



Create a Great Deal

The Art of Negotiating

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CORRESPONDENCE

Negotiating is done continually

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You first negotiate to work with a broker.

Next you start negotiating with your client.

Seller – Price, terms, commission

Buyer – Buyer representation agreement

Negotiate with your counterpart, the other licensee

Getting info on property, seller then offer,
counter, repairs, possible amendments, closing,
walkthrough,

Sometimes negotiations after closing about
discoveries about the condition or uncompleted
promises from the transaction.



Ego in Check

Asks many questions

Listens well

Problem solver

Reasonable approach

Humble

Aims to find the truth

Does not the goal of winning the battle of egos

Are you a good negotiator?

Reasonable approach

Humble

Aims to find the truth

Does not the goal of winning
the battle of egos

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Ego in Check

Asks many questions

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Aims to find the truth

Does not the goal of winning the battle of egos

Are you a good negotiator?

Reliable and Trustworthy

Thoroughly prepared and completely aware

Sets reasonable standards

Creative

Considerate of counterparts personality and negotiating style

Compensates for weaknesses

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Are you a good negotiator?

Asserts the clients position
Schooled in all types of negotiations
Guided by communication with clients
Never asks for more than expected to get
Can analyze every experience
Guided by practice, practice, practice

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Are you a good negotiator?

By the way, you can negotiate anywhere but at home!

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Candy negotiation Rules

Pair off

Each pair will receive one roll of Smarties.

Each person wants entire roll

15 pieces in each roll

Any negotiation not complete loses all candy

3 minutes to negotiate

1 minute warning

GO!

How many didn't come to a deal? – Take candy

How many got it all? Why?

How many split roll? Who got the extra piece?

How many came to a conclusion after the one minute warning?

Any other conclusions?

How many feel they came out with a win-win solution?

What is negotiation?

Negotiation is a process in which people learn to accept an available compromise as a satisfactory substitute for that which they thought they really wanted.

From "Trump Style Negotiations"

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What is negotiation?

Negotiation is a process of
overcoming obstacles in
order to reach agreement

From "Negotiation Boot Camp"

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What is negotiation?

Negotiation is the
commerce of information
for ultimate gain

From "The Power of Nice"

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**Implicit needs are more
important than explicit needs**

Explicit Needs

- A good price
- A certain number of bedrooms
- Particular financing
- Characteristics of the property

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Implicit needs are more
important than explicit needs

Implicit Needs

- To be liked or loved
- To be trusted
- To be respected
- To be right
- To look good in someone's eyes

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Implicit needs are more
important than explicit needs

Implicit Needs

- To get a good deal
- To feel listened to
- To be recognized
- To appear intelligent
- To win, no matter how small the point
- To have a relationship

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Types of Negotiation

- Win-Lose Negotiation

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Most negotiations work this way

Adversarial

Try to destroy the other side

There is a fixed amount of something and each party wants the bigger portion

Do not “give away your hand”

Types of Negotiation

- Win-Win (Collaborative) Negotiation

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Counterpart must cooperate

Questioning, listening, creating trust, avoiding hostile emotions

Concentrate on ways to mutual satisfaction

Each side must provide useful information about their circumstances and explaining why they want to make the deal honestly.

Each parties value points are different so each party can win on their points.

Concentrate what you can concede to your counterpoint that will not damage what you want out of the agreement.

Always have more than one issue in play so each side has something to win.

Formulas for Negotiating

3 P's

Prepare

Probe

Propose

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Gaining knowledge creates power. Probing is a good way to interact with your counterpart, to find out their needs by asking them.

Proposing solutions together leads to better agreements.

The preparation part is so important that in the book “Dare to Prepare: How to Win Before you Begin” there is another acronym PAIDS



Precedents -How did others resolve the same problem?

Alternatives –Find more than one way to put the deal together

Interests –know what they really want

Deadlines –Know what time pressure is pushing on any party

Strengths (and weaknesses) What are yours, and what are your counterparts? The answers will tell you how to work them to your advantage.

Preparing for a Negotiation

- **Have you thought through what would be a good outcome?**

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From Harvard Business School Publishing “Negotiation”

What do you hope to accomplish through the negotiation?

What would the best result look like?

What outcomes would not be palatable?

Why would these outcomes not be palatable?

This gives you something to aim for.

You should be able to anticipate the questions and objections so you can rehearse your response.

Preparing for a Negotiation

● **...Assess your needs and interests**

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**What you must have
like to have**

- 1.**
- 2.**
- 3.**

What you would

Preparing for a Negotiation

- **...Identify and improve (if possible) your BATNA**
(best alternative to a negotiated agreement)

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What is your best alternative to a negotiated agreement?

Make a list of what your alternatives will be if the negotiation ends without agreement.

What could improve your BATNA? Consider...

Are there any better arrangements you can make with other properties?

Is there any way to remove or alter any constraint that makes your current BATNA bad? What? How?

Is there any way to change the terms you bring to the table that could improve your BATNA? What? How?

Preparing for a Negotiation

- **...Determine your reservation price**
- **Explore the variables that affect your reservation, or “walk away” position.**

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Explore the variables that affect your reservation, or “walk away” position.

What is the value to you of the deal on the table?

How does this compare to the value of your BATNA?

What other values or stakeholders need to be considered?

there is a dollar number involved in the negotiation, what is the lowest (or highest) amount that you can consider?

What are the minimum non-dollar terms that you would consider?

Preparing for a Negotiation

- **...Determine your reservation price**
- **Evaluate the trade-offs between issues and interests.**

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Evaluate the trade-offs between issues and interests.

Which issue(s) or term(s) do you care most about?

Are any of these issues or terms linked? (*That is, does more or less of what you want on one issue give you more or less flexibility on any of the others?*)

How much of what you want on one issue or term would you trade off against another?

Are there different package deals that would be equivalent in value to you?

Preparing for a Negotiation

- **...Determine your reservation price**
- **Articulate the parameters of your reservation price**

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Articulate the parameters of your reservation price.
(The resulting terms or price create the context for you to evaluate alternative proposals.)

Preparing for a Negotiation

- **...Evaluate the trade-offs between issues and interests**

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Issues you care most about?

Terms you care

- 1.**
- 2.**
- 3.**

Preparing for a Negotiation

● **...Assess the other side's people**

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To learn as much as you can about the other side's interest and concerns, have you ...

