



April 1st, 2023



RE: Serial Seminar cold calling investors or the invasion of Bot-Buyers

In the recent couple of months, I have been inundated with buyers who cold call, text or email from a script they have learned while attending a seminar, listening to podcasts, or doing get-rich-quick-schemes from the internet.

Please know that I have no issue with scripts, narratives or notes, we all use them every day to keep track of our thoughts and the strong points on our offerings. As an International Award Winning Instructor of 25 years for the CCIM Institute, I also am a firm believe in being a life-long-learner and obtaining more education.

The issue I do have is that these communications are very transactional in focus and are often now with the principal decision maker. I have heard from clients that these communications end up in one of three scenarios:

1. The investor who communicate is not the actual buyer and they are going to take the deal to someone who does have funds, who will renegotiate everything.
2. The investor is really a scammer – this often starts with a communication hat they are in a remote area (oil rig, outside of USA, Antarctica, etc.) or they attempt to instill FOMO (fear of missing out) by indicating you only have a limited window of time to call them. **Please note this scam ends in wire fraud.**
3. The investor indicates they are all cash, and can move quick, but all cash to them is a hard money lender, who does not move quick – these deals rarely close and lead to wasted time.

Transactional

In short, if it feels transactional in nature, its not likely the right deal for you. One well known investor in the Albuquerque market, who has had success with hiring cold calling firms and sending out hundreds of low balls offers, told me that he is like the unattractive guy in the bar, he may be slapped 99 times for asking, but eventually someone accepts his offer.

Strategic/Merit based

Experienced buyers research the market, talk to lenders, brokers, property managers, and open a dialogue with a sharing of goals, hopes and expectations. They understand what their strengths are and how those strengths might help the Seller achieve their goals. In helping the other side achieve their goals, they can achieve the buyer's goals (a deal) and build up a credible reputation as a deal maker.

I have had clients and brokers request that I provide them with an inventory of typical questions and how we normally respond – these include:

| Type: | Typical Communication: | Response: |
|---|---|---|
| The dual-agency dangle | I will let you keep both ends of the deal if you tell me the best (lowest) price the seller will take. | 95% of my business is represent sellers, they are my clients and I have an agency relationship with them to help them meet their investment goals. A one off transaction with you does not match my clients goals and our office has an office policy against dual-agency. |
| Days on market | I see this deal has been on them market for XX days, is the seller ready to deal yet? | We ask our Sellers to give us 6 to 9 months to bring them 9 to 12 offers. Our experience based on the last closed 90 transactions is that 95% of our listings sell at list price or higher, and the range of higher is 10% to 32% over ask price. Writing a lower offer and asking for a counter will not likely yield a seller response. |
| No name demand | This buyer, does not identify themselves, but demands a rent roll and T12. | We thoroughly vet and underwrite our listings and we provide ample information on our flyers to allow an experienced investor to underwrite a deal. This type of request is meant to intimidate a Seller as to how sophisticated a buyer is, skipping the relationship building state. Once they have you convinced of their superior knowledge, they start to opine on market conditions and how luck you are to have them as a buyer. |
| “I canna make her work captain” | I cannot make this deal work based on your numbers, so your seller will have to finance me to get that price. | A conversation where investment goals/expectations are shared allows the seller to understand where the buyers investment goals are. Sophisticated investors are buying using IRR on an after tax basis. Finding our a buyer wants a 10% or 12% cap rate, is a sure indicate that they are not landing deals. |
| Will you float my financing boat | Before they introduce themselves, they ask will the seller finance | I do not know any seller who would take on the roll of a bank when the market is awash with cash and capital. While seller financing might be attractive from a tax planning stand point, the seller is giving away all of the future upside (appreciation) by taking all of the downside (foreclosure) and the buyer still may trigger a tax consequence with an early payment, sale or refinance. |
| The competing gas station approach | Saw your listing on ____, what is your best price? | This approach violates NM license law and again is transactional in nature. Experienced investors might ask, after they have spent an hour or two on the phone learning about the market, and the sellers goals |

