

THE *CLOSE*

15

**REAL ESTATE
NEGOTIATION
STRATEGIES**



Let's face facts. At the very core of your fiduciary duty to your client is the idea that you need to work hard to get them the best price. That means if you're shying away from negotiating, you need to toughen up and learn from the best. As John F Kennedy famously said, "Never negotiate out of fear, but never be afraid to negotiate."

Want to become a better negotiator and impress your clients? Grab a cup of coffee, turn off your phone, and check out our top 15 real estate negotiation strategies.

1. Include an Escalation Clause to Make Your Offers More Competitive

**Michael Nourmand, President of Beverly Hills Brokerage
Nourmand & Associates**

"An escalation clause is a great way to give your client the best chance to win a multiple offer. Here is the language we use in our counter offers. *We hereby instate an escalation clause. "Bob Smith" is willing to pay \$10,000 higher than your highest written offer but not to exceed \$1,500,000. A copy of the highest written offer to be sent along with acceptance.*"

2. Assess the Type of Negotiation and Identify Value-Creating Moves

Chris Lim, Founder Climb Real Estate

"My negotiation strategy was influenced by the book "Dealmaking: The New Strategy of Negotiations," by Guhan Subramanian. My recommendation is to assess the type of negotiations that you're trying to accomplish – whether you're negotiating the best deal for yourself or ideally, a win-win situation. One of the core challenges in negotiations is to identify value-creating moves: things that are cheap for me to give and valuable for you to receive, and vice versa. This is very true for real estate negotiations.

Here's an example of this methodology:

The house is on the market for \$600,000, but your research, backed up by your broker's opinion, tells you it's overpriced. By your estimate, a fair price would be \$500,000, but when you offer that amount, the seller says you are "not even close" and doesn't counter. You think the seller is in denial about the slump in the housing market, which has affected prices in your town quite a bit.

Sellers are looking at the prices paid for their neighbors' houses a few years ago, while buyers are looking at comparable transactions from the past few months to try to determine the "fair" price. You might consider creative deal structuring to break through the resulting impasse. Start by noting that the typical house purchase is a very "tight" deal: once the seller commits to a particular buyer, the seller can't (legally) sell the house to someone else, even if offered a substantially higher price.

In your circumstance, a "loose" deal structure might provide a way forward. Imagine you make a slightly higher offer (it is, after all, your "perfect" house) of, say, \$525,000. Then give the seller 60 days to keep shopping the house. If a better offer comes in during that time, the seller has the right to walk away by paying you a "breakup fee"—say, \$25,000 or less.

This deal structure creates value based on the different beliefs about the value of the house. In effect, you are saying this to the seller: "You think the house is worth \$600,000, but I think you won't get a better offer than my \$525,000. I'm so confident in my belief that I'm willing to give you 60 days to prove me wrong. If you do find a better price, I'll keep looking for the perfect house. If you don't find a better deal, we'll close in 60 days at my price."



Bonus Tip: Close the Knowledge Gap

Emile L'Eplattenier, Managing Editor, The Close

Let's face it. In almost every negotiation the more educated you are, the more likely you are to get what you want for your clients. It's that simple.

Real Estate Express offers affordable online continuing education courses in Working With Investors, Agency Law, Ethics, Short Sales, and more. Or, even better, you can start working on your broker's license to get instant credibility in any negotiation.

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3. Take Your Fiduciary Duty Seriously

Barbara Corcoran, Founder, The Corcoran Group

If you truly want to live up to your fiduciary duty to your client, you need to make every possible effort to get them a better price. Even if it you're doing it just to save face. Here's Corcoran Founder and Shark Tank Star Barbara Corcoran in The New York Times:

"Negotiation is like dating," she said. "There's got to be some romance. If the guy gets the girl home on the first date, it's too easy and the relationship doesn't last."

Nothing poisons a deal faster, she added, than when the asking price is immediately accepted or when a buyer's first bid is accepted. Either the seller feels he underpriced his home, or else the buyer feels he offered too much money for it. Rather than work on the relationship a bit, the buyer and seller tend to drift apart, Mrs. Corcoran said.

