

Basic Rules of Negotiation for Buyers & Sellers of Real Estate

Generally speaking, ours is not a society comfortable with spirited or aggressive negotiations, but effective negotiating can reap large rewards in the large, complicated financial transaction of buying or selling a home in the San Francisco Bay Area.

- ***You never know until you ask:*** never assume you know the other party's final position. Indeed, oft times the other party doesn't know themselves.
- ***There is no specific intrinsic value to real estate:*** values may fluctuate by large percentages up or down in relatively short periods of time.
 - Fair market value is simply that price a qualified, reasonably knowledgeable buyer is willing to pay, that a seller (not under duress) is willing to accept, after the home has been properly exposed to the market.
 - Whether trying to determine listing price or purchase-offer price, fair market value can only be estimated with any accuracy via a thorough comparative market analysis of existing supply and demand, recent comparable solds, competitive properties available, and market trends.
- ***Money negotiations are a zero sum game:*** every dollar goes into one pocket or the other. The true win-win (beyond a general satisfaction with the result) lies in discovering what can be offered that costs one party little but holds high value to the other.
- ***Make concessions grudgingly:*** concessions given easily have little value in furthering your interests. If possible, tie a string to any concession and ask for something in return.
- ***It's not always all about the money:*** personalities, circumstances, time, convenience, fear, security, sentimentality and ego often play important roles in negotiations. The better these issues are identified, the more they can be used to your benefit.
- ***Strong emotion will usually negatively impact the achievement of your objectives.*** Patience and dispassion are the ideal states for effective negotiating.
 - The party most desperate to make a deal usually loses. If desperate, don't show it.
- ***Every negotiation is unique to the market, the property, and the principals*** and agents involved. There are many negotiation strategies—what works perfectly in one situation may fail in the next. The more you know about market conditions, the property and the parties on the other side, the more effectively you can tailor your strategy.
- ***If your agent seems more concerned with his or her commission*** than in aggressively protecting your interests, find another.

Negotiating Tips for Buyers

- ◆ *If you find a home you'd like to purchase, make whatever offer you wish to make, regardless of asking price, regardless of representations by the listing agent. It is impossible to predict how the seller will react to an offer until the offer is made.*
- ◆ *Making a strong case for your offer with comparative market analysis data improves the odds of its acceptance.*
- ◆ *Offers should allow thorough investigation of the property's condition & circumstances.*
- ◆ *If you lose in a multiple offer situation, see if the seller is willing to put your offer into back-up position since a certain percentage of deals fall through.*
- ◆ *It rarely makes sense to use the listing agent as your agent—as it is patently impossible for one agent to aggressively represent and protect the interests of both parties.*

Negotiating Tips for Sellers

- ◆ *Never, ever discourage a buyer from making an offer.* Real estate negotiation is a conversation that cannot really begin until a written offer is made. Even terrible offers may help leverage other offers higher.
- ◆ *Counter-offer unacceptable offers instead of rejecting them outright.* Buyers making low offers are often willing to pay more.
- ◆ *The vast majority of buyers and buyers' agents will not make offers until they perceive the asking price to be within 5% of “market value” (i.e. what they're willing to pay).* Since a listing will never get as much attention as in its first few weeks on market, pricing properly to begin with almost always results in the higher sales price.
- ◆ *Preparing the home to show in its best light and comprehensive marketing* play large roles—along with pricing and negotiation—in achieving the best sales result.

“A good agent's negotiating skills and knowledge of property values can add 5 to 10 percent to your house's sale price.” Brown & Tyson, *House Selling for Dummies*

The quality of agent working on your behalf—his or her competence, negotiating skill, knowledge of the market and commitment to your interests—can make an enormous difference in the outcome.

