a new agent to bring in some fresh ideas and energy. Sometimes if an agent has had a listing for a while, he or she might lose enthusiasm for the home, which buyers can pick up on. As a buyer, if you see a listing history on the MLS that shows a “DOM” (Days on Market) of 120 days or more, the home gets a stigma attached to it. When a house is listed with a new agent, it does not reflect the time it has been on the market with the previous agent, so it can seem brand-new. Anyone who did not see it before would think it just came on the market.

And, of course, a realistic price makes all the difference to the speed at which a property will sell.

### **Working with a Buyer**

Some real estate companies create their own questionnaires for buyers. Besides basic questions like price, size, and location, the questionnaires try to determine what is important to the buyers and how their home reflects the way they lead their lives. Everyone is different. Ethnic, religious, and cultural differences dictate certain choices; family size, school requirements,

and work habits and work location dictate other needs. Security and privacy are sometimes at the top of the list, and physical limitations can dictate choice, too. For example, an Orthodox rabbi needed to be able to walk to temple on the weekend, so he needed a home that was only a few blocks from the synagogue.

## **Home Inspections**

Home inspections are critical to the negotiation process. In California, there are myriad inspections that affect the final sales price. These include termite inspections (California is second in termite damage in the country due to the climate, and homes must be tented for termites every 5-7 years), seismic gas shutoff valves (required for all single family homes), chimney inspections (the combination of an aging housing stock and regular earth tremors means that half of all chimneys built before 1980 have cracks inside them), geological inspections (necessary for all hillside homes; for instance, in the winter of 2005, rain fell at record levels and homes throughout Los Angeles started sliding down hills, teaching the lesson that great views often come with a price), and mold inspections. Mold inspections are increasingly prevalent as insurance companies want to make sure the home has been upgraded to copper plumbing so there are no plumbing leaks.

Real estate agents should ensure that the terms of the contract are met by setting up spreadsheets that show all the terms of the offer along with the deadlines for each. They enter these dates in the office calendar to keep all staff aware of the deadlines for the contingencies. Often, the most important deadline is the physical inspection contingency. Other critical deadlines are the loan and appraisal contingency, and review of all reports and disclosures.

When real estate agents work with sellers, they should recommend conducting pre-inspections of the home before it goes on the market so that there are no surprises for either the seller or the buyer. Usually many of the small items in the report can be fixed in advance, so when buyers do their inspection they are reassured when the home checks out well. If an issue does arise in the pre-inspection, the seller can disclose the item up front, which makes it harder for the buyer to ask for a credit off the sales price or for the seller to pay for fixing the item.

## Price Negotiations

The bottom line in negotiations—in any business—is that both sides should feel as though they have won. A good negotiator can successfully reduce the price buyers pay for their home, even in a hot sellers' market. Here is a good example:

Clients were looking for a bigger house in a good neighborhood of Los Angeles. At my advice, they looked for the cheapest house in the best area they wanted to live in, and found one that fit the bill. The listing agent had it on the market for \$1,105,000. That was the agent's first mistake. It was such an odd asking price that it automatically excluded people who might have been in the market for anything priced at \$1.1 million or less. When buyers (or agents) enter their details on the MLS in Los Angeles, the incremental increases are nearly always at the \$100,000 mark.

I always make it my responsibility to develop a rapport with a listing agent when I am acting on behalf of the buyer. The next mistake the listing agent made was telling me that the owner had financial problems, which told me that negotiation was possible. In doing so, the agent broke his fiduciary duty to his client—and lost the client money.

The house had huge potential, but no curb appeal. It showed very badly, which was the agent's third mistake. The house was cluttered, dirty, smelly, and poorly looked after. The listing agent did nothing to make the house show better because the client had no money to do so. If I had been the listing agent, I would have recommended that the client get an equity line of \$5,000 or \$10,000 and make some basic improvements, put furniture in storage, and get the place cleaned up. That investment would have paid off by raising the house's value by \$100,000 or more and by bringing in more offers.