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4. Make Them Think Saying Yes Was Their Idea

Josh Flagg, Beverly Hills Realtor and Founder of Flaggship.com

No one likes to be coerced into doing something. That's why smart negotiators often subtly encourage the other party to think they're in control. A great way to do this is to offer them a quick out. In fact, studies have shown that using affirming language like "You'll probably refuse, but..." lead to an increase in compliance.

Here's Million Dollar Listing Star and founder of Flaggship.com Josh Flagg with an example of how you can apply this technique in your negotiations:

"The buyer is asking for you to pick up the closing costs in order to close the deal. You're free to say no to that of course, but would you be willing to consider it?"

5. Negotiate From A Win/Win Perspective

Kevin Ward, Real Estate Coach, Yesmasters

Many new agents make the mistake of starting every negotiation as if they were going into battle. Not only will this annoy the listing agent you will likely need to work with again, but it can actually hurt your client's interests as well.

Instead, learn how to take issues and focus on solutions, instead of turning everything into an adversarial crisis. Your clients and fellow agents will thank you.

6. Always Use Market Value Instead of Asking Price as Your Starting Point

Bruce Ailion, Atlanta Associate Broker & Attorney, RE/MAX Town & Country

"My strategy is to calculate the value of a property. This rather than the asking price is the starting point for negotiation. In hot markets it may require an offer above present market value to get a home under contract. Many people want to lowball, making an offer that will never be accepted. I advise against this. It does not reveal anything about the sellers position. I like to offer just below what the minimum the seller is likely willing to accept. The seller is forced to make a decision to accept just a little less than their minimum but if not, will be forced to counter aggressively to not turn away a strong buyer. The analogy I use is tennis, it doesn't matter how hard your first serve is, if you do not get the ball in play that first serve is wasted."

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Bruce Ailion

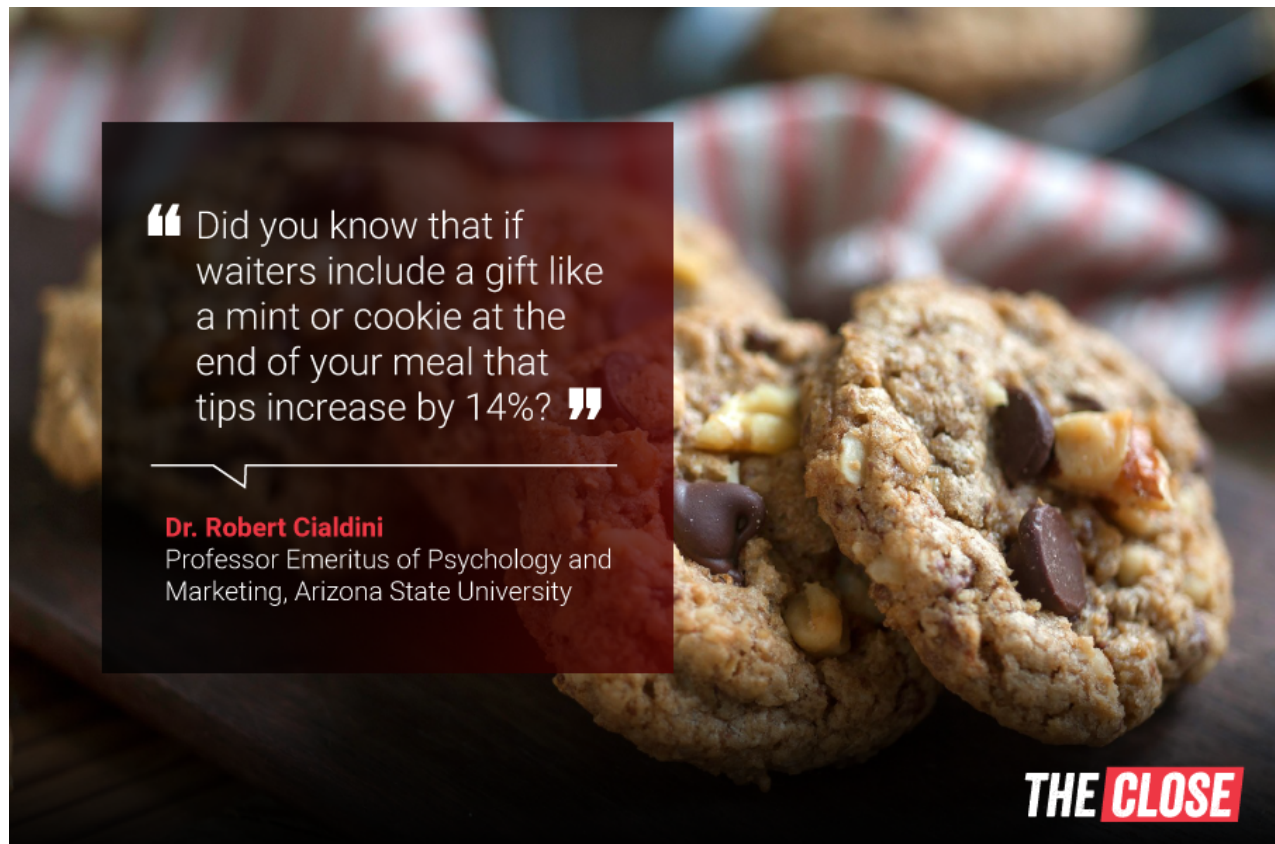
Atlanta Associate Broker & Attorney,
RE/MAX Town & Country

