

# HOW TO BECOME A POWER NEGOTIATOR

by Michael Yardney

*Negotiating tips & tricks used  
by the professionals when  
buying or selling property.*



## ABOUT THE AUTHOR



Michael Yardney is one of Australia's leading authorities in wealth creation through property. He was once again recently voted Australia's leading property investment adviser and is Australia's most published property author who has probably educated more successful property investors than anyone else in Australia. But he is not a theorist...

Michael is a successful property investor and developer and, as a director of Metropole Property Strategists, his opinions as a property expert are highly sought after and frequently quoted in the media.

Michael's "Property Update" blog has over 100,000 subscribers and he has been quoted in all major Australian daily newspapers and financial magazines and regularly gives his views on wealth creation and

the property markets on the radio. He is also a regular keynote speaker at property conferences in Australia and South East Asia.

Michael bought his first investment property over 40 years ago, in his early 20's, without a deposit and not understanding the rules of the game. He then went on to build a multi-million dollar property investment portfolio in his spare time. In 1979 he established Metropole Properties, which has become one of Australia's leading firms of independent property investment strategists with offices in Melbourne, Sydney and Brisbane.

Over the years the multi award winning team at Metropole has bought, financed, advised, invested in, built and project managed over 2 Billion dollars worth of property transactions creating wealth for their clients

## Michael Yardney has been featured in:



## **PREFACE**

Negotiating is a part of living; we do it all the time. When you walk down a crowded street you negotiate 'the path you take'. A couple negotiates their relationship before and during marriage. Although you may not realise what's happening, for example you take out the garbage tonight and I will do the dishes.

If you hire somebody to work for you, whether it's cleaning a house, doing your taxes, you negotiate price and terms. Negotiating is a large part of buying a car, but nowhere is negotiation more out in the open and more important than in real estate.



Over the years I've noticed that some buyers and sellers are very good at getting terrific deals. Most others simply get what the other party is willing to give. What's the difference? The first group knows how to negotiate.

Where do people learn to negotiate successfully?

There seems to be no schools of negotiating. Those who are successful at negotiation in real estate either pick it up by doing many deals, in other words they learn from their experiences, but some just have a natural talent for it.

If you are not in this group and would like to negotiate a better deal on your next property purchase whether it is buying or selling, this special report is for you. Here you will find the rules for negotiating in real estate.

Think about it...if you don't know the rules, how can you win the game?  
Can you negotiate anything when buying or selling real estate?

The answer is YES! You can negotiate anything you want in real estate. A lower deposit. A cheaper mortgage. Amended settlement terms. You can even cut the real estate agent's commission if you know the rules of the game.

While everything is negotiable however that doesn't necessarily mean that you will always get everything you want. Let's say the seller wants \$800,000 for his home and you only want to pay \$775,000. Can you successfully negotiate the price down?

Probably, depending on the seller's situation. On the other hand, let's say instead you only want to pay \$700,000 for that \$800,000 home; can you negotiate the price down by \$100,000?

Most likely not. Although you might still be able to negotiate a much lower price than the seller is asking. The point is that negotiating is not a magic word that will always get you everything you want. But if used correctly you will get the very best deal that can be made every time. In order to negotiate successfully, you have to know the rules of the game. Negotiating in real estate has rules and these will be explained to you in this special report.

## **NEGOTIATING REAL ESTATE PURCHASES**



Now that you have found the property you are interested in, after having done your home work and analysed its value carefully, you are in the position to make an offer on the property.

You know that the seller wants the highest possible price and you want to buy the property at the best price possible. And you will probably end up somewhere in between.

Skillful negotiation can save you significant sums of money when buying or selling real estate, yet few investors make the effort to learn basic negotiating techniques.

Yet many people are just too embarrassed to negotiate at all. When you recognise that the final result of a successful negotiation is a win/win situation, where both parties are satisfied, you will realise that you should not be embarrassed to negotiate.

You see...negotiating a property transaction does not have to be like sport where if one person wins, the other has to lose. The art of skilful negotiation is finding the other party's needs and showing them how to achieve them in a way that you can both benefit.

It is worth learning the art of negotiation, as skilful negotiating can make a tremendous difference in the return you receive from your property.

Let me explain...while you can make a 50 or 60 or even 100% return on your money with real estate, you usually you have to wait for capital growth to do the job, and in the present economic climate, with the low rates of capital growth, this could take a long, long time.

Or you can "manufacture" some capital growth for yourself by fixing up the property and improving its value. But a simple way that will create capital growth in the value of your property is by negotiating.

If you were able to buy your investment property for 5% less than its market value because of your negotiating skills, and then when you sell your property you are able to negotiate a sale for 5% above its fair market value, what does this do to the sums?

Let's say that you are buying a property worth \$800,000, but with good negotiating skills you manage to buy it for \$760,000, what you have done is give yourself an instant capital gain of \$40,000. This is an instant 5% increase on the value of your property, but if you have only put down a 20% deposit of \$160,000, you have made a 25% return on your money.

Pretty impressive! Good negotiating skills can turn an average investment into a fantastic one.



## THE ELEMENTS OF NEGOTIATION

Effective negotiation needs adequate preparation and requires a combination of three ingredients – **information, time and power.**

It is interesting that in property negotiations, most people feel that the other party has more of each of these than they actually have.

If you possess superior knowledge about any particular transaction, then this **information** gives you a competitive edge throughout the negotiations.

As a purchaser you probably have a better understanding of local property market than the vendor, because you should have done your homework and developed an “investment comfort zone” – a geographic area where you know all about the properties and their prices. This is an area in which you will be able to pick a bargain when you come across one.