- 1. Contacted sources within the industry?**
- 2. Checked potentially relevant business publications?**
- 3. Reviewed their annual reports (and public filings)?**
- 4. Asked questions informally of the negotiator or others within the company?**
- 5. Imagined what your interests, preferences and needs would be if you were in their position?**

Preparing for a Negotiation

● **...Assess the other side's BATNA**

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What do you know about the other side's business circumstances?

How strong is their financial performance?

What is their strategy?

What are their key corporate initiatives?

What competitive pressures do they face?

About the value this deal has to them?

How important is this deal to the other side at this time?

Is it necessary for them to meet a larger objective? (*Describe the objective.*)

About the availability of a replacement deal?

Is what you offer easy to find elsewhere?

Can it be obtained in time to meet their deadlines?

Have they already obtained bids from or initiated informal negotiations with anyone else?

Preparing for a Negotiation

- **...Assess the other side's position**

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Consider the terms the other side would like to see for the deal.

What broader business objectives would the other side like to see served by this deal?

What terms of this deal could hamper their business growth?

What terms might you offer that that would benefit the other side (at a low cost to you)?

Preparing for a Negotiation

- **...Anticipate the authority issue**
- **Theirs and Yours**

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Their authority: *(Learn as much as possible about the individuals on the other side.)*

1. Who will be at the negotiating table?
2. What are the formal titles and areas of responsibility of the person(s) with whom you will be negotiating?
3. How are their ages/how long have they been with the company/what other relevant experience do they have?
4. How is the company structured? *(Is it hierarchical, with significant decision-making powers centered at the top, or is it relatively decentralized?)*
5. How is the negotiator viewed within the organization? *(Is she generally respected, and listened to, or not? Rely on contacts outside the organization, if available.)*
6. What are their other interests outside of work? *(i.e., sports, hobbies, volunteer interests, political orientation, children?)*

Preparing for a Negotiation

- **...Anticipate the authority issue**
- **Theirs and Yours**

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Your authority: (*Confirm in as much detail as possible.*)

What kind of a deal are you authorized to make? (*Complete as appropriate.*)

Only a pre-determined deal for which committee approval has been obtained. (*If yes, describe. If you can also negotiate something “better” beyond the pre-determined deal, what does the committee consider “better”?*)

Only a deal which meets certain objectives? (*What are the objectives? Do you freedom to structure the deal in the best way you can?*)

Would the committee prefer that you bring a deal back for formal review and approval?

Is your authority limited on dollar issues but not on other creative options without significant financial implications?

Are you authorized to provide information about your company's needs, interests, and preferences if the other side engages in a good-faith, reciprocal exchange?

Preparing for a Negotiation

- **...Gather the external standards and criteria relevant to the negotiation**

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...Gathered the external standards and criteria relevant to the negotiation? *(In this deal, what standards and criteria are considered “fair and reasonable”?)*

External standards:

Relevant criteria:

Remember you may have a future transaction with this counterpoint so get some validation from them that your offer is fair and reasonable.

Preparing for a Negotiation

● **...Prepare for flexibility**

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(Is there linkage between issues? If “yes,” which ones?)

Be prepared for a bumpy ride, as the negotiations may not go as planned, so figure out ways to be flexible.

Believe that surprises will happen and prepare your client to expect the unexpected. Then , when it happens you will not over react.

Structure of Negotiation

Round Table
Formal
Informal

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Structure of Negotiation

Round Table Negotiating

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Putting all players together and working out a deal
Real Estate negotiations rarely use round table
negotiation



A formal written offer is presented to the seller.

Seller can accept, reject, counter.

Formal written counter offer given back to the buyer.

Process continues until one party accepts or an impasse happens and negotiations cease.

One disadvantage is the time it takes can allow a party to “cool off” and lose interest.

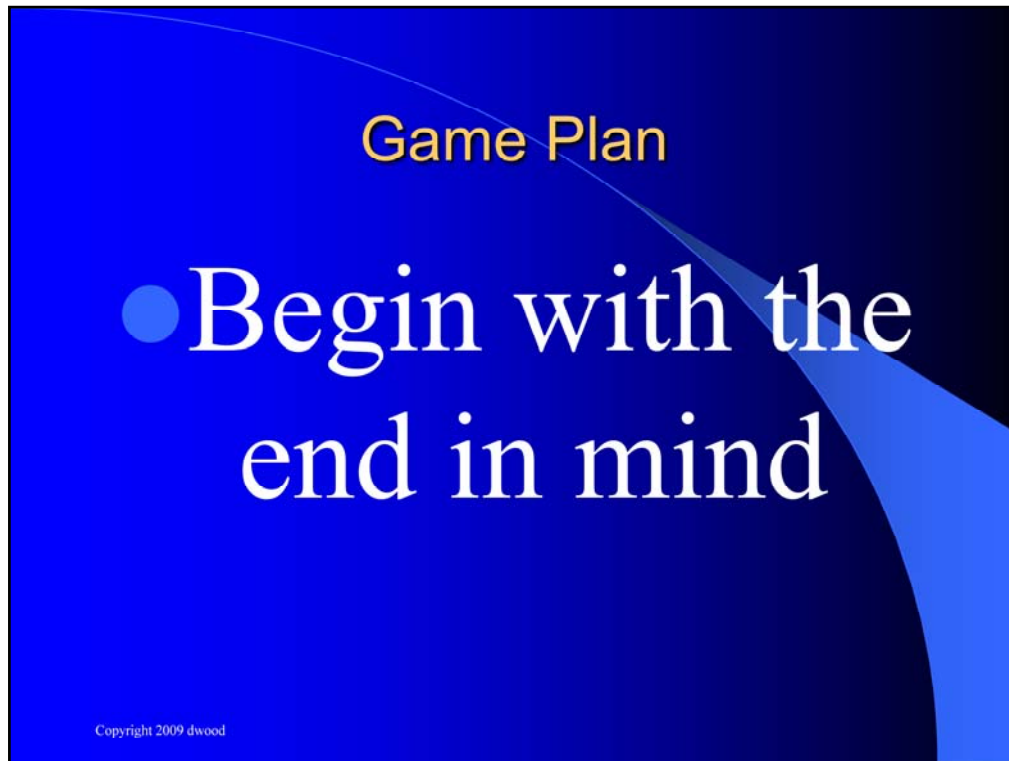
Alaska Statue of Frauds – Real estate contracts must be in writing to be valid.



Some states allow informal negotiations.

Start with a written offer, then verbal haggling continues until an agreement is reached. Then the final offer is written and signed by both parties.