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7. Learn the Rudiments of Persuasion

Dr. Robert Cialdini, Professor Emeritus of Psychology and Marketing, Arizona State University

Did you know that if waiters include a gift like a mint or cookie at the end of your meal that tips increase by 14%? That's an example of reciprocity, the first of six rudiments of persuasion:



- 1. Reciprocity:** People feel obliged to give if we have been given something.
- 2. Scarcity:** Antiques, artworks, and trophy properties are all examples of scarcity persuading people to act.
- 3. Authority:** We are more likely to comply with a request if it is coming from a perceived authority or expert in the field. This is why your doctor has degrees on her wall, and why certifications and designations like CNE can be so helpful.

4. Consistency: People tend to gravitate toward and feel more comfortable in situations that are consistent over time. This is why treating the listing broker like an enemy will always backfire.

5. Liking: Everyone likes people who are similar to themselves, and studies have shown that in group preference is positively correlated with persuasion.

6. Consensus: The kitchen that is pinned over and over again on Pinterest (farm sink, marble counter, white cabinets) will help a home sell much easier. Likewise, if you have a reputation as a great agent to work with, more agents will want to work with you, and as a result you'll gain leverage in negotiations.

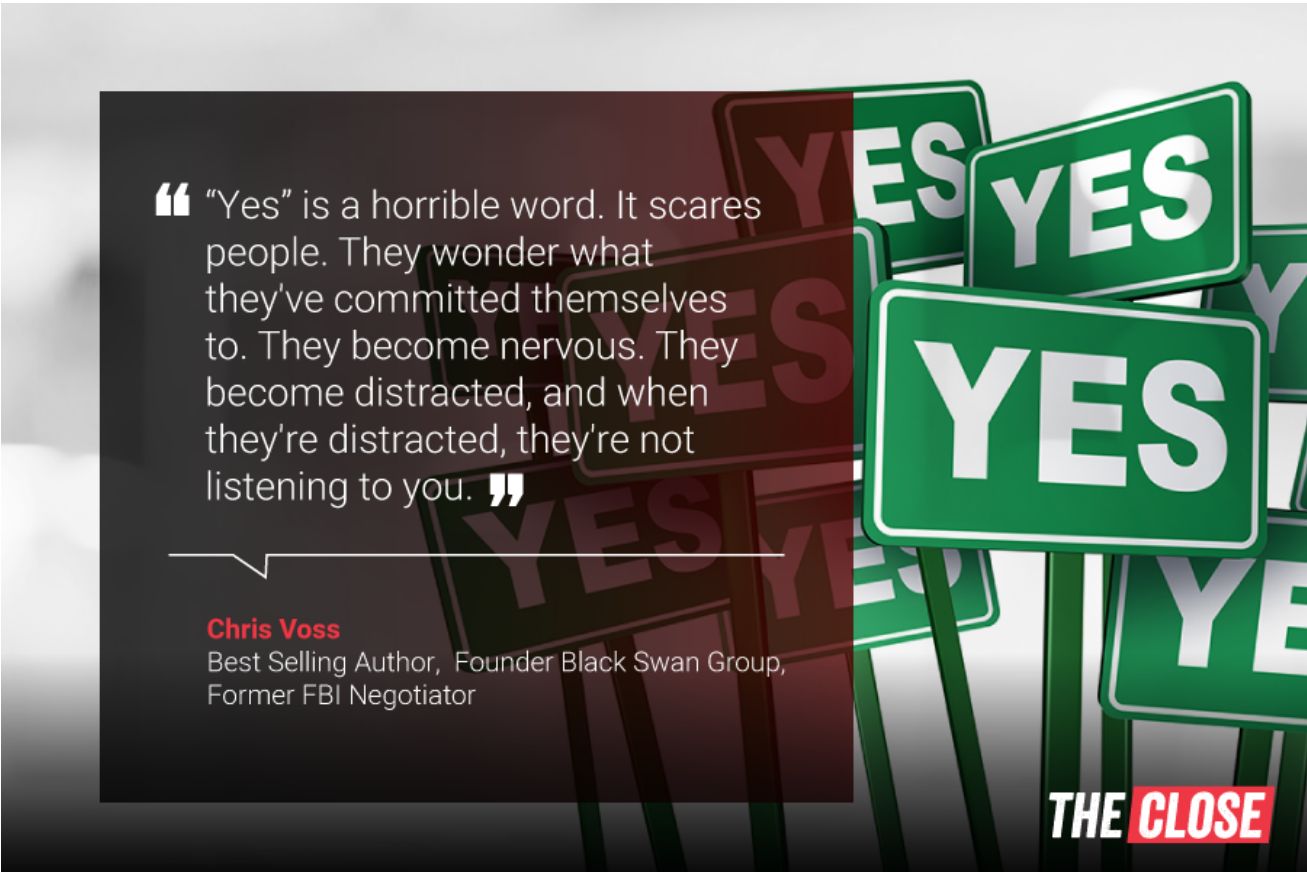
8. Learn the Power of No

Chris Voss, Best Selling Author, Founder Black Swan Group, Former FBI Negotiator