The house had been on the market for two months at a time when most homes in the area sold in two weeks. It was not easy to get an appointment to see the house. The owner's personal circumstances meant he could only show the house at very specific times. That also discouraged potential buyers.

The house was not in good physical shape. It had obvious and extensive termite damage, ongoing infestation, and dry rot. The agent had not done a termite report, even though the house had been so long on the market. A physical inspection on the property would have benefited the seller because all the problems we discovered during escrow gave us increased negotiating power and drove the price even further down. If the listing agent had undertaken the physical inspection, our hands would have been tied. The buyers would have known of all the problems in advance, and the negotiations would have been limited.

For example, we found out during our own physical inspection that the only heat source in the home was the chimney/fireplace. The furnace was not operational. Subsequently, the chimney inspector said it was one of the worst chimneys he had ever seen and that it was a health hazard. There were major areas of water damage that had never been fixed.

At my suggestion, my clients low-balled the offer at \$830,000—way below the asking price—giving the listing agent the clear message that the house was overpriced. We attached comps to back up our offer.

The listing agent's next mistake was that he did not give us a "Notice for the Buyer to Perform" (to remove their physical inspection contingency). This lapse enabled us to extend our physical inspection contingencies for quite some time (more than a week instead of the usual one or two days). The Notice for the Buyer to Perform is the period from offer acceptance until the time the prospective buyer must remove the physical inspection contingency. If the listing agent gives the buyer a Notice to Perform to remove certain contingencies, the buyer usually has between 24 and 48 hours to remove the contingencies. Many agents fail to give this Notice to Perform. If you are not given the notice as a buyer, then your contingencies continue as long as the escrow period.

The seller had accepted an offer of \$940,000 from my clients, but with the inspection results, we requested a credit of more than \$47,000. The seller came back with a credit offer of \$20,000 (my clients would have been happy with \$10,000). However, I thought there was more room in the price. I wrote to the seller saying that in fact we had considered asking for a \$67,000 credit in light of the inspection's findings. I detailed the results of

the chimney inspection (that it would have to be torn down and rebuilt), that there were at least two insurance claims for water damage at the house, and that environmental experts recommended remediation repairs costing between \$45,000 and \$60,000. The letter I wrote was comprehensive and it left the seller in no doubt that if our offer of \$40,000 credit was not accepted, he might have to wait six months more before any other sale could be completed. Our offer was to close in 25 days, for a price of \$900,000.

## **The Impact of Information on Negotiations**

Both listing and buyer's agents commonly give away too much information that helps the other side in negotiations. It astonishes me how few agents know what information they should keep secret and what information they need to reveal, in order to make sure that their client gets the best possible price for their home.

In most cases, listing agents are paid by the seller, through their commission on the sale, and they therefore have a legal obligation to protect any confidential information shared with them, such as the seller's absolute lowest price or the reasons for the sale. Some listing agents when asked what a home will sell for, or why the home is being sold, take the buyer's agent to one side and break their fiduciary duty to their client by telling them what they want to know. I have had agents tell me, "The seller is going through a divorce and will take \$100,000 off the asking price." The proper answer is, "I cannot tell you, as I have a fiduciary duty to protect my client, and the information is confidential."

On the other side of the negotiation, the buyer's agent sometimes tells the listing agent, for example, that the buyer wants to pay \$1,450,000 but is willing to pay \$1,500,000, or that they are willing to do a longer escrow. If that sort of conversation takes place, the listing agent must pass that information on to the seller, which affects the buyer's bargaining stance.

## **Working with a Seller**

The three main points to consider in the offering price are comparable sales, seller's motivation, and the number of other offers or interested

parties. For example, an agent may be considering pricing a home at \$1,000,000. The comps say the value is correct, but the owner is relocating to another city and is very motivated to sell. The deciding factor then is how many other people are interested in the home. If there are several, it is less likely the buyer will get the best price.