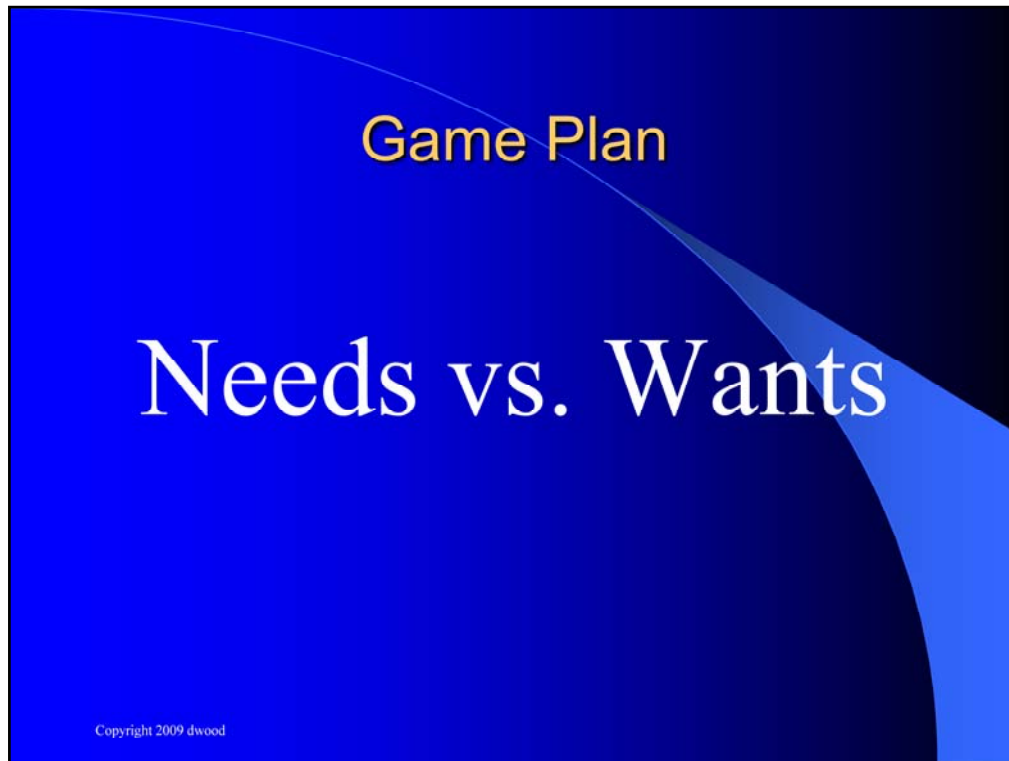
If no agreement is reached the offer dies.



Explain the entire process to your clients so they won't "jump the gun" or be fearful of the process.

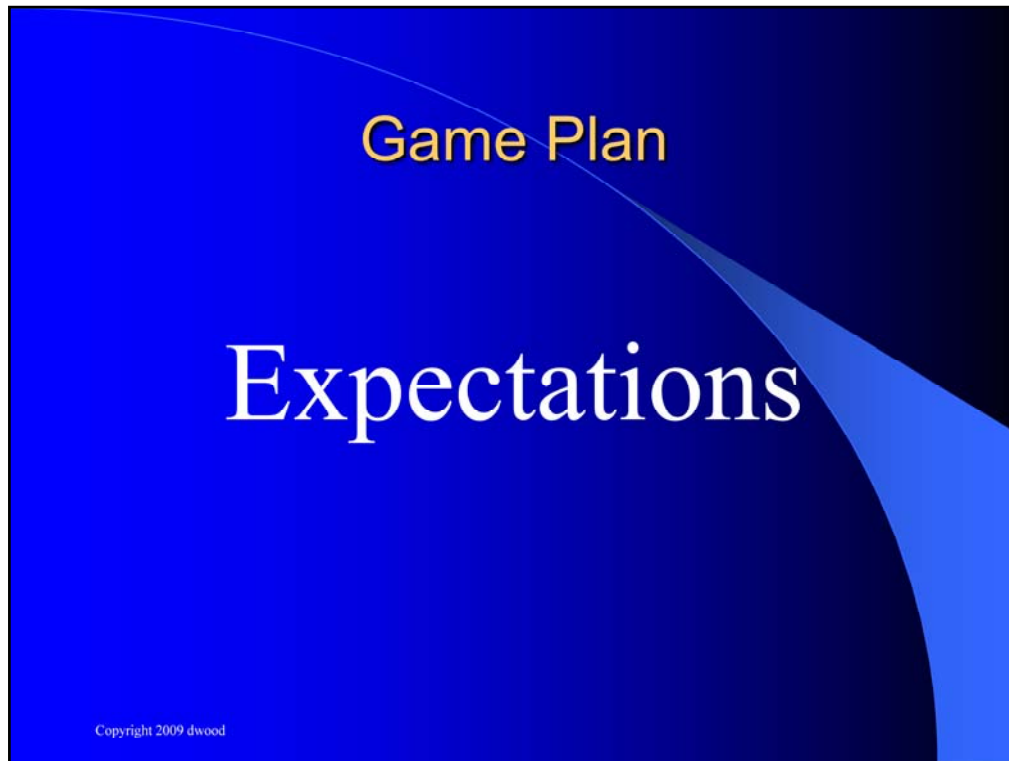
Look at a range of acceptable results. Best outcome, midrange acceptable and walk away point.

List concessions you are willing to make and those you would never allow.



Most important – separate what you absolutely need and items you would like to have.

Try to figure out the wants and needs of the other party also.

