

Sharpening Your Negotiation Skills

Eight Tips for Becoming a Better Real Estate Negotiator

An experienced REALTOR® friend of mine summed up the present state of real estate brokerage this way: Listing agents over the last five years had the luxury of being order takers. No matter what the agent did, their listings generally sold quickly and for great prices. There were little or no real negotiations. Now, the real estate market is changing. Houses are not going to sell as quickly. The bargaining power of buyers and sellers will be more equal. Successful agents are going to need to brush up on old-fashioned sales and negotiation skills to stay ahead. My REALTOR® friend predicts that those who do not know how to sell and negotiate are going to get left behind. Just like in the last recession, there are going to be fewer real estate agents in Georgia in a couple of years, and those agents who lack good sales and negotiation skills will be the first to leave. While it may, therefore, be a time of increased anxiety for many REALTORS®, negotiation skills can be learned. This article will explain how.

1. *Talk through the voice of your client.*

In a real estate negotiation, there are often difficult messages that need to be sent. These include, "I like your listing, but it's way overpriced based on the comps," or, "Parts of the house are dated and will need major renovations," or, "It's clear that this house was not well taken care of and needs lots of work."

The first question the buyer's agent should ask is whether the agent needs to verbalize negative messages at all or whether a lower-than-expected offer speaks for itself. In most instances, the agents on both sides of the transaction are well aware of the pluses and minuses of a particular house and, when a lower offer is made, good listing agents are not usually surprised. If it's clear that the listing agent gets it and understands the limitations of the property, nothing more needs to be said. Of course, if the listing agent and seller do not seem to understand why the property is not worth what they are asking, or as the parties refine their negotiations to a smaller number of issues, explanations will need to be given. In such instances, speak through the voice of your client. In other words, say, "Here is the problem my client is having" or "Here is how my client is viewing things" rather than "Here is *my* problem" or "Here is how *I* am viewing things". When you speak through the voice of your client, you become something of a neutral mediator trying to find common ground between the parties. In not being the bearer of bad news, you, hopefully, remain likeable to the other agent, and it makes it easier to keep open the lines of communication. In that role, it better allows you to make suggestions on how to solve differences and to ask for the advice of the other agent. So, for example, you can now say:

"While I have not discussed this yet with my client, one way we might close the gap between our clients' positions is to do the following.... Do you think that might work for your client?" or "What do you think might work for your client?" Many real estate transactions come together as a result of the agents identifying between themselves fair resolutions of difficult issues and then selling their respective clients on those solutions.

2. *Be persistent.*

No means no with most things in life, but in real estate negotiations that is not necessarily the case. In many instances, a buyer or seller needs time to adjust their thinking and expectations to the realities of the real estate market. Sellers want top dollar for their homes, and for years, they were able to get it. But if the seller is only getting offers at a lower price, it may take some time to accept that. This is where persistence and patience can pay off. Coming back with a

slightly modified, but essentially the same offer after a short period of time can sometimes help the other party adjust to the reality that their initial expectations may have been unrealistic. While persistence can, at some point, have a negative effect, making the same or similar offer two or three times is usually not a problem if your buyer is the only person interested in the property.

3. *Know the present value of what you are negotiating to buy or sell.*

It is impossible to be a great negotiator without knowing the true value of what you are negotiating to buy or sell. With real estate, a great negotiator will know both the comparables (“comps”) and where the market is trending. Of course, knowing the true value of real estate can be tricky in a changing market. Since we were in an extreme seller’s market, there may not have been many good comps. However, with the market slowing, the most recent comps are often the most reliable.

Because each house is somewhat unique, there are also lots of ways to argue about why the listed property is different from the other comps. These include acreage, square footage, layout, view, condition, landscaping, degree to which the house has been updated and the degree of privacy. Nonetheless, the comps still set the broad parameters around which most negotiations center.

To maximize value for the seller, a great negotiator will articulate the positive aspects of the home. To maximize value for the buyer, a great negotiator will normally focus on just the opposite but will be strategic in whether, when and how such information is communicated. Starting out with a litany of negatives about the house is a turnoff. It risks alienating the seller and the listing broker, and often makes them wonder why the buyers even want the house. The better approach is usually to try to get close to an agreement by focusing on the comps, the market trends and where the house fits in that context and then only raise specific concerns or problems with the house to justify additional price concessions needed to close the deal.

4. *Knowledge is power. Ask lots of questions.*

It is surprising how much other real estate agents will tell you if you only ask. Why their clients are buying or selling, how motivated they are, whether they will take less or pay more, and whether there are other offers and in what range, are examples of things that some agents have willingly volunteered. The more you know, the more you can gauge how to make an offer the other party will accept.

