
HOW TO PLAY (& WIN) THE NEGOTIATION GAME IN REAL ESTATE



Coming to an agreement about buying or selling a home is a matter of smart negotiation combined with fortunate circumstances!

Fortunate circumstances means that factors are working in your favor. For example, if prices are falling in a neighborhood,

a buyer has more power in a negotiation. Her circumstances are fortunate.

Are they more fortunate than the seller's? Suppose the seller refuses to move if he doesn't get his price. He's fortunate that he

doesn't need to move. In that case, the buyer's lost her fortunate edge from falling prices.

Coming to an agreement in the face of competing factors can be challenging. Fortunately, buyers and sellers don't do the negotiating themselves.

Instead, they can rely on agents to stand in for them, like champions doing battle for them. The agents are go-betweens. They discuss terms with their own clients, then negotiate those terms with the other agent. Obviously, the stronger the agent's negotiation skills, the better he or she will do in the negotiation on the client's behalf.

When you hire an agent, you want someone who knows how to negotiate and get information that helps your position.

Even though the agent is in charge of the negotiation, you should be knowledgeable about negotiation tactics, so you can work with your agent to recognize and use strategies to your advantage. With that goal, here are eight negotiation tactics commonly used in real estate.

8 NEGOTIATION TACTICS USED IN REAL ESTATE

Basically, negotiation means arguing back and forth until you find a meeting point, or one of you walks away. You'll negotiate at

several key points in a real estate deal: establishing the price, determining repairs, agreeing on dates for appointments and closing, coming to agreement about taking care of odd problems, establishing the transfer of the property, and often other points that crop up unexpectedly.

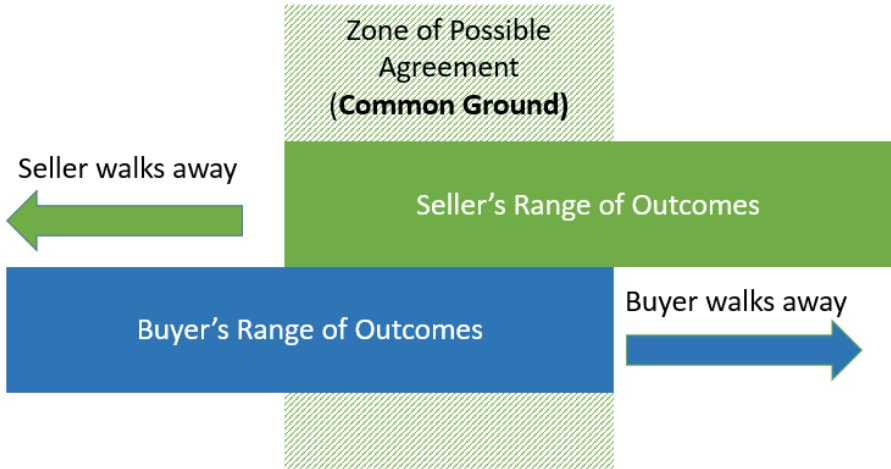
All of these are tremendously stress-inducing, and are one of the key reasons to work with a real estate agent who knows what to expect and the best approaches for negotiating. With that, here's the first negotiating tactic we'll be exploring:

1. PRIORITIZE IDEAL OUTCOMES

For each important issue—price, closing date, down payment, repairs, terms, and possession—the seller has an *ideal outcome* in mind.

A buyer's agent needs to identify the hierarchy of the seller's ideal outcomes. For example, if *possession date* is at the top of the seller's list, a buyer has a chance of improving their position by offering a longer possession date, even if offering the same price as other offers.

In most cases, there is a combination of ideal outcomes in play. If price is the most important outcome, but the seller also does not want to do any repairs, then adding a clause that says the buyer won't ask for repairs may put that buyer's offer over the top.



Common ground is the place where your interests overlap. The more your agent can find the seller's ideal outcomes, the better you can evaluate if you are comfortable meeting those ideals. You'd hate to lose a deal because you didn't know the seller wanted something that you were perfectly happy to offer.

Unfortunately, the seller's agent will sometimes stay mum and not offer the information that you need. If the seller or seller's agent will not share the ideal outcomes, then your agent can't give you the information—they just don't have it. Working with an agent who is experienced in negotiation increases your odds of getting the right information to help you find common ground.

2. DON'T SHOOT FROM THE HIP

In a competitive market, prices can quickly climb beyond what makes sense for the marketplace. The sense of panic grips buyers and they feel a sense of urgency. There is nothing wrong with urgency, as long as they can afford it and are not simply panic buying.

If you already know that competing offers are common in your marketplace (ask your agent), then you might want to consider identifying properties that are listed UNDER your top price. For instance, if you are qualified to buy up to \$357,000, you might want to cap your search at \$350,000 or less, leaving room to bid up by another \$7,000.

3. USE EMOTIONS WISELY

When making a real estate offer, emotions can either help or hurt your chances of getting your offer accepted. If you are emotionally invested in a property—if you “love” it—you should let the seller know how much you love it. After all, they loved the home, too. They want it to go to someone else who loves it and will fit into “their” neighborhood. The best way to show them your love is to write a short letter to the sellers telling them about your family and why you want the home.