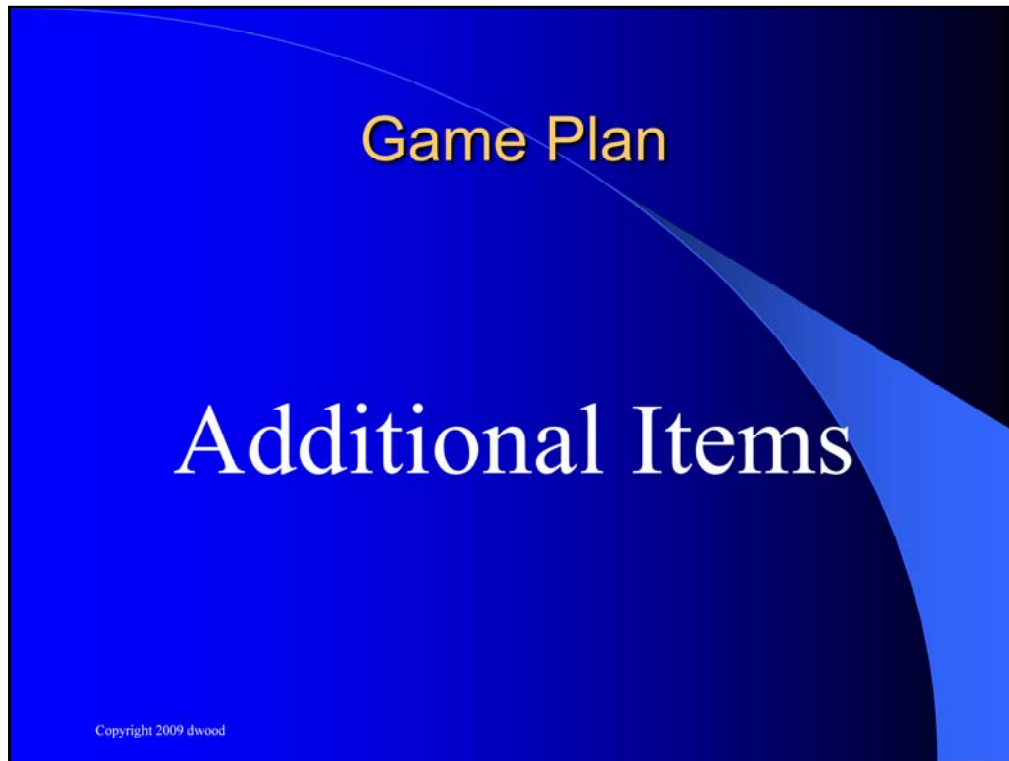


Set expectations at the beginning.

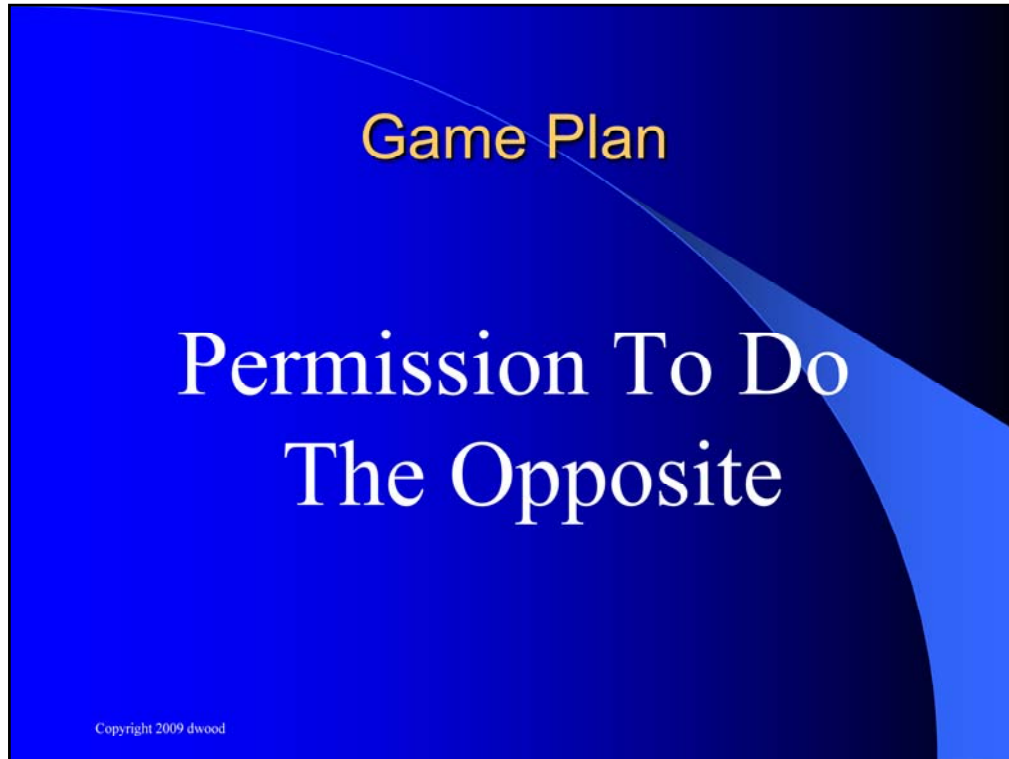
Don't promise a perfect house, there are none.

A buyer expecting a ridiculously low price will not come out happy, same with a seller expecting the "moon"

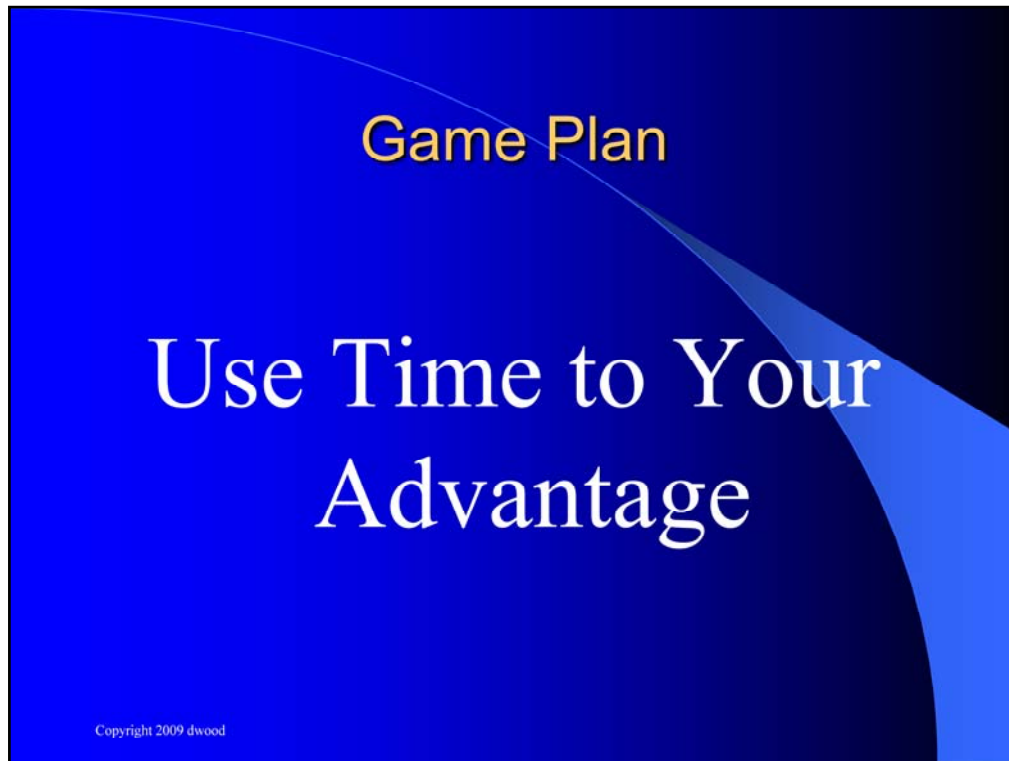
Setting reasonable expectations allows the possibility of exceeding them.



