

Buying and Selling Horses in Today's Economy

By Jeff Johnson

Our economy is not quite as awful as the nightly news or newspaper headlines would have us think. Sure, it isn't exactly thriving, but contrary to the headlines and the talking heads, it's not a total meltdown.

The sun will come up tomorrow and for those of us who love our sport horses, there is a lot to be said for the comfort of riding and spending time with our dream horse that can't be measured like the performance of a stock.

The truth is that quality horses will continue to be both bought and sold. People who want to buy or sell a horse shouldn't be afraid to go about their business in today's market. For sellers, the good news is that quality sport horses, even in the softening market, are still selling. Contrary to what sellers whose only marketing strategy is put an ad on one or more websites and wait would tell you, the market is not dead. Sellers, however, do need to realize that horses today are not worth more

than they were between 2005 and 2007, at the height of the booming real estate market and easy credit free-for-all.

Historically, quality horses have proven to be reasonably safe havens of value, but like most assets, their value fluctuates with the economic times. Strong economies tighten the supply of quality horses and raise prices; economic slowdowns do the reverse to some extent. The good news today—at least for buyers—is that there is a larger supply of quality horses available at more reasonable prices.

Buyers and sellers should first realize that buying and selling a horse should not be an adversarial relationship. Both parties want to exchange an animal they love or want to love that is capable of doing its intended job. By working together towards the same goal, both parties can be successful.

For a glimpse of what's really going on in the marketplace, let's examine three actual recent sales each with different levels of success.

SALE #1: AN UNANTICIPATED LIFE EVENT

A woman had recently purchased the horse of her dreams. He was a beautiful eight-year-old Hanoverian gelding. The owner was unexpectedly diagnosed with a medical

condition that was going to curtail her riding activity for a minimum of 24 months. She realized that it would be better to sell him rather than have him stand in a field with her retirees for two years or maybe longer. This horse's training and condition were excellent. He had a show record and an amateur-perfect brain.

The market softened between her purchase and her decision to sell and she wisely accepted this as a fact and priced the horse to sell. She didn't want the horse to sit and linger longer than necessary, possibly risking further softening of the market

and incurring additional expenses and risks associated with a possible illness or injury. The result was that this Hanoverian sold at its full initial asking price in three weeks, albeit at a price less than the seller had originally paid. As a wise old cowboy once told me, "a quick nickel is better than a slow dime."

SALE #2: A MISMATCH FROM THE START

An eight-year-old Hanoverian gelding came on the market because the seller went to Europe in early 2007 and fell in love with a six-year-old, big-moving bay gelding. She imported the horse and started having difficulty sitting his large gaits and adapting herself to his unforgiving sensitive nature. She did not have a professional accompanying her when she bought her new mount nor did she feel that she needed to pay a commission now



to a professional to help her sell. He hasn't been in serious work or professional training for months and her riding style has "detuned" him. She priced her Hanoverian using the "cost-plus" approach. More than year later she still pays feed, hay, shavings, insurance, shoes, advertising, farrier, vet bills and so on.

Sellers need to remember that the price a horse sells for is not "cost-plus," which is calculated by adding together what was paid for the horse plus all the board, training, showing, farrier, veterinary, insurance premiums and other expenses. Sellers also need to remember that if they have reached the decision to sell, owning the horse is costing them money every day that they continue to own it. Additionally, if the horse is not in a training or maintenance program, the value of the horse is depreciating. Other costs not considered by most sellers are the "opportunity costs" associated with either what else could be done with the equivalent money or the emotional costs of not having a horse you love to work with every day.

Let's say for example that my 2003 Land Rover is worth \$8,500 or about 1/5 of what I paid for it and I figure I have spent another \$10,000 in fuel, service, insurance, and interest on the loan. I really want a new truck and I want to sell it *fast*. I am *only* asking \$40,000. If you are interested, *please call me*, it really is nice-looking and gas prices aren't going up that fast! But hurry...next month I plan to increase my price to \$41,000. (You can easily see



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the problem with that kind of thinking!)

Bottom line: If you decide to sell, price the horse to sell not based on hope or wishes or expenses incurred to date. When in doubt, ask a professional to guide you in determining the best asking price.

SALE #3: THE SHORTENED LONG ROAD

Another example was a horse owned by an adult amateur dressage rider. The horse was well trained through fourth level and schooling Prix St. Georges. He had a show record including numerous awards along with a temperament that any owner would be ecstatic to have. However, due to changes in circumstance, a decision was reached that the horse needed to be sold.

She tried three avenues; word-of-mouth/internet advertising, talking to a well-regarded local dressage trainer and judge and contacting our firm Impulsion Unlimited, a professional horse marketing firm specializing in dressage horses.

The word-of-mouth and internet advertising produced interest. At first she was encouraged by the volume of on-line page views, phone calls and the number of videos that she was mailing, but quickly became frustrated when she realized that all of this activity went nowhere and she really needed to get the horse sold.

The dressage judge was impressed by the correctness of the training and the accomplishments in the show ring. She "thought" she might have a buyer in her barn and suggested a price that was a bit "optimistic." She suggested that if the horse was in training with her and shown out of her facility that the buyer would have a great chance of commanding a premium price that would more than offset the cost of her board. During the first few weeks at the ambitious price, the horse continued to draw high praise from all lookers but no buyer emerged.

The seller experienced two challenges over the next two months: the first challenge was that the well-meaning judge was spread too thin to market the horse effectively. She had a lesson program, a training program, horse shows to judge and clinics to teach. She oversaw the operations of her facilities too so there was not enough time to proactively find a buyer outside of

her personal contacts.

After 90 days without success, the owner contacted us again about marketing the horse for her at a price we initially recommended that would position the horse to sell.

Almost at once, several prospective buyers contacted us; most, however had some conditions attached (selling their horse, securing the funds for purchase, etc.) or they had a budget less than the asking price. Even though the horse was purposely priced to attract buyers in the market's present circumstances, some people still wanted to "dicker" on the phone before a test ride. (Overzealous dickering is a common mistake that costs many buyers a great horse at a fair price.)

At the same time, a buyer and her trainer came forward who had done their homework. The buyer had cash in hand and no contingencies regarding selling another horse. Her trainer devoted a large portion of her time to buying or selling horses and understood the market. She also understood the needs of her client and developed a list of criteria to make the search both efficient and effective. By using a defined screening process, her approach kept the travel budget under control. The trainer contacted us, reviewed the online video and contacted her client to book travel reservations to try the horse the following weekend. They both loved the horse and a perfect match was in the making.

The buyer briefly tried to bargain on the price, but quickly realized that she would miss out if she continued to "dicker" and settled at the asking price. A local vet was prescheduled for an appointment for the following day. The client contacted her vet in California so that both veterinarians would be ready to review the new digital x-rays to make decisions or investigate any perceived issues while the vet was still at the farm. The vetting went well with no major issues that would impact the horse's ability for the intended job. She signed a contract contingent on funds being wired in the following day and now she owns the horse of her dreams.

TIPS FOR BUYERS

► *Do your homework.* Take the time to really think through your needs, budget ability, and then ascertain

the criteria needed to assess the horse with a competent trainer and investigate "real market prices."

► *Have your trainer prepared to travel with you to try the horse.* You should establish in advance what and how compensation will be paid to your trainer or representative. Most buyers will pay their trainer a commission, an hourly/daily rate or some combination of the two. Think of it as insurance to help you make a better decision and listen to their guidance. In some cases, commissions to the trainers on both sides is built into the asking price. It's best to check ahead of time.

► *Make sure your trainer has the ability to travel on short notice.* If your trainer can't travel, check to see that he or

she can "evaluate" the horse over the phone by talking with the selling professional and or review video footage of you riding the horse to help you be in a position to decide definitively yes or no. Otherwise you risk losing the horse to another buyer.

► *If you are not buying locally and need the opinion of your vet, coordinate to have your vet available on standby at a prearranged time that coincides with the standby vetting scheduled at the farm where you are trying the horse.* Also check with your vet in advance about which x-rays and information he requires from the local vet doing the exam. If possible see if the seller has access to a high-speed internet connection and can upload digital x-rays to the Internet for your vet to review



Susan Cooper, USDF gold medalist and FEI trainer.

while the local vet is still there. Make sure the local vet has digital x-ray capability too.

► *Be realistic.* No horse or vetting is going to be perfect. Remember, once any horse is put into work, there's wear and tear on his/her body.

► *Don't haggle just for the sake of haggling.* Everyone likes a deal, but if the horse is already priced correctly, you risk losing the horse of your dreams in order to save a few dollars.

► *Be pleasant to deal with.* This sounds simple enough, but it's also a great negotiating skill. If you're a non-business-like, bullying, rude buyer, your attitude can prevent you from getting your dream horse. Professional sellers know how to recognize demon buyers and will quickly dismiss you if they come to the conclusion,

wrongly or rightly, that you are not serious or will be a royal pain. Owners selling for the first time are also quick to learn about time wasters. If you're pleasant and easy to work with, it may even open the door to your dream horse. Why? If it's a really good deal, the seller's phone will be ringing and e-mails will be coming in. For any seller, it's painful enough to part with his or her "baby," so why deal with the extra misery of the difficult buyer? Be nice—it works!

TIPS FOR SELLERS

► *Be realistic about the market and your horse.* Sure, it's been a great horse (or not) but is your horse in training and in top condition? Has it competed successfully at the level at which it is being represented? Do the pictures or any videos you've produced show the horse at its best?

► *Look at your horse like a stranger would; try to see it for the first time and describe it objectively.* Do a search as a buyer and figure out what you would be willing to pay for a horse you don't know with the abilities and training of the one you own.

► *Be professional in your marketing.* You don't want to lose a buyer over an inaccurate description, awful pictures or poor videos.

► *Be honest and upfront about any issues you know of, or suspect.* The buyer can make up his or her own mind about whether it's a big deal. Let's say the horse has vices, it needs individual turn out, is not good alone on trails, needs a sensitive rider or is

not suitable for a beginner. These aren't mortal sins for the horse but could be for you if you're wasting people's time. Remember, for buyers, looking at horses is an expensive process in time and money. Many travel great distances to find the right horse and may be paying their professional for their time. Do the right thing if you know it is not a good fit.

► *Be careful what you say or you may find yourself in expensive litigation over something you innocently said or unintentionally misrepresented to a buyer.* Today, many states have disclosure requirements regarding sales of horses.

► *Promptly respond to and accommodate serious buyers.* If your horse is correctly priced, it will sell; if it has "issues," price accordingly. There are always buyers

who like to purchase do-it-yourself projects if the math between the purchase price and the time investment works out.

► *Avoid "bully buyers" who want to beat up your horse, take it to their farm and have their vet look at it to further beat up your horse and then pound you down on your price in a weak moment.* It's not fun, and if you're priced right, you don't have to take it.

► *Payment by wire transfer is now the norm.* If you don't know your buyer and/or don't understand the paperwork, get help with contracts and bills of sale.

► *Before letting anyone near your horse make sure that they have signed legally binding releases.* You don't want to lose your house or farm.

► *If you don't have the time, facilities or knowledge to create high quality videos, write concise advertisements, deal with professional trainers, show the horse at his best,*

navigate the pre-purchase exam and stay emotionally detached while hand holding prospective buyers through their own emotional process, consider using a known professional equine marketing specialist.

► *You can expect to pay a commission of 10% to 20% and training board plus normal expenses like shoes.* While it might sound "expensive" at first glance, the truth is many sellers routinely end up with lower proceeds trying to market on their own. Professional representation often results in a higher selling price, a faster sale, and less money given up in



Jeff and Susan of Impulsion Unlimited.

"negotiation," but do your homework prior to placing your horse. Check references!

► *Breeders may benefit by placing horses with a professional capable of progressing training to increase value faster than costs incurred.* A gain-sharing approach may be an option in this type of situation provided the parties can minimize risks. **WT**

Jeff Johnson is a sales consultant and marketing professional specializing in dressage horses. Jeff and wife Susan Cooper, a USDF gold medalist and FEI trainer, own and operate Impulsion Unlimited Dressage Horse Sales and Representation in Huddleston, VA. Learn more at www.impulsionunlimited.com.