

# Negotiation

**In some ways, negotiation is no different whether you're doing it through an agent, or doing it yourself directly with buyers.**

The benefit of negotiating with the buyer directly (or direct negotiation) is that you are empowered with all the information – you can hear exactly what a buyer says and how they say it.

## TIPS

### ▶ Take your time

An important thing to remember is that you never have to answer a question or make a decision straight away. You can always say 'I'll have to discuss that with my partner / spouse / co-owner' and come back to you. This enables you to make a considered decision and answer appropriately. Don't ever feel pressured.

### ▶ How much leverage do you have?

Leverage is an important part of any negotiation.

A big factor in your leverage is the underlying market condition. If you are in a seller's market you should receive offers at or near (or even over) your asking price. This is especially true if your home is in a good area and has great appeal. If you have multiple offers, you have even stronger leverage.

If you are in a buyer's market, and your home has been for sale for many months, you have a lot less leverage to work with. Knowing the buyers' underlying interests will help you improve your leverage. If you see that they love your house you have some leverage. If their time frame is immediate, and you can meet it, you have some leverage. If you can meet some of their secondary needs, you have some leverage for a better price. However, if the buyer is a dispassionate investor you have very little leverage.

### ▶ Avoid the question – how low will you go?

If someone asks you this – try to avoid it by encouraging them to make an offer if they are genuinely interested in the property.

### ▶ Unconditional v Conditional Offers

- Is the buyer's offer conditional?
- An unconditional ('cash') offer with standard settlement period of around 42 days or less is the best type of offer you can receive.
- Do not rule out conditional offers, however, as they are common. Just use your common sense.
- Avoid offers that are conditional on someone else selling their home – suggest instead a fixed settlement period on delayed terms (say 90-120 days) if you are prepared to wait. This locks the buyer in whether their house sells or not.
- If a buyer wants to make their contract subject to finance, then ensure there is a fixed period (of say 14 days) by which they must notify you if their finance is approved or not.
- It is always best to secure a 10% cash deposit (this is standard) on exchange of contracts. If a buyer only wants to offer 5% deposit however, then your solicitor should keep the deposit in the contract at 10%, but allow the buyer to put down only 5%. This means that if a buyer defaults you can issue a notice to the buyer to claim the other 5%.

**TIPS (continued)****▶ Some Other Tips on Successful Negotiation**

- Negotiation is not about winning or losing. Successful deals occur when both you and your buyer feel you both got what you wanted.
- Be friendly and professional.
- Being open to compromise on non-essential things sends a good message to the buyer that you are reasonable.
- Know what things you're willing to negotiate on before hand.
- If possible, avoid using the word no when negotiating.
- If a potential buyer says something negative about your home, don't take it personally.
- Re sales price – avoid the situation where a buyer asks “how low will you go?” a good answer to this question might be “We're asking X, and if you're interested in making an offer, we encourage you to do so”.
- You never know who the buyer might be, so always leave the lines of communication open no matter what anyone's initial offer is.
- Don't be discouraged if someone makes a low offer – everything they've read will encourage them to offer low first.
- If you have multiple offers, let the interested parties know and ask them to submit their final and best offer – this gives you the best chance of achieving the highest price and best terms.

**In general, remember that negotiation is not rocket science.**

The most important thing is to use your common sense – this will give you the best chance of success.

Good luck!