Throw in or hold back items to sweeten the deal or give away as a concession.



Give your counterpart permission to reject the offer.
It will throw them off balance. If the counterpart is
desperate they may accept to keep you from walking
away.



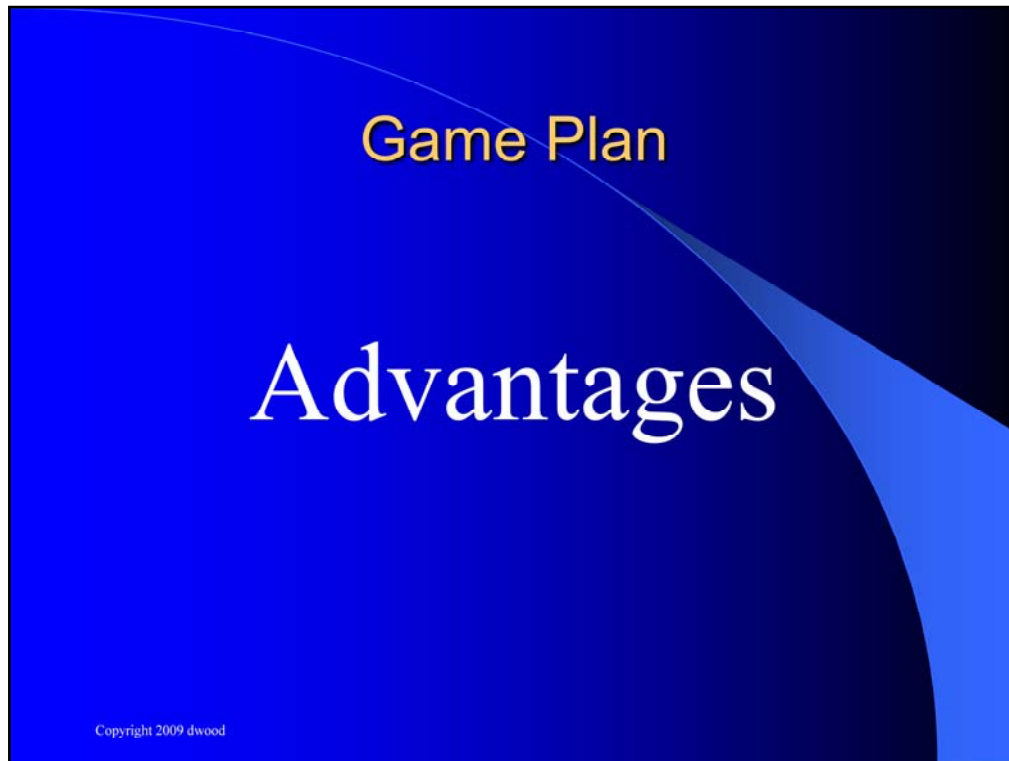
If your counterpoint has a deadline, waiting until close to that time may get concessions you want.

Sometimes it is better to move slowly to make your counterpart invest more time.

The more time invested makes them want to complete the transaction.

An uncompleted repair item found at the walk through will get more attention than one discovered weeks before closing.

If you respond too quickly to a counter offer, you look to eager and may cause your counterpart to try to get more in future negotiations, for instance, home inspection repairs.



Having a game plan and discussing it with your client shows you understand and have mastered the process.

Since you have planned concessions, the client does not see them as a loss, but part of the process.

Always include a wrap up discussion with your clients just before closing.

Go over the high points of how the transaction went together as planned.



Your client's interests come way in front of yours. Do not be the cause of your client not getting their dream home just because you want to do some fancy negotiating or show that you are smarter or better than your counterpart. You can give them advice but if they want to purchase it, remember it is their life.

Also if it is going to take a long time to negotiate a deal on a property they want, your obligation is to take the time required to get the best deal. The best way to lose a client's trust and future referrals is to let them think you are only in it for a fast buck.

Conversely, if they want to make a bad decision, advise them strongly against it, like wanting to overprice a listing. That would not be in their best interest if they want to sell reasonably fast.

But always remember, you advise, they decide.

Principles of Real Estate Negotiating

Let the Other Side Feel
They Won

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Many people who argue, like to win. You can get what you want if your counterpart feels that they won. This does not mean giving up what your client wants but helping them to realize if they give up something, possibly small, they can get the big win while allowing the other side to win also. You do not need to be right, you need to get the deal done.

Principles of Real Estate Negotiating

Don't Push, Present Choices

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Nobody says they are a pushy salesperson. We help people make a decision. You want to be a counselor and offer choices, tell the advantages and disadvantages of each choice and let the client make the decision.

For instance at the listing appointment, give the seller the choice to not sell, go For Sale By Owner, use a discount firm or use my team. Present all the advantages and disadvantages of each and let them decide. If you are the right choice, they will come to you. The first advantage of this technique is that the clients will really support the decision they made, second you avoid clients who are not right for you.

This is a good time to use the Ben Franklin close. On a sheet of paper, draw a vertical line down the middle, label one side Pros and the other Cons. Have the client fill in both sides for each choice and they will come to a decision. (By the way you can help them with the Pros for you)

Principles of Real Estate Negotiating

Present With Confidence and Conviction

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If you present a low offer with words like, this is our starting place, lets run this up the flagpole and see if it works or please try to get a counter offer. You will not help your client. In law school they tell budding attorneys that it is 10% of what you say and 90% of how you say it that convinces a jury. Present all offers with convection and just maybe, the seller will accept your low offer.

Don't over present. Do not say you have a good offer when it stinks. You can say "You should be glad that my client decided to make an offer on the property, none of the others did"

Principles of Real Estate Negotiating

Everything Must Be On
The Table Before You
Respond

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See the entire written offer before you begin to negotiate. If you negotiate on one item early, then the counterpart will bring up another and another and you will be “nickel and dimed” to death. Find out what all the terms and conditions are, then work with your client to see what is a must and what they may be able to live without and isolate the items that need adjustment, then proceed.

