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STEPS TO SUCCESSFUL NEGOTIATION

The emotion, large initial outlays and profit potential of property make it very easy for dialogue to become dysfunctional. In order to become a truly successful investor, you need to master the art of negotiation

By Miriam Sandkuhler


When it comes to high-stake negotiating, property is in a class of its own. Negotiating a property deal is part research, part strategy, part psychology and at times, part 'fly by the seat of your pants'! The latter being a direct result of the fact in any negotiation you are dealing with people and people can be unpredictable at the best of times.

The major components of successfully negotiating a property deal include knowing the market, understanding the property, figuring out the other party, setting a target price and listening carefully.

Know the market

This is more than just knowing about the property itself and the surrounding streets. It is about knowing the local area and the amenities and features of the suburb that appeal to the locals. This will also give you an indication as to who you are likely to be competing against when buying property.

Doing a thorough examination of recent comparable sales results is also important. This will give you a feel for how much the same type of property is selling for. And by comparable, I mean exactly that. Compare apartments that are of a similar size, in



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similar sized groups with the same features, such as car parking or gyms. If you are comparing houses, make sure the land size, house size, house condition and building materials are similar.

This comparison will allow you to determine a realistic amount that the property may sell for and what a vendor can expect.

Understand the property

Before commencing any negotiations, know what you are buying.

Analyse the property's title to see if there are any issues that could detrimentally impact on price and potential resale. For example, is there a capital works fund established for a group block?

I recently researched a property where the car park on the title was a leasehold and not freehold. The developer/vendor took vacant space around the building and structured it as a 99-year lease back to the owners' corporation, yet the vendor was asking a

premium for 'off street parking' in a densely populated suburb.

In addition, the developer/vendor owned the owners' corporation management company that was appointed to manage all four properties in the block. They were tied down to a five-year management agreement with a nasty cancellation pay out if the owners wanted to sack them for any reason. The owners' corporation fees were high but there was no breakdown as to how much the management fee was per annum.

Needless to say, I walked away because it was far too risky an arrangement to be involved in!

Figure out the vendor

Learn as much as you can about the vendor to assist your negotiations - find out why they are selling. Endeavour to extract as much information from the selling agent as possible. Some will be tight lipped and others will be more forthcoming, so always be on civil and friendly terms with the agent. They may just be willing to help you a little more than they should, and they can influence the outcome of a negotiation.

Set your price

Before you start negotiating, and even before you start researching and searching, set your price limit.

It is important to be as unemotional as possible when negotiating, so if you set this limit at the beginning you are less likely to overspend and overpay when it comes to securing the property. This is particularly important when bidding at auction, as the whole auction process is designed to make you as emotional as possible.

I bid at an auction recently for a client and was up against a seven-month pregnant lady and her husband. She was doing the bidding and the price eventually went beyond their budget, but she kept going even though her husband kept telling her to stop. The competition was exacerbated by the agent who kept reminding her that her baby was due in two months and questioning whether she really wanted to be searching for a home for her family if she missed out on this one.

It was a brilliant tactic on his behalf and it worked! I could see she was just going to keep going, so I stopped bidding as I wasn't prepared to overpay for the property and needlessly drive the local prices up at

the same time. This was the perfect example of what not to do as a buyer, and it's important to remember there is always more property coming onto the market, so don't negotiate from a position of desperation.

Start negotiating and listen carefully

Set the tone of the negotiation at the beginning of the process.

You need to take into account that it's not always about price. Often it can be about the length of the settlement period or other conditions that you or the vendor may want to include as part of the negotiation.

I know of a vendor whose property was passed in at auction on a vendor bid. Two interested parties negotiated post-auction, one offered a higher price but short settlement period and the other offered a lower price with a longer settlement period.

The vendor selected the lower offer, as the length of settlement suited his circumstances better. Always take this into consideration when negotiating an offer and try to put yourself in the vendor's shoes where possible.

Closing the deal

In many property negotiations the deal can stall even though the two parties are close to an agreement.

It's about understanding what the vendor is seeking and whether you can meet their requirements while not sacrificing your needs in the process.

This is the time to not get emotional or take things personally.

It can also be about the selling agent's agenda at times. I recently negotiated on a property where the agent was doing his best to sell it before auction. He even convinced his vendors to consider an offer beforehand, against their better judgement. I then found out the agent was closely booked with auctions and his timeframe to attend them all successfully was too tight. It became about his agenda, and once I submitted my offer I left it up to him to encourage them to agree.

Keep in mind there is always a different property, a different vendor and often a different agent in the mix. And at short notice, you may also need to think on your feet or fly by the seat of your pants to close a deal. ■



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