The 9 Laws of Negotiating When Buying A Property

We are going to break this down into two sections, the first being a 3 step process to create your offer. We will then move onto some key strategies to use when submitting your offer.

1. First lets start with your Goal

Now this might seem obvious as buying the property is your goal, but the goal here is setting the price you are will to pay for the property.
This will be using your PES and the skills you learnt to evaluate and assess the property to come up with your walk away price.

2. Understand what the other team want

If you take anything from this, take this. Understanding what the seller wants from the sale and why they are selling can be the answer to a successful purchase. This might mean they are more concerned with the settlement length instead of the amount. If you know this and the settlement time doesn’t bother you, it can put you a great position by building your offer around this.

3. Know your numbers

Now some buyers think throwing in a low ball offer is the way to negotiate and start from there. That might work on eBay or Facebook marketplace, but it doesn’t alway work in real estate and can end your chance of buying the property pretty quickly. You have to substantiate your offer by comparable properties, again this is something you would have done when completing you PES on the property.

Part 2. Negotiating Strategies

4. You aren't going to war

Many buyers think of negotiations as they are going into battle. They kick up a fuss about everything, they focus on everything as a problem or deal killer and this has to be done or else. This can cause unnecessary stress and may even put you in the too hard basket with the agent. The key here is to focus on a solution rather than it killing the deal. Eg. If the vendor refuses to fix something on the property, let's say the dishwasher. Instead of saying "Well, we need it fixed or we don't have a deal", say, "That's fine, I know it might be a pain for them to organise, would we be able to discount the cost of the new dishwasher from the price?" Taking this position will be your saving grace with the agent, as they will want to work with you, even if the vendor is being painful.

5. Negotiating with the view of WIN/WIN

Having the view of WIN/WIN where everyone wins could be your best decision in the long run. Like point 4., if you go in aggressively and think of it as a battle, trying to squeeze every last cent from the vendor it could end up burning you down the track if you are successful in the purchase. But I got the property, so why does it matter you ask? Say your bank misses something and delays your settlement (a common scenario), and you have to ask the vendor for an extension, what do you think they are going to say? A big fat NO is what! Which means you have to pay penalty interest, which could be well over 10%. Now if you had of been more pleasurable to deal with through the process, the vendor is going to be a lot more likely to approve an interest free extension.

6. Degrading or being negative about the property

If you are being negative about certain aspects of the property by saying things like, "Look at the bathroom, it's disgusting, or the kitchen is ugly" you might put off the agent as they think you are not interested, and more importantly you might offend the vendor. The property may well have been their family home for years, which holds a huge sentimental value to them and by you saying this, it might make them not want to deal with you. There are stories out there where a seller wouldn't sell a property to someone, purely because they didn't like them, so just be mindful of this.

7. Keeping your cards close to your chest

Essentially don’t give too much away and NEVER give the selling agent your exact budget or your pre-approved amount as this is a guaranteed way to spend every cent of it. Instead give them a range and other properties you might be looking at as they should know the comparable properties in the area. When asked, what is your budget? Say “Something around this level” referring to the home you are standing in.

Pro tip!. Have your mortgage broker write a letter to send along with your offer stating the finance clause, and that they have full belief you will be able to obtain the required finance.

8. Level the playing field

Sometimes the agent needs a reminder that their property isn’t the only one for sale in the world. Let them know you have been to other opens, or you’re on the way to another one. You can say an agent from another company has put a list of properties together for us which we are looking to inspect sometime soon. Agents are familiar with this as they use it on potential buyers by saying, “We had 15 groups through today, you had better get in quick”. Levelling the playing field will also let them know you aren’t a novice and to take you seriously if they want you as a buyer.

Note: You should always back this up by saying you are interested in the property and please notify me before you selling it.

9. The power of waiting

Awesome, you’ve submitted the offer, and the agent has notified you they will be discussing it with the vendor, now you have to play the waiting game. Be silent. Don’t send them a “Just checking in” text, just wait for them to get back to you. This is especially important if there is still some negotiating to be done.

Now it’s over to you. Best of luck