Principles of Real Estate Negotiating

Get Something In Return

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If the other side wants something, make sure they give you something in exchange so they won't keep asking for concession after concession.

If the buyer wants to extend the closing date, insure the seller at least gets the holding costs for that amount of time.

Principles of Real Estate Negotiating

Reciprocity

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Give something first in order to get something in return.

Principles of Real Estate Negotiating

Let Silence Do Your Heavy Lifting

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Make your proposal and SHUT UP! Most Americans cannot stand silence so your counterpart will say something. If you remain silent they will say something else. Let them respond to your offer and if you want to see if you can get something else out of them at that point, just wait and see if they offer more.

Most people think they have to learn what to say to be persuasive. It is much more effective to learn when to say nothing, be absolutely still, in order to get things moving in the way that you want. As real estate becomes more international, you will deal with people from other cultures whom understand the power of quiet in negotiations, as they have found that Americans are not comfortable with silence.

Silence also quells the storm when one party is angry or has said something to make you angry. Instead of lashing back, just be silent, if the other said has any sensitivity they will realize it might be better to change their position than to deal with your wrath.

Principles of Real Estate Negotiating

Ask Questions

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Questions are the most powerful tool a skilled negotiator has. They let you find out what is important to your client and the other side. While they are responding pay careful attention to what they say, don't be trying to figure out what you are going to say next. The best negotiators are not smooth talkers but good listeners.

Ask open ended questions so you will get more info than a yes or no.

Repeat their question back to the, then listen

Ask how they feel about the subject of their question

Ask what their reaction to the problem was.

Ask for a restatement "Why did you want to make that low offer?"

Ask What would you do if you were in my shoes or explain how that idea would work.

Principles of Real Estate Negotiating

More Effort Means More Attachment

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The more time someone has in a deal the more likely they will make concessions to close it, including the licensees.

If someone makes a verbal offer on a property and you present that and counter higher, they will probably walk away since they have no effort in the offer. If you say put that in a written offer, then the buyers will be putting themselves into the house while writing the offer and are more likely to stay with negotiations longer.

If you represent the buyer a verbal offer is the best way to tell a seller your client is not serious.

Principles of Real Estate Negotiating

Maintain Your Credibility

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No one sale is worth damaging your credibility. Even within a sale, no one will believe you through the rest of the transaction.

“The difficult thing about a liar is that occasionally he tells the truth” Once you are a liar nobody will believe anything you say.

Principles of Real Estate Negotiating

Use Objective Information and Expert Opinion

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Using similar sales can show a seller your offer price was determined and is really a good offer and they were just overpriced. Show them the data in black and white. Another good time to use comparables is pricing a listing or a price reduction. Negotiating the proper price with a seller is the precursor to getting an offer so you can negotiate the price with the buyer.

If you come to an impasse, you might call in an expert. If the parties disagree on a repair item, call in a respected engineer to give an opinion. If it is minor, the buyer will have the opinion to use when they sell the property.

Principles of Real Estate Negotiating

Give Partners Alone Time

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When it is time to make a decision, find a way to excuse yourself for a while. The partners will always be more comfortable with each other than with you, so get out of the way and let them make a decision.

Principles of Real Estate Negotiating

Obey the Law, the Codes,
and Your Gut Feelings

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If in the heat of the moment, you are tempted to “Cut a Corner” be sure to let the law, the Code of Ethics and that bad feeling in your gut stop you. If you are wondering “Should I disclose this?” “Yes you should!”

If a client wants you to lie or cheat, they do not value you as a counselor. They will be the first one to turn on you if the tables turn, and they will send all their friends and you will spend your life dealing with liars and cheats.

Principles of Real Estate Negotiating

Know the Limits of email,
Fax and Telephone

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In the tech savvy world we do a lot of our deals digitally. You have to adjust to not being able to see the “body language” of the person you are dealing with.



Insure you are not misunderstood, particularly when you are kidding. Use emoticons to help add some tone. Never send an email that you would not send to anyone in the world, because it might get forwarded...many times.

You need to go into more detail so your true meaning is understood.

An advantage and disadvantage is that emails leave a written record of what is said.

If you are worried about making a big mistake, don't do it in writing.

When you send a document by email, convert it to a pdf document first so it can't be altered by the receiver.

Principles of Real Estate Negotiating

FAX

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Do not try to negotiate over FAX, use it only to send documents.

Get a send confirmation and follow up with a phone call to ensure the FAX arrived.



It is easy to say “No” over the phone, so if you want to turn someone down, call. If you want the best opportunity to get a “yes” arrange a meeting. People get in a hurry on the phone, but if you know your presentation really well, you can catch them off guard on the phone and possibly get a reaction in your favor quickly.

Silence works well on the phone since the only information they get is from the sound of your voice.

Once you conclude a telephone negotiation follow up quickly in writing to seal the deal

Tools of The Negotiating Trade

Don't Pull Numbers
From The Air

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If the asking price was \$850,000 and you offered \$800,000 it looks like you pulled a number from the air (PFA) If you offered \$811,565, then it looks like you made a calculation to arrive at your number.

Tools of The Negotiating Trade

Make the Number Sound Better

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If you are thinking of offering \$299,000, raise it to \$300,000, it sounds better to the seller and the reverse is true from the seller to buyer perspective. It makes the counterpart more likely to accept your offer. Remember perception is reality.

Tools of The Negotiating Trade

Take Smaller and Smaller Steps

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Make you first counter the largest jump, then each return make smaller changes to make it appear you are close to giving up. The counterpart will enjoy the exchange less because they are not making large gains and be fearful of loss.

Tools of The Negotiating Trade

Legitimacy

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Most people defer to anything that appears legitimate so use it to your advantage.

Using a preprinted form, saying it is company policy, saying it meets the standards of the industry such as building codes, or calling in an expert to support your position.

Tools of The Negotiating Trade

Deadlines

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90% of deals are made in the last 5 minutes before a deadline. If something is brought up at the closing table it has a high chance of being resolved because everyone has their eyes on the goal of closing. This is not a good tool to use because it could cause you to get a bad reputation of using strong arm techniques.

To counter a move like this, get a commitment early that all issues are on the table.

Tools of The Negotiating Trade

Response to a Low Ball Offer

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Remember that any offer is a starting place to make a successful transaction. To get sellers off the emotional response to a low ball offer is to tell them they should be mad at all the people who didn't even make an offer.

In a seller's market, you can, with the seller's permission tell them that they would consider an offer that is closer to price or just counter back at full price.