You also have all the **time** in the world.

Remember you shouldn't fall in love with a property as they are like buses. If you miss one another one will come along in a few minutes. Yet the vendor who has gone through all the emotional trauma of putting his house on the market is probably very keen to negotiate a sale, although he will never admit it.

With regards to the third major element of negotiation – **power**, there is often the perception that the other party holds the upper hand.

This is usually not true in property negotiations. If the other party is emotionally involved, especially if they are a motivated vendor and if you adhere to the rules I am going to outline in the next section, then the balance of power is with you.

While one of the techniques I will outline in the next section is to act innocent in your negotiations, another technique that some experienced negotiators find useful is to establish their expertise and credentials – their “power” – early in the negotiation process.

This often allows the other side to let a lot of your statements go unchallenged.

Remember perception tends to become reality...even if it is not the truth.



## THE RULES OF NEGOTIATION

Over the years I have discovered a number of rules regarding negotiation. If you understand these rules you will become a Power Negotiator.

### **Rule Nº 1 - Everything is negotiable.**

This does not mean you are always going to get what you want or win every negotiation but you must remember that everything is potentially up for negotiation.

### **Rule Nº 2 - Know what you want before negotiating.**

Always know the result you want - **your bottom line - before commencing negotiations.**

It's a bit like when you're planning your holiday. Firstly decide your destination – where you want to end up, then work backwards to decide the best way to get there.

In negotiations and in life, if you don't have a plan of your own, you'll be part of someone else's.

### **Rule Nº 3 - Aim for a Win/Win negotiation.**

Win/win is created when we help another person to get what they want while we get what we want so that both parties feel they have won.

To achieve this, never offend the other party.

Try and build rapport with the other party during the initial stages of the negotiations. This will help you satisfy their needs by understanding what they really want as explained in the next point.

When negotiating try and **look beyond the requests and demands of the other party and attempt to understand their real intentions and motives.**

Seek to meet this dominant often hidden need and you are well on the way to winning the negotiation.

Don't assume that the items on your agenda are the same as those on the other person's agenda. There may be one or two similar items on your lists, but the order may be different.

The secret is to try and establish what is on their agenda and in what order, in other words what is most important for them. You can sometimes do this before the negotiations formally begin by

observation and by asking questions and then listening carefully.

Although you are trying to create a win/win, don't seek total approval from the other party.

Don't fear rejection or be afraid to be seen as unreasonable, otherwise you will give in to things you want and that's not really a win/win.

## **Rule Nº 4 - Treat Negotiating as a Game.**

When you get involved in negotiations, you need to be involved but not too much. If you are too emotionally involved, you will lose your perspective and make emotional rather than subjective decisions.

Like all games, you must understand the rules. A skilled negotiator understands the structure and stages of negotiation. If you play a game and don't know the rules, how do you know when the game has begun or reached its mid point, or near its conclusion?

## **Rule Nº 5 - Never believe anyone else is entirely on your side.**

Trust yourself; you have your own interests entirely at heart.

As a buyer, would you go up to a seller, show your bank account, explain how desperate you are to buy the property, then ask the seller to tell you what you should offer?

If you are a seller, would you tell a potential buyer your absolute bottom line?

No sane person would do such things, yet every day real estate buyers allow others to make decisions for them. These others could be an accountant, a relative, a friend or even a real estate agent.

Yes, you certainly want to ask others advice, but my point is that while these people may not consciously deceive or purposely lead you astray; everybody's interest is different, each has their own goals and yours are always going to be different and sometimes conflict with mine.

## **Rule Nº 6 - Strive to be innocent.**

**To Power Negotiators, smart is dumb and dumb is smart.**

When you are negotiating, you're better off acting as if you know less than everybody else does, not more. Have you ever noticed that as soon as people admit they really don't understand something; a lot of people rush in to help them out?



Try saying something like “I don’t know...I’m new to this, you’re the experts, and so you are going to have to help me out understanding this”.

You will often find others smile thinking they have this pigeon just where they want him, take him under their wing and “help him out”. Of course that’s usually just when you have them where you want them. They often reveal more than they care to about their own needs and what they are willing to concede.

Most of us are **too eager to show off just what we know**. This can work against us. We can often reveal too much too soon about what we are willing to give up to get the deal.

We must let go of our ego satisfying position of “know it all” and instead assume the profit making position of innocence.

Do you remember the TV show *Columbo*?

Peter Falk played a detective who walked around in an old raincoat and a mental fog, chewing on an old cigar butt. He constantly wore an expression that suggested he had just misplaced something and couldn’t remember what it was, let alone where he had left it.

In fact, his success was directly attributable to how smart he was-by acting dumb. His demeanor was so disarming that the murderers came close to wanting him to solve his cases because he appeared to be so helpless.

**The reason for acting innocent is that it diffuses the competitive spirit of the other side.**

How can you fight with someone who is asking you to help them negotiate with you? How can you carry on any type of competitive banter with a person who says, “I don’t know, what do you think?” Most people, when faced with this situation, feel sorry for the other person and go out of their way to help him or her.



The negotiators who let their egos take control and come across as sharp and sophisticated commit to several things that work against them in a negotiation. These include being the following:

1. A fast decision-maker who doesn't need time to think things over.
2. Someone who would not have to check with anyone else before going ahead.
3. Someone who doesn't have to consult with experts before committing.
4. Someone who would never stoop to pleading for a concession.
5. Someone who would never be overridden by a supervisor.
6. Someone who