Comparables are extremely useful but should never be the sole factor used to determine the offering price. The best way to analyze comps is to look at both the asking prices and the most recent sales prices of similar homes in the neighborhood. If the seller bought the home within the last few years, the agent should check the sales price and see if the percentage increase is warranted by the local real estate market. The agent should also consider whether other similar homes nearby have experienced similar price increases, whether the sellers are trying to take advantage of the domino overpricing in the neighborhood, whether the house appraises for the asking price, whether the house has any special features (such as ocean view, media room, or tennis court) that differentiate it from other houses in the neighborhood, and whether the seller made multiple improvements or additions that could justify the price increase.

In a seller's market, especially, the sales price of one overpriced home will be used by other listing agents to reinforce the asking price for other homes, and so the local comps can continue to increase "artificially" rather than based on what each home has that makes it worth more. It is notoriously difficult to read between the lines with "comps." For example, a four-bedroom family home with three bathrooms has a brand-new kitchen and 1,000 square feet of usable yard space, compared to a similar-size home that has an outdated kitchen and 1,000 square feet of steep hillside. On paper the houses look similar, but in reality they would elicit very different reactions from buyers.

Other points to consider when determining an offer price include how many times the house has been on the market over the past 7-10 years, how often it has been leased during that period, how often the sales price has been reduced and if there is a pattern in the frequency of the price drops, whether the home has been withdrawn from sale, and whether public tax records show what the seller paid for the home.

The real estate agent should also take into account how motivated the seller is and how many other offers are being considered. Determining your bargaining position is crucial. What if you discover during the open house that the owner is relocating to another city (so is very motivated)? You realize that you are in the position to possibly get a good deal, so you consider offering *under* the asking price.

If the agent discovers that there are several other parties considering making an offer, then it is less likely the buyer will get a bargain and should therefore consider paying a bit more than the comps reflect. Setting a maximum price beforehand helps prevent potential buyers from getting emotionally attached to the home and paying more than they wanted.

Believe it or not, sellers are not always motivated by price. The more the agent knows about the seller's motivation, the stronger the buyer's bargaining position. Speaking, even informally, with the sellers can provide more insight than any research could ever uncover. Selling a home can be an emotional time for a variety of reasons and sellers like to know who is buying their home. Their "relationship" with the buyer can be important to them. The seller may prefer to sell to a young couple with a family, they might need a long escrow to help with their two-year capital gains timeline, or they could want the security offered by a larger down payment. The key is to address their main concerns, which may not be price.

I have had clients who were prepared to move quickly and were able to get a home for less than the asking price simply because they really were ready. The seller wanted a quick sale and a prepared buyer. We fit the bill and everyone walked away happy.

Often the best way for me to close a sale in my buyer's favor is to make sure that the offer we put together is absolutely clean—well presented and up to date, with loan approvals and verification of the down payment and closing costs attached. Often, the client also submits a letter to the buyer explaining why they would like to buy the home and explaining their background, where they work, and other personal details. This combination of preparedness and "personal touch" offer sways the balance in our favor, even if my buyer has offered a lower amount than someone else. Beyond that, we follow up with all the parties involved throughout the transaction,

making sure we have closing experts to cover every detail and explain everything to the buyer and seller throughout the process.

Possibly the most unusual situation I have ever dealt with was with a client in Pacific Palisades who wanted a bigger house with a bigger yard for his growing family. The family knew the area they wanted to live in, but had no way of knowing how big the yards were or how much usable space there was because the lots were on a hillside and homes in that area rarely came on the market. In order to pinpoint a suitable home, I hired a helicopter and an aerial photographer and we flew over the area, taking photos of the rear yards. We put together an aerial photo of the whole street, identified some of the homes that would suit, and then sent personalized letters to relevant home owners. We learned that someone on the street might consider selling. A protracted period of negotiation and discussion ensued, involving several members of the seller's family, before we secured the home for our client.

