



The following is an excerpt from a lecture that I presented for 7 years to agents during their first week of rental training. If you are new to the business or struggling at the moment, you may find this information helpful. It applies equally to both rentals and sales.

REAL ESTATE 101

I'm going to give you some information now that will make your learning curve getting started in this business a lot shorter. Every agent that stays in this business and makes a living understands this principle that I call **Real Estate 101**. If you did not hear this presentation today, it might take you a few months or possibly an entire year or more to understand this principle and even worse some of you might not last in this business without learning it.

Some agents don't understand **Real Estate 101** and as a result they don't like the business and they certainly don't make a decent living. You have a choice right now. Embrace the concepts we are about to discuss and incorporate them into your business or struggle along trying to swim against the current and work in misery for very little money. The choice is yours.

The phenomenon I'm going to discuss exists not just in New York City or Manhattan. It exists all over the United States and probably all over the world. It's the same in rentals and sales and it's the same now as it was 10,000 years ago when we were looking for a new cave to call home. It doesn't change because human nature doesn't change.

Please understand that you cannot change the nature of the real estate business either. If you try to fight these simple truths you are going to be extremely frustrated and you will have very little success. Successful agents understand these principles and work with them not against them. Understand human nature and work with it and as a result you will have a lot more success and you will like what you are doing a whole lot more than you would otherwise.

OK, are you ready? Here we go!

How many phone calls do you think we get like this?

"Hi, I need an apartment. I'd like to rent an average apartment. Nothing special at all. Please find me one that looks small and boxy like the other small boxes that people live in. It's also important to me that I pay fair market value or maybe even a little more than that. I believe in Karma and I don't want any boomerang back on me from paying the landlord too little and I know you are going to work hard for me so I want to make sure you are well compensated. Would it be OK if I paid you a 20% fee instead of 15%?"

Not many calls like that, right? What kind of calls do we get?



EVERYBODY WANTS A DEAL, EVERYBODY WANTS SOMETHING DIFFERENT & ALMOST EVERYONE WOULD PREFER NOT TO PAY A FEE!

There is one simple axiom that will help you attract more people with your advertising...“Advertise what THEY want!”

Find a great deal that has something a little different from the norm and your phone will never stop ringing in either rentals or sales.

People want a deal. Today more than ever. People will call on ads that are less than their budget but they will not call on ads over their budget. Obviously, lower priced ads get more response. The first step to doing enough deals is to attract enough people to work with. Come to our seminars and work closely with your manager until you learn the tricks to attracting enough people.

Here is a statistic that is well known by successful brokers:

First time buyers and first time renters almost always end up spending their maximum allowable housing budget.

That is a fact and it's true all over the good old US of A. In Manhattan, it is even more true. Have you noticed that this is one of the most expensive places in the country to live? New Yorkers as a rule spend a higher percentage of their income on housing than almost any other city dwellers in the country.

Now, given the fact that most people end up spending their max, how many inquiries do you think we get like this?

“Hi, I need an apartment. I'm not sure what I can afford but I want you to max me out. Yep, max me out. I know you have some kind of formula so please use it and max me out. Yep, I want to have nothing left over. I'm trying to quit a bunch of bad habits and I want to have zero disposable income.”

Not many, right?

So this is our dilemma. Nobody plans on spending their maximum but everyone does in the end. We need a game plan to deal with this reality.

Statistics:

On average, a client who rents in New York City ends up spending 20% more than their original budget.

This means:

A client answering an ad for \$1,500 will ultimately end up spending \$1,800.

A client answering an ad for \$2,000 will end up around \$2,400.



\$2,500 ad...\$3,000, \$3,000 ad...\$3,600, \$5,000 ad...\$6,000, etc, etc.

On average, a client who buys in New York City ends up spending 25% more than their original budget.

A buyer calling on a \$300K ad...\$375K, \$400K ad...\$500K, \$800K ad...\$1M, etc, etc.

So what do we do? How do we do our job given this environment?

Number 1:

We must “respect” their budget. We have to show them the very best apartments that are out there at the budget they give us.

People will not raise their budget until they are absolutely 100% sure they will not be happy with what they can get at their budget.

Some agents attract people with low priced ads and immediately try to show them higher priced properties. They will lose 95% of their clients who will think they are a sleazy broker who is playing bait and switch. These types of brokers do not succeed.

Number 2:

People need to feel they are making an informed decision. No one is going to pay \$2,500 a month unless they are sure there isn't an apartment down the block for \$2,300 that is just as good.

People educate themselves on the marketplace by comparison shopping. Everyone's comfort level is different. Some people might feel comfortable after seeing 6 or 8 apartments. Another person may not feel like they know the market until they see 40 apartments.

So how many apartments do we show them? As many as they need to see to feel like they know enough to make an informed decision.

Number 3:

You can fail by raising their budget too soon and you can fail by raising their budget too late.

If you have strong product knowledge and you know you are showing them the best apartments out there and they aren't happy, you will lose them to another broker unless you try to show them a better selection of apartments for slightly more. If you don't do it, the next broker will and you will lose them after all your hard work educating them. COMMUNICATE AND SPEAK THE TRUTH.

Number 4:

90% of people who rent or buy end up getting something very different than what they started out looking for. IN NYC EVERYBODY COMPROMISES!



Here are the classic tradeoffs:

Price, Location, Size, View and Luxury Level.

We are not “order takers”. When people first start looking, they give you a “wish” list and 90% of the time the requirements will change. They give you an original “wish” list based on an unformed and inaccurate view of the marketplace. As they learn what is really out there and at what prices, most people will adapt their requirements and raise their price range a little bit.

Listen for the real “needs” behind the “wants”. People will not take an apartment unless it is everything they “need”. Most people only get some of the things they “want”. Even in the highest price ranges people compromise.

Number 5:

90% of the concessions in any negotiation come in the last 10% of the time. People will not raise their budget or lower their expectations until they feel some time pressure. “When do you need to be in your new apartment?” is the most important question to ask in both sales and rentals. People will not get “realistic” until they are forced to by time pressure.

To sum things up:

For every client you have that says their budget is \$2,000 a month but their income says they can afford \$2,500 a month, I will bet you 100 bucks that what they end up renting is closer to \$2,500 a month than \$2,000 (and I will win 95% of the time).

I’ll also bet you that they didn’t raise their budget until you showed them 14 \$2,000 apartments and they were starting to feel some time pressure.

I also wouldn’t be surprised if they started out looking downtown and absolutely had to have a doorman and ended up on the Upper West in a brownstone!

Welcome to the real estate business! It’s a people business and people change their minds. It’s emotional, not always logical, and if you understand and embrace these principles you will love your job and make a great living besides.

That’s **REAL ESTATE 101**. Live long and prosper!

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