If the market is balanced or a buyer's market, you have to be nicer to the buyer and possibly do a "Courtesy Counter Offer" come down just a little on the price as a gesture to show that you are interested in selling to this buyer.

Tools of The Negotiating Trade

Negotiating 'Seller Paid Closing Costs or Down Payment'

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Working with the seller, concentrate on the bottom line, not the amount of the costs paid on behalf of the buyer. You can raise the price to cover some or all of the buyer closing costs paid. Sometimes the commission is paid on the price less concessions so your negotiations do not net more commission dollars. There could be an appraisal problem with an inflated price for concessions.

Tools of The Negotiating Trade

Negotiating With Builders

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If you represent a builder you want to create a reputation that the builder never negotiates price, then all licensees know that and will offer full price. You want them to look in the MLS and see that all homes in the new neighborhood have sold at full price.

Representing a buyer, know that a builder can't negotiate the price down because it effects his future sales appraisals, however, a builder may be willing to give upgrades or closing costs as an incentive for a sale.

Tools of The Negotiating Trade

Dealing With Bad Behavior

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What do you do when dealing with a temper tantrum? First remain calm, it takes two to fight. Then use the “Feel, Felt, Found” method. Allow them to vent, then say “I know how you feel, I have felt the same way myself when I had a similar problem but after reflection, I found (insert another way of looking at the problem that could resolve it) Now is a good time to let silence do the heavy lifting.

The worst way to handle it is to shout back. Then things will continue to escalate and the deal will probably fall apart.

Tools of The Negotiating Trade

Use a Question to respond

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If you do not want to answer your counterpart because it could harm your client, deflect it with a question directed back. Change the subject if you can.

Tools of The Negotiating Trade

Gradual Persuasion

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If you can't get a large price reduction dealing with a reluctant seller, try to work at it in three steps. The seller may be more willing, however it does not have the impact on buyer that a large drop would. With a large drop buyers will think that other buyers may jump on the property now and be willing to make a faster offer.

Tools of The Negotiating Trade

Translate Issues Into
Numbers, Reduce to the
Ridiculous

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If you are \$3000 apart on a \$250,000 deal inform the buyer that with today's low interest rates, that equates to less than \$18 on the payment, 60 cents per day, you can't even buy a candy bar for that.

Tools of The Negotiating Trade

Backup Offers

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A back up offer is used if the property is already in contract. It is a great tool, the buyer has no competition if the first transaction fails and if their offer is considerably higher than the first, the seller will also be cheering the first buyer on to leave the transaction. The seller will probably be less likely to negotiate repairs for the first buyer to make him go away.

Tools of The Negotiating Trade

Use Humor

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You can get more done with laughter than any other emotion. You can avoid a tough question by making a joke about it, such as; A client asked a banker for a concession on the as is clause for some repairs. The banker said “We could als ask my wife to come and clean the house once a week” The client then understood the banker’s porition.

Tricks and Techniques

Split The Difference

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When you come to an impasse, ask the parties to split the difference. Sometimes that includes the licensees. It is sometimes better to give up a little commission than to start all over again looking at houses. This should be left for a last ditch effort.

If you can get the other side to suggest splitting the difference and you grudgingly accept, they get the feeling they won. We are all happy with a closed deal.

Tricks and Techniques

Package Option

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Like in a Chinese Restaurant, give your counterpart options. You could say that the seller would take \$315,000 with the refrigerator, washer, dryer and playhouse or \$312,000 without those items. The buyer is considering the choice and will probably pick one rather than to make a counter offer. Even if they take the best of both choices, \$312,000 with the goods, you have an agreed contract.

Tricks and Techniques

Set Aside

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If you hit a sticking point, try setting it aside to come back to later. If you get agreement on many other issues, the momentum of reaching agreement on the other issues carries through when the set aside comes back up. The participants have invested more time in the negotiation so to not agree on the set aside would undo all the work already put forth.

Tricks and Techniques

Nibble

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When coming to the end of negotiations, ask for one more thing. You are just about to sign a contract with a builder, say in a confident manner “of course that does include the stainless steel appliances” The builder wants to get the deal done and throws in the appliances. To defend against a nibble, the builder could respond with the price of the appliances.

Tricks and Techniques

Flinch and Vise

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Your counterpart proposes something and you grimace, the flinch. Then the vise might be “You’ll have to do better than that” You will typically get a better proposal if it is possible. If it is not possible, you have discovered their bottom line.

Tricks and Techniques

Higher Authority

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“I have to get this approved by the main office” or “I’ll have to get my manager involved” This gives the Higher Authority a chance to nibble or counter offer. A way to fight this is to slowly walk away. The counterpart will try to keep you in the game and probably let you know how far they can go.

If you would come up \$5000 I would have a better chance of getting this approved.

Dealing with a buyer, ask early on if there is anyone else involved in making the decision. If so get them here too.

Tricks and Techniques

Ultimatum: Take It or Leave It

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If you are done negotiating say so. This shows you have reached your bottom line. Be ready to end negotiations at this point, it cannot be a bluff. Do not go back into negotiations after you say that because you will look dishonest and future negotiations with that same licensee will be difficult.

A way to defend against this is to walk away slowly. When your counterpart sees all the work coming to an end, their position softens and they may decide to stay in the deal. You could say you will take their position if they accept this one final change. (a nibble)

Most people use this as a bluff so I rarely take it as the end.

Negotiating Multiple Offers

Responding to Multiple Offers

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Some will counter only one offer, then the others complain they were not treated fairly. Some counter all offers at the same time with the minimum they will take. A good way to handle multiple offers is counter all offers with the terms acceptable to the seller and say “make your best price offer with these terms.” This create the auction effect. Tell all buyers what time the seller will consider all offers.

Negotiating Multiple Offers

Selecting The Best Buyer

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The best buyer is not always the highest bid. Most important features are: the ability to close, The quality of the buyer (has cash for down and financing available)

Picking the wrong buyer could lose all the other who buy another home while your transaction goes along to a default. Calling the other buyers back puts you in a less desirable bargaining position.

Negotiating Multiple Offers

Expect Buyer Revenge

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After the buyer has gone through a bidding war and paid top dollar they will expect something in exchange. This will probably be in the condition of the house, home inspection repairs, etc. Counsel the seller that this will happen so they do not over react. Explain that because the price got pushed up by the bidding war, they have a few dollars to put in repairs. At the time of repairs, the bidding war is over, the other buyers are gone, so don't lose these buyers.