Contrary to popular opinion, “no” is one of the most empowering words someone can say. Here’s psychologist Judith Sills on the power of no: “Where negativity is an ongoing attitude, No is a moment of clear choice. It announces, however indirectly, something affirmative about you.”

As a hostage negotiator for the FBI, Best Selling Author Chris Voss learned that getting someone to agree with you by saying no can be far more powerful than by saying yes. Here’s Chris explaining why:

“‘Yes’ is a horrible word. It scares people. They wonder what they’ve committed themselves to. They become nervous. They become distracted, and when they’re distracted, they’re not listening to you,”



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This is getting a ‘no’ that actually moves you forward, you want an agreement. An agreement is not necessarily through ‘yes,’ because again, we’re so used to being trapped by ‘yes.’

9. Use Price Anchoring to Find Someone’s Lowest Price

Matt Fullerton, Sales Manager at Express Homebuyers

“The “low anchor” is the most effective negotiation strategy for me. It is when you intentionally give a lowball offer or range to a prospect to change their perception of the financial aspects of the deal. Typically, this will get a prospect to go right to their bottom line, or at least close: “Hey Jim, I’m taking a look at the numbers, and don’t kick me out here, but our initial glance is somewhere around \$250,000.” Response: “Matt, I told you I wanted \$350,000! No way \$250,000 works! I won’t take a penny less than \$300,000!”

