

### **Scenario 15: The Perfect Circle**

Chris T. owned a 4,000 sq. ft. metal building and four cinderblock buildings ranging from 1,600 to 2,000 sq. ft. They were all located on a two acre parcel of land just outside the city limits of a suburban town of 100,000 people or so. All the buildings had been vacant for more than two years. Chris had been trying to sell the property ever since his last tenants left, but the run down condition and the lack of any income just didn't attract anyone's interest. He had listed the property with three different brokers, but no one seemed enthusiastic about it and none of the brokers were able to stir up any interest.

Finally, Chris's CPA suggested that he speak with Wes, a counselor/broker who had been successful with the real estate interests of some of the CPA's other clients. Not long after Chris listed his property, Wes presented him with an offer from a church. Chris had told Wes that he would carry a loan on the property but he was a bit disconcerted that the offer was asking him to carry a loan for 100% of the equity. On the other hand, the offered price was extremely good. However, as he told Wes, "...the last thing I want to do is to have to foreclose on a church if they don't pay!" Chris was clear that he did not want to take the property back under any circumstances but he would bend over backward to help them just so long as he had no risk of later problems ... like foreclosure.

Wes thoroughly understood and suggested that the solution might be for Chris to accept the offer from the church subject to the closing being delayed until he could find a suitable replacement property whose owner would be willing to take the note on the farm as full or partial payment. Chris took Wes's advice and on the first day of March, agreed to sell the property to the church subject to his purchase of a property as yet unknown. The properties were to be transferred simultaneously.

About thirty days later, Wes found a nice little strip center on the other side of town whose owner was agreeable to the deal. The way it worked out was that there were three parties involved in the closing: the church, the strip center owner and Chris. The church agreed to pay the \$400,000 note per the previously agreed to terms. The strip center owner agreed to a price of \$600,000 with the church's note and deed of trust making up \$400,000 of that amount and the balance of \$200,000 in cash. Chris agreed to pay \$600,000 for the strip center which he did with the \$400,000 note and deed of trust on his property, \$50,000 in cash and the balance of \$150,000 with the cash proceeds of a new loan on the strip center.

Value, like beauty, is in the eye of the beholder.

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