

# Lowball Offers on the Rise

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**STRIKING A BARGAIN** James and Valentina Sbarra were able to buy their raised ranch in Pawling, N.Y., for \$300,000. It was initially priced at \$329,000.

How about a couple of young newlyweds who have saved their wedding cash to put toward their first home?

James and Valentina Sbarra fit the last description, and they are relieved to be able to call themselves successful lowballers. Any nervousness they felt in making a stingy offer — lowballing is typically defined as offering less than 90 percent of a house’s asking price — fell away the minute they struck a deal on their two-bedroom raised ranch in [Pawling](#), N.Y., in Dutchess County.

“We kind of took a gamble,” said Mr. Sbarra, a bank manager in Mount Kisco, N.Y. “But it worked out for us.”

Throughout the region, buyers of all stripes are feeling similarly empowered to bid low and keep their hopes high. The practice still fails more often than not, in that buyers are unlikely to get themselves a steal. But many sellers are swallowing hard and negotiating, because lowballing has become so common that, for better or worse, it’s part of the new norm in buying or selling a house.

The Sbarras gambled by offering \$287,000 for their house, which was listed at a reasonable \$329,000. In doing so, they risked angering the owner and ruining their prospects for negotiation.

“I think it’s worth \$320, \$325, and I gave them my opinion,” said Peter Bell, an owner of Balch Buyer’s Realty in Mamaroneck, N.Y., an agency that represents only buyers. “But they said, ‘We don’t want to go too high.’ So I said, ‘O.K., let me make the offer as strong as I can, and we’ll hope for the best.’”

Much to Mr. Bell’s delight, the owner responded with a counteroffer of \$315,000, and the parties went back and forth until settling on a price of \$300,000, the amount the Sbarras had set as their cutoff. The couple moved in last month.

“We would have been disappointed if it hadn’t worked out,” Mr. Sbarra said. “But it was a situation where we felt buyers had the upper hand.”

Many buyers are willing to go a lot further than the Sbarras did, apparently without concern about rankling owners.

“It’s like the Wild West out there right now,” said Terry Sciubba, the owner and broker at the Sherlock Homes Realty Corporation in Glen Cove, N.Y., on [Long Island](#). “I do have customers where if a house is listed at \$600,000, they’ll put in an offer for \$350,000. That really, really happens.”

In [Westchester](#), that mind-set plays out right through the home inspection process, which has become “a weapon for



the buyers to further negotiate the contract,” said Keith E. Schutzman, a real estate lawyer in Scarsdale, N.Y. “A \$500 repair item is now a \$5,000 repair item” when it comes to asking the seller to lower the price.

Tami Rapaport, a sales associate in the Tenafly, N.J., office of Coldwell Banker Residential, finds the same thing happening in Bergen County. “People are coming in with offers even 20 percent under,” she said. “People have no shame.”

To be sure, there is an aspect of lowballing that seeks to take advantage of other people’s desperation or misfortune. Some lowball bids are plain outlandish, never mind insulting.

Yet in a difficult real estate market like this one, advocates of the lowball approach say that, practiced respectfully and within the bounds of reason, it can also serve as a necessary reality check on overpriced properties. If some agents are reluctant to push stubborn sellers to lower their prices out of fear of losing the listing, a few disappointingly low offers will communicate the market’s message in the bluntest terms.

James Bednar has been tracking [New Jersey](#) lowballers on his blog, New Jersey Real Estate Report (available at [njrereport.com](#)) since mid-2006. Inspired by his own frustrations as a buyer, Mr. Bednar said he wanted to test the conventional wisdom that lowballing “was a waste of time — that it was futile to even attempt it.”

So, after obtaining a real estate license, which gives him access to multiple listing service data, he began periodically posting lists of sales with gaps of 10 percent or more between the original list price and the selling price.

At first, the conventional wisdom held up — only a tiny percentage of sales reflected accepted lowball offers. But as the market began to slide, the discounts deepened. His last “Lowball!” report, in January, used a 25 percent discount as the starting point, and he still turned up 55 sales in the previous month.