### **The Future of Real Estate in California**

Regarding pricing of the market, because we have had a 10-year appreciating market, and since real estate is cyclical, I would predict that we will have a flattening of the market if not a small depreciation, which we have seen in California for the last six months of 2006, and we will probably continue to see for another one to two, possibly three, years. It won't be a crash, just a softening. There is still so much demand for real estate in California.

With regard to the future for real estate agents themselves, the licensing boards are making it harder for people to obtain real estate licenses, instituting more restrictions and increasing the number of hours needed for real estate agents to study before they can obtain a license, which is a very positive move.

We will probably see approximately 25% of existing agents drop out of the business (i.e., not renew their license) because it is harder to get listings and to sell houses in what is becoming a buyer's, not a seller's, market. The Days on Market for a typical house is going from 20 days to 60 days. There

are 30% fewer homes selling, so fewer agents can stay in the business and support themselves.

The agents who do stay in the business are becoming increasingly technologically oriented; this is a big emphasis for the business. The gap between the consumer's technological ability and the agent's technological ability will be much more closely aligned. Currently the average real estate agent has been in business for 20 years or more, is at least 10 years older than most of their clients, and may not be as tech savvy. They aren't as comfortable with computers—for example, they don't scan and e-mail documents to clients to speed up the real estate process.

I see a lot more 20- and 30-something agents coming into the business and revolutionizing the real estate process through their technological proficiency and knowledge. Real estate is less and less about an agent locating a house for a buyer; it's going to be more about specialized skills such as negotiating, having detailed contract knowledge, and technology. When it becomes a seller's market again, agents will be able to respond far more quickly when submitting offers on behalf of their clients. Agents using all available technology both to submit offers and find properties by accessing information on them while out with clients, via their PDA, laptop, or cell phone, will have the competitive edge over agents who don't even know how to send an e-mail.

In the next few years we will see continued consolidation of real estate firms. We have seen quite a bit of that already. Mid-size companies will be squeezed out or bought out, and the market will be made out of the top three firms controlling a large percentage of the market. The smaller firms of 5-10 agents will be doing the rest of the business.

Independent agencies have a certain advantage when it comes to being able to respond more quickly to changing needs of the market, such as the use of technology, which helps to keep them competitive. The larger companies are often not able to react quickly in embracing technology, training their agents, or updating new equipment, because of the time, costs, and bureaucracy involved in the decision-making process. It takes a lot longer to update the Web site of a company that has hundreds or even thousands of agents than it does an agency with only 10 agents. Smaller agencies can

adapt and learn more quickly and get involved in cutting edge more quickly, passing on the advantages and ultimately cost savings to their clients.

*Anthony Marguleas is the owner of Amalfi Estates, one of Los Angeles' leading independent real estate companies, providing exclusive representation to both buyers and sellers. Founded in 1995, the company is headquartered in Pacific Palisades.*

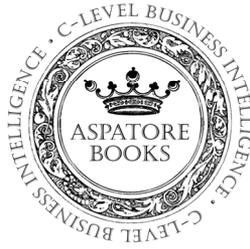
*Marguleas is a true entrepreneur who has created successful businesses through perseverance, hard work, and an unshakeable belief in the right of all clients to be well informed. He believes that every buyer and seller should receive the best possible information and advice in order to make one of the most important decisions affecting their lives.*

*He has individually sold over \$300 million in properties, earning him a reputation as one of the top agents in the nation. His award-winning approach to service has been profiled on ABC News and the Fine Living Network, as well as in the Wall Street Journal, Consumer Reports, and the Los Angeles Times. He has also been a Real Estate columnist for local newspapers, writing on such topics as real estate negotiating, financing, and home improvement.*

*Marguleas has a bachelor's degree in business administration from the University of California, Riverside, where he received their Outstanding Alumnus Award. He is an active member in six real estate organizations, including the State and National Association of Realtors. He holds several professional designations, including Certified Luxury Home Marketing Specialist, a degree achieved by only the top 1% of all realtors nationwide. He is also an expert negotiator, having completed the negotiating course through the highly respected KARASS seminars.*

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