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10. Learn What The Other Party Needs From the Deal

Kathryn Bishop, Top Producing Los Angeles Realtor, Keller Williams

“Learn what the other party needs... not really why they are selling or buying, but what will satisfy them that they have a win-win sale. Ask questions of the agent and praise the good points of the property or the nice character of the buyers if you’ve met them. Put together the best deal so that the closing is smooth and successful. I’ve closed many deals using this mindset. I call the listing agent to say that we are writing an offer. Are there any terms the seller needs? Fast close? Contingency to find a new home? I don’t really ask why is the seller selling, but I will often pose a leading question to find out why they are selling (perhaps they’ve owned this home for ____ years (from the title profile)...did they raise their kids in it? or was this an investment rental?). I take this opportunity to tell the agent about my buyer, my buyer’s “story” and the lender involved so far.”



11. Always Negotiate by Phone Before Committing Anything to Paper

Sarah Richardson, Principal and Designated Broker of Tru Realty

"We like to advise that our agents negotiate deal points over the phone with the cooperating broker before taking it to paper. We feel that a counteroffer could get messy when there is a lot of unnecessary back and forth. If you are negotiating with an agent over the phone, it's helpful to write up the contract as you speak to keep things more straightforward. Multiple counteroffers create confusion and make for a less than favorable real estate buying or selling experience... keep it simple!"

12. Try and Meet the Sellers In Person

Anthony Grosso, Founder Grosso Properties

"The single biggest negotiation tip I give to my buyers is to make sure we meet the sellers in person. Schedule an appointment in the evening or during the morning on the weekends, never just wait for the open house. Meeting them in person is critical to a smooth negotiation. When looking at multiple offers the sellers only choose the highest price offer when there are no other factors to compare them against. The sellers first choice is usually someone they like so if you have a chance to talk to them and find some things in common you're in a better negotiation position. When your offer is sitting there in a pile of 5 other offers you'll stand out because they can put a face to yours."

13. Keep Your Cards Close, But Try and Stay Nonchalant

John Michael Grafft, CNE (Certified Negotiation Expert) Berkshire Hathaway HomeServices

"This strategy is used well when it's a buyer's market. It is important to be nonchalant and use innuendo letting the listing agent know that we have other options. It is vital that the other side of the table never think that this home is your favorite or that you don't have other options."

14. Live Conversation Beats Texts & Emails Every Day of the Week

Tom Hume, Windmere Real Estate

"I am in a transaction now with an agent who returns all of my voicemails with text. I get the sense she is making a point that the new generation uses technology. I'd like to make a counter point; she is missing so much information by communicating only electronically. There is a natural back and forth in a conversation where way more information and understanding comes out and those things can be essential in getting to win-win. You might learn, for example, that a seller is very nervous because they are buying a home and trying to close both sales and move the same day. If you are in a multiple offer situation your client now has a card to play. Perhaps they can offer the seller a one week lease after closing. This may win the day."

15. Use Inclusions Strategically

Seth Lejeune, CNE (Certified Negotiation Expert), Berkshire Hathaway Home Services

“As a certified negotiation expert, I feel like a place where agents miss the boat are on inclusions. Many automatically include the washer, dryer & the refrigerator, but I have often wondered why. I always put it as an exclusion and say they’re “negotiable.” At certain price points when the \$2000 or so will make or break a sale, it might be a good idea, however if I can leverage it for something my seller wants when it comes to inspections or more favorable terms then it is pretty effective in my opinion. “You’re already taking the appliances, so your client can take that saving and fix an inspection item.”

A photograph of a business meeting with a quote overlay. The background shows several people in business attire sitting around a table, with their hands visible as they interact. A dark red semi-transparent box is overlaid on the left side of the image, containing a quote in white text. Below the quote, the name 'Seth Lejeune' is written in red, followed by his title and affiliation in white. The word 'CONTRACT' is visible on a document in the background. The 'THE CLOSE' logo is in the bottom right corner.

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