| Type: | Typical Communication: | Response: |
|---|--|---|
| <p>The make you beg for a low price offer approach</p> | <p>Thank you for the summary, it definitely shined a little light on what's being offered here in order to get rid of this cash immediately.</p> <p>Listen...I took some time in calculating this, and I would absolutely love to buy this today and add it to our collection, however, we are simply lightyears apart. I hesitate to even make a quick cash offer, it might be so low and slightly insulting, prefer not to do that.</p> <p>However, if you want to actually see it, I'll send it over. If you don't, I completely understand.</p> | <p>Mr./Mrs Buyer - Any additional effort on this would be a waste of your time</p> |
| <p>Do they have a map app for that?</p> | <p>Saw your ad. Have a few questions before I call you. What is the exact address with the zip code? Are there any repairs needed, if so, how much? Are there tenants in the property and what are they paying? Thanks,</p> | <p>Please review the flyer we provided that answer these questions</p> |
| <p>Busy with my cash Q</p> | <p>Relocated from NY and working through our divestment plan, hoping to wrap this month or very close to it. We have a nice chunk of cash and want all of it right back in cash flowing properties. Lots of balls in the air so schedule for calls is tight. If you think this could be a good fit, give me a call between 8:45-9:00 MST today or Wed between 10:00-10:15 MST.</p> | <p>I would be glad to schedule an hour or two for a call or zoom meeting to share market conditions/info and my sellers goals</p> |
| <p>The investment sky is falling approach</p> | <p>Data received, well done. You are helping us get this accumulated capital deployed. I'd love to buy this property today at the asking price to help the seller, however the poor returns make the NOI plummet. As well as the valuation. The cash that we have is ready work today when the returns give cause for applause. When you significantly reduce the asking price this will greatly improve the returns, we'll happily write the check for an agreed upon quick, all cash close with a large EMD. If you'd like to see the low all cash offer that the rate of return demands, let me know. It's embarrassingly low and I'd rather not send it... I will send it if you want to see it. If not that's okay as well.</p> | <p>I would be glad to schedule an hour or two for a call or zoom meeting to share market conditions/info and my sellers goals</p> |

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| <p>Still counting my cash approach</p> | <p>Thanks for the attention to my questions and other details. Been swamped reviewing OMs trying to find a home for the acquired capital. Finally had a chance to review the numbers on this. You know, we would love to jump on this, get our recently acquired capital producing dividends, and get the seller closed out now. But, the returns are so much less aggressive than we had hoped. Therefore, we would not come in anywhere close to the asking price. It would be a considerably lower offer.</p> <p>Know that our intention is not to annoy the seller or disrespect anyone. But the numbers have spoken. The thing is, the offer would be cash (no bank financing) and closing would be done before they know it.</p> <p>I can send over the offer if you are open to seeing it. If not, I understand.</p> | <p>We send them the info on the property with our narrative of market conditions and ask if they would like to schedule a call, zoom or meeting.</p> |
| <p>Let me push my pencil</p> | <p>Hi, I'm looking to invest capital received from my dad's estate into multifamily assets today. Wanted to see if this one fits. A few questions, how involved is ownership with management and operations? What is the occupancy and gross? With a quick response, we can move toward a quick close if numbers pencil.</p> | <p>That would not be worth your time - 95% of our listings sell at list price or higher and the range of higher, based on the last 90 closed transactions in the last 12 months is 10% to 32% over ask.</p> <p>Most buyers are buying into this market to benefit from the double digit rent growth that exists due to the housing shortage from all of the new Intel, Facebook, Amazon and Netflix jobs.</p> |
| <p>In depth overview how the buyer does not have a down payment</p> | <p>No need to apologize, no time sensitivity here with these properties. My skin in the game will be the in depth rehabilitation project this property requires similar to St Cyr. Feel free to voice that project over to the seller and investments we made and top line gross. He carries \$250k, the bank puts down \$950k in first and I put in all the rehab and turning of units.</p> <p>If you believe these properties are in the right location, with our rehab we should gross north of \$13k, unless I'm missing something. This is the most important factor where your input is vital on path to success.</p> | <p>Note how the buyer attempt to push their analysis on to the seller with "if you believe"</p> <p>In these circumstances, we offer to introduce them to an experienced buyers broker who can introduce them to the market AND vet them.</p> |
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If you are a bot-buyer or seminar script serial caller, do not take offense at this document as it meant to help you help to join the investment community in a win-win dialogue that includes merit based negotiations with agreement on current market conditions.

If you are owner or broker who is exhausted from the avalanche of communications, I hope this document helps you in sorting through the white noise, allowing you to focus your time and energy in a place that meets your investment goals.

Sincerely,



Todd Clarke CCIM
CEO
NM Apartment Advisors