Negotiating Multiple Offers

Buyer Procedures in Multiple Offers

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Ask the buyer how bad they want this house. Some will not get into a bidding war, in that case find another house. Find out what technique the counterpart will use to pick the best buyer and what you need to do to be that buyer.

Negotiating Multiple Offers

How Many Offers

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Find out how many offers there are. Your bid is dependent on how many others are bidding. Come in close to the deadline so other bidders do not know about your offer.

Protect the buyer with an appraisal contingency. You might make an offer of \$XX over the next highest net to seller not to exceed \$XXX,XXX. Insure you get the listing broker's affidavit of the next highest competing bid.

Negotiating Multiple Offers

Ability to Close the Sale

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It is crucial to show the seller the buyer has the ability to close, period. Use bank statements to show your buyer is more financially solid than the competition. Be sure to blank out info to avoid identity theft.

Negotiating Multiple Offers

Use Emotion

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Humanize the buyers to the seller. Show pictures of the little children that will grow up in the house. The seller may identify with that and more money from a competitor won't matter.

Negotiating Multiple Offers

Take It “As Is”

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Another way to separate your buyer from the crowd is to offer to take it as is or possibly pay some of the seller's closing costs. If you have thoroughly looked at the house and feel comfortable that it is a solid structure this may be a viable option with a savvy buyer.

Negotiating Multiple Offers

Win Before The Auction

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Try to present your offer as early as possible with the statement that this offer must be considered before the licensee leaves. The sellers have to accept or reject the offer right then and cannot consider the other offers. This is typically a bluff. To combat against it, tell the sellers to say to each prospective bidder upon meeting that no offers will be considered today but a decision will be made on how to proceed at 10:00 AM tomorrow.

Negotiating Repairs

For the Seller

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Having an inspection before listing is a powerful tool. The seller can get everything repaired and can market a house that is ready to move in.

If the seller is not willing to do all the repairs, it is a good idea not to get the inspection early. All the defects found will have to be disclosed giving the buyer a reason to offer less.

If the buyer makes a low offer, have a statement in the counter offer limiting seller paid repairs or an “as is” clause.

Negotiating Repairs

For the Buyer

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Setting reasonable expectations is critically important when representing a buyer at the repair stage. An inspector is held at a higher standard than the sales contract typically specifies. The inspector must disclose everything he finds even if it is just showing wear. Contracts typically specify that items not working need repair. Explaining that difference to the buyer up front will go a long way to making the repair amendment something that won't kill the deal. Write the repair amendment in terms of page and item number on the report rather than a list of every faucet that drips, etc. It is easier to get a short list accepted by the seller.



You never want an inspector to skip something he wants to put on the report. Failure to disclose is the largest source of litigation in real estate and a violation of the NAR Code of Ethics.



They ask – is your commission negotiable?

Yes 6,7,8,9% Take your choice.

Example: Use 6 one dollar bills,

3 to other broker, 1 to your broker, 1 to marketing, and you want this one.

why am I here instead of with my family?

Do you think the broker who discounts is taking the family dollar away?

No they are taking the marketing dollar away.



I will if you will meet me equally

If you would sell your \$300,000 house for \$249,000, I'll reduce my commission to 5%

We both reduced by 17%

Negotiating Your Money

Compare Their Salary

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If you are making \$60,000 per year and your boss asked you to start taking \$50,000 per year, would you do it and would you be willing to work as hard.



We've just met and you are
asking me to reduce my fee.

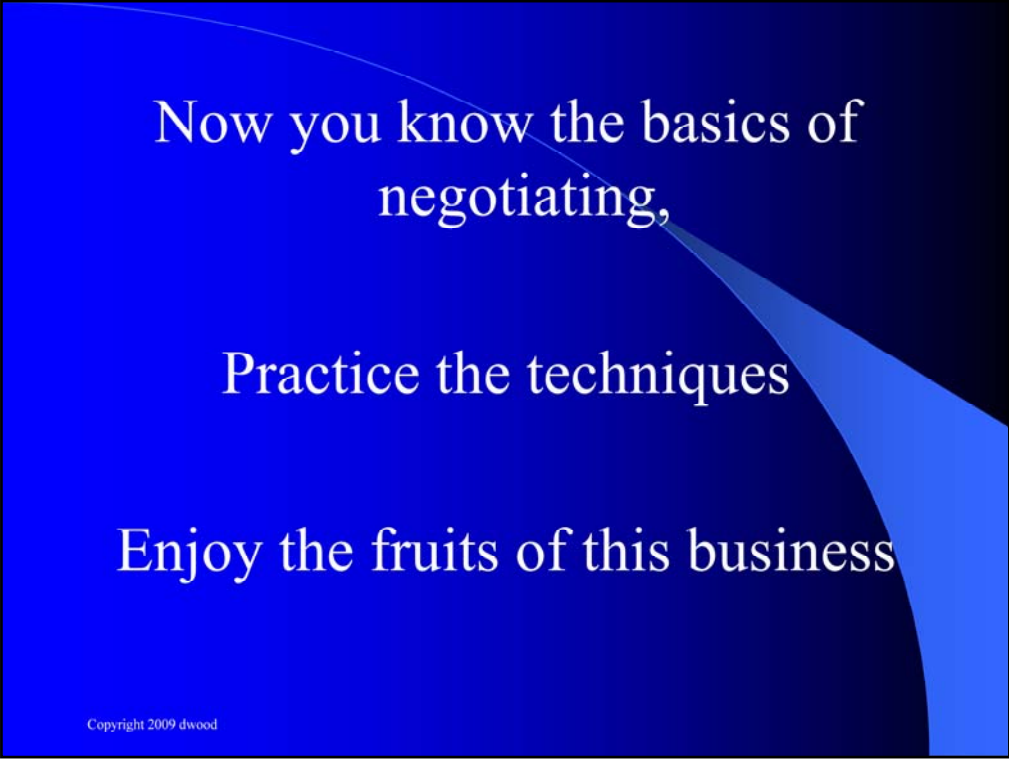
If I am **THAT** willing to give
up **MY** money,

How strong do you think I'd be
protecting **YOUR** money?

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Build upon your strengths. You do not get paid until the transaction closes, not up front like a discount broker.

Explain all that you do to market property, internet marketing, mailouts, open house, etc...



Now you know the basics of
negotiating,

Practice the techniques

Enjoy the fruits of this business

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Thank You

Please complete your
quiz and send it in and
your certificate will be
emailed to you

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