

# Evaluating whether a good offer really is the best

Evaluating real estate offers is seemingly easy, right? You should instantly be able to discern an offer's benefits and whether the offer is a good one.

In practice, the determination of the best offer is maybe not as simple as one would believe.

Most commercial real estate sellers gravitate to the price offered vs. the asking price. If the offer is at asking price, great. If the offer fails to reach the expectations, it is discarded. Finally, if the offer eclipses the asking price, silence ensues. Did you ask too little?

However, the offer with the

highest price may not in fact be the best offer. Recently, we received an offer for a project we lease and manage. The buyer planned to tear down the existing buildings and construct multifamily housing. The buyer was prepared well above market rate for the real estate. The problem was he wouldn't close for 18 months. No deal!

**Terms:** These vary in a commercial real estate deal. Most contain a contingency period that can consume as few as two weeks to as many as 90 days. Buyers use the contingency time to study the physical aspects, complete a title search, obtain financing and vet occupants, if any. Two

offers at the same price but one with a shorter contingency period is generally preferable.

**Number of competing offers:** If you have the luxury of multiple offers, you should create a grid outlining all of the points contained in this post. Rank the offers based on all of these factors. The best offer will come shining through.

**Nature of the buyer:** Will the buyer occupy the real estate or rely on rent as justification for the buy? Typically, an owner-occupant will pay more and focus on the utility of the real estate for his use.

**Source of funds:** Does the buyer have a cache of cash waiting to be deployed to buy your building? Or, will the buyer rely upon other people's money

(OPM) to complete the buy? How about financing? A deal that includes a bank's OK is typically more time consuming and risky. All of the buyer's and banker's boxes must be checked in order for the sale to progress.

**Buyer's motivation:** Why does the buyer want to buy your building? You may be thinking, who cares? He just does. Contained within the answer to this question, however, may be a clue as to whether the sale will close at price and terms everyone has agreed to.

**Contingencies:** Mentioned above under the terms paragraph, certain items must be satisfied in order for a sale to occur: title, financing, physical inspection. Caution should be given to conditions outside the

normal realm such as conditional use permits, construction of improvements, zone changes, or the sale or lease of another property. If a buyer's purchase is contingent on any of these conditions, you must carefully weigh the likelihood of waiver, otherwise what appears to be a great offer might in fact become a failed effort.

As advertised, many factors should be considered to convert a good offer into the best offer.

---

Allen Buchanan is a principal and commercial real estate broker at Lee & Associates, Orange. He can be reached at 714-564-7104 or [abuchanan@lee-associates.com](mailto:abuchanan@lee-associates.com).

His website is [allenbuchanan.com](http://allenbuchanan.com)



**ALLEN BUCHANAN**  
CONTRIBUTING  
COLUMNIST