Getting information from the other agent should never feel like an inquisition. The best negotiators will be friendly, outgoing and ask lots of questions, many of which will be totally unrelated to the transaction at hand. However, in the course of what will, hopefully, be a friendly conversation (or multiple conversations), you can work in questions that may make you more successful in your negotiations. Most people like to talk about themselves and asking questions that allow the other agent to share their background, experience and life story will usually help them relax and feel good about you and the conversation. Flattery will get you further than you may think, and complimenting the good reputation of another agent can similarly build rapport.

5. *Understand the role of conflict.*

Most people do not like conflict and will go to some lengths to avoid it. Great negotiators have figured this out and will often use it as a useful tool to achieve their goals. Expressing anger and hostility can cut off further discussion and even bully another person to agree with your position. Understanding that anger is often part of the negotiation game can help agents not be so affected by it. I recommend that when people become angry and hostile, you try to become a detached observer and remind yourself that this is the point in the negotiations where the other

party is trying to manipulate you through the expression of extreme emotions. Rather than getting angry and responding in kind, it is usually best, if you can train yourself to do it, to ask yourself what has triggered the extreme response and to see if that can help you in the negotiation. In many instances, an angry reaction may mean that the other party has reached their limit in terms of finding middle ground and is expressing frustration at that circumstance. In other situations, the other agent may simply be trying to stop you from continuing to push for concessions, regardless of whether such a request is reasonable or not. However, while an angry response is obviously a signal, and at times, a compelling one, it should not stop you from continuing to push for additional concessions if the facts warrant it. Of course, you may want to take a break in negotiating to give everyone a chance to calm down.

6. *Always remember it is your client's negotiation.*

When you negotiate for someone else, it must always be remembered that it is their negotiation, not yours. Some agents get frustrated because their clients did not push as hard as they might have to get a better deal. At the end of the day, however, if your client is happy with the results, you have achieved your goal and should also be happy.

Price is just one factor among many in determining a buyer's or seller's satisfaction with a transaction. The timing of a transaction, getting the perfect house, and having certainty that the transaction will close are often equally as important to many buyers and sellers. Good agents educate their clients on the pros and cons of the different positions the client can take on a matter, but the ultimate decision on things is left to the client to make.

7. *Try to get something for each concession you make.*

Quid pro quo, which is the Latin term for something for something, propositions are at the heart of most negotiations. One trick to being a great real estate negotiator is to be as comprehensive as possible in your initial offer or counteroffer so that you do not have to pay a hefty price if you later must go back to ask for anything additional.

Unfortunately, in real estate negotiations, it isn't always possible to cover every scenario in an initial offer or counteroffer because there are a lot of unknowns. It is not uncommon for new information to come to light, such as a low appraisal or bad inspection, or for circumstances to change that require a party to request additional concessions. To the extent the other side can identify and trade concessions for something of value, the better off that party will be. After all, the best time to get a concession is when the other party needs something.

When one side has achieved their goals in the real estate transaction, the concession they may seek is a commitment to return the favor if one is needed in the future. While seldom reduced to writing, it is surprising how many people honor such informal agreements.

8. *Be credible at all times and do your best to establish rapport.*

There is nothing worse than dealing with a real estate agent who is loose with the truth and tells you one thing one day and something different a few days later. Agents need to trust one another to work through the often complicated issues associated with buying and selling a house. Once that trust is broken, the ability of the parties to come to an agreement is significantly reduced. No one wants to work with a liar, and agents who develop such a reputation are rarely successful over the long-term. All things being equal, agents will encourage their buyers and sellers to pursue transactions where the agent on the other side is trustworthy. The same rule applies to agents with difficult personalities. While everyone has a different personality, the key is to be professional, responsive and generally helpful.

Some REALTORS® talk about the importance of win-win negotiations, but it is actually the market that dictates who wins and who loses economically, not the REALTORS®. One could argue that the extreme seller's market we are now leaving inevitably created a win for the seller and a loss for the buyer. My own definition of a win-win negotiation has nothing to do with the state of the market or who ends up with the best financial deal. To me, it has mostly to do with whether the other agent is treated honestly, professionally and with courtesy and respect. These are the REALTORS who build long-term, positive relationships with other REALTORS and are thus, better able to get deals done.

In closing, we need to realize that we are leaving an extreme seller's market and entering one that is much more balanced between the interests of buyers and sellers. Because we all got so used to this market over the last five years, it may even feel for a while like buyers have the upper hand. To be a successful, agents will need to be focused on good old-fashioned selling and negotiating skills. For those who easily make the transition, their careers will continue to thrive.

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