A real estate agent now himself, Mr. Bednar sees no shame in making a low offer on a property clearly priced well above the market. While even 5 percent below the asking price might be considered an unfair lowball on a reasonably priced home, on a property priced “horribly high,” he said, “20 percent might be just scratching the surface.”

Sellers aren’t typically so logical in their assessment of an unexpectedly low offer, of course. Those who perceive a lowball as a slap in the face tend to treat the offending buyers — and sometimes their agents — accordingly.

“I have one seller who doesn’t want to talk to me because I brought him an offer \$200,000 below the asking price” of \$1.4 million, said Attilio Adamo, the owner and broker at Prudential Adamo Realty, in Ridgefield, N.J. “Some sellers get insulted and hold a grudge.”

Their ire is understandable, said Lois A. Vitt, a financial sociologist and the director of the Institute for Socio-Financial Studies in Middleburg, Va. “Some sellers personify their home, believing the value is all about them, not just about the sticks and bricks,” she said. “They might have lived and loved the home, and a lowball offer can be seen as a very personal insult.”

That is particularly true in high-powered, high-value communities like Scarsdale and Greenwich, Conn., where location and status help prop up prices. Buyers making lowball offers in Greenwich are not getting what they want because sellers refuse to take such offers seriously, said Max Wiesen, a sales associate with Coldwell Banker.

Clients of his recently made a cash offer of \$4.6 million for a property listed in the mid-\$5-million range. Although it was low, the offer was reasonable, Mr. Wiesen said, given that the house had some issues and no other house on the street had sold at the price these sellers were after. The owners’ response was a counteroffer barely distinguishable from their asking price.

“These people in Greenwich are not in the position other people in America are in,” Mr. Wiesen said. “These are wealthy people who can sit on their houses, and they do.”

But elsewhere, many agents are counseling sellers to consider a lowball offer as a starting point. The gamble for sellers who stall a lowballer in hopes of a higher offer is that, with buyers so cautious and credit so tight, the next offer could be a long time in coming.

Owners who really want or need to sell are accepting lowball offers. Sarah Keenan, a sales associate at Nicholas Fingelly Real Estate in Southport, Conn., recently sold a four-bedroom [Cape Cod](#) there for almost 17 percent less than the original list price of \$695,000. The house had been on the market since September. “The people that are really motivated to sell are taking it,” Ms. Keenan said.

This is not to say that every lowball offer is worthy of acknowledgment. Low bidders have a better chance of making headway if the house they are after has been languishing on the market or needs a lot of updating, agents say. Even then, the low offer is better off accompanied by a logical explanation, possibly with documentation.

John Herman, president of Buyer’s Representative in Greenwich, a buyers’ agency serving [Connecticut](#), likes to write a letter explaining the thinking behind an offer and presenting some comparable sales prices. “The listing agent often can’t be that direct with their client,” he said. “We can be more direct and still be polite.”

Mr. Bell, the Mamaroneck broker, takes a similar approach with lenders when he attempts to negotiate on foreclosed properties. He was recently awaiting word from a bank about approval of his \$143,000 offer on an unfinished lakeside house in Patterson, N.Y., with at least \$200,000 in mortgage debt. Mr. Bell hopes to fix up the house for his daughter. If the deal goes through, he said, “I have three or four of her girlfriends waiting for the same thing.”

Though deals can be found if a buyer has enough nerve and stamina to put up with repeated refusals, agents advise that lowballing is a bad idea when the buyer really, really wants the house. “You take your chances when you do it,” said Frank Ledermann, an associate broker in the Scarsdale office of Houlihan Lawrence. “It’s America — you can bid whatever you want. But you may not get what you want.”

You certainly won’t get Carleen Lekelly’s house in Basking Ridge, N.J. Since Ms. Lekelly put the four-bedroom colonial on the market for \$885,000 last November, she has received a couple of offers in the low \$800,000 range.

Her response has been matter-of-fact: with new bathrooms and granite in the kitchen, her house doesn’t deserve discounting, and more important, she isn’t under any pressure to move. Ms. Lekelly politely suggests that lowballers look elsewhere.

“I truly believe there are certain towns that are going to keep their values,” she said. “There are people that think they can go in anywhere and just lowball — I think it’s kind of silly.”