If the property is an investment property, then how much you love the house may not make any difference. You can still write a letter. Spin that letter to show the investor how you value the home as an investment in your family and future. It might not make any difference, but on the other hand, it won't have any negative effect—so you might as well write the letter.

Emotions between agents are a factor, too. When confronted with an unhappy or aggressive agent (whether that's their personality, or a strategy), a more passive agent may start to cave in or encourage their clients to change their offer.

When your agent understands that emotions can be used strategically, they can use emotions to their advantage, and they can avoid being manipulated by emotions.

4. WATCH OUT FOR FAKE "AUCTIONS"

Fake auctions are a form of pre-conditioning...getting people to think a certain way before they make an offer. A seller might say to his agent, *"Tell everyone that I'm not budging on price."* The seller is trying to condition the buyer to offer more before even making an offer.

The most common form of pre-conditioning is the fake auction. That's when the listing agent tells potential buyers that they have already received offers, or that they have an offer "coming in."

Whether or not there really is another interested buyer, this is a setup to hurry you into a decision or to get you to improve your offer.

It's your agent's responsibility to get as much information as possible about the situation. But



that doesn't mean they will be able to get any information. The truth is that a seller's agent is not obligated to tell if they do or don't have offers. They are not obligated to tell you how much those offers are for. They have no obligation to you or your agent whatsoever, other than to not lie.

We assume that means they are telling the truth when they say they have offers. We also assume it's the truth when they say they might have an offer coming in. After all, "might" is just a possibility—and there's always a possibility of an offer coming in. A good agent will listen between the lines and try to understand as much about what's not being said as what's being said.

5. WATCH THE MONKEY ON YOUR BACK

Some negotiators have the irritating habit of handing their problems to you so that they become your problems. This is the "monkey on their back" that they want you to carry around for them. For example, the seller might say, *"I have to get \$480,000 or I can't move. I'll have to stay here. The person who offers me that amount is the winner."*

This is used tactically to force a buyer to raise his offer price. Whether or not the seller can or can't move is not your problem. He's trying to make it your problem. Here is what you or your agent can do: Sound concerned and say, *"I can see how that could be a problem. Does that mean the seller would rather not see our offer if it's below that?"*

The "monkey" has been returned and they have to make a choice. If the objection is genuine and they really can't sell for less than \$480,000, the buyer will either have to find another property or raise their offer.

6. WATCH FOR NIBBLING

When an agreement between buyer and seller seems likely, a seller might suddenly say, *"Oh, I didn't intend to include the hot tub."* Or *"I don't think we should do the termite treatment."* The

buyer is so eager to get the house that they will agree to these little “nibbles.”

In fact, the buyer may have to agree to the nibble in order to win the house in a competing offer situation.

It’s important for your agent to recognize the nibble and be prepared to let you know it’s just that. Rather than feeling upset about the added requirement, you can see it for what it is—a final play.



Accept the final play, and you have the deal. Don’t accept the final play, and you may still have the deal. If you don’t want to accept the nibble, then ask your agent to firmly state that the nibble wasn’t part of the seller’s listing, and that it would be best to just go with the offer as written. That will tell you how important the nibble is to the seller.

The critical thing is to not get angry or defensive now. Just deal with the nibble—either accept it, negotiate it away, or walk away from the deal.

7. WATCH FOR GOOD COP/BAD COP

As a real estate agent, you have to be very aware of this one. Agents often use their clients the good cop or bad cop.

For instance, if the buyer makes a fair offer, the listing agent can say, *“Wow, my seller was pretty mad about this. Let’s see if we can bring his energy down. Why don’t you bring me your best offer and I’ll see what I can do.”*

The best way for your agent to counter this is to put the monkey back on the other agent’s back. *“I’m sure he was upset. I suspect the seller wants to continue the negotiation, though, right? Now, I have a serious buyer who wants to pay a fair price for a house. Why don’t you see what the seller is willing to counter them at before we tear up the offer.”*

8. AVOID THE VICE

A common technique used by savvy negotiators when presented with an offer is to say, *“You’ll have to do better than that to get your offer accepted.”*



The most powerful way of dealing with that kind of comment is for your agent to ask them to be more specific. *“Oh, could you be more specific about what you mean?”* This will give your agent more information to determine if the comment is true or a play to get a higher offer for the seller.

After all, the comment isn't a lie. It's not saying there is an offer. If there really is an offer, then the seller is obligated to show that offer to the buyer who makes an offer. Your agent can write that demand into the agreement.

Of course, your agent probably wouldn't want to put it in writing, because it might seem aggressive to the sellers. Instead, your agent will most likely handle it by talking with the seller's agent before you make your offer.

CONCLUSION

None of these strategies is an "ace in the hole." You and your agent can increase your odds of getting your offer accepted by understanding negotiation strategy.

But in the end, the only thing that may matter is meeting as many of the seller's ideals as possible. If they need a high price, AND they need to stay in the home for a month after selling, AND they need to keep the hot tub, then giving them all that increases the chances of you getting your offer accepted. In this case, your agent simply needs to gather as much information as possible by asking the right questions. If the seller's agent is reluctant to talk, then you may only have the option of guessing.

**WANT A GREAT NEGOTIATOR ON YOUR
SIDE? CALL TODAY FOR AN APPOINTMENT
TO GET STARTED ON YOUR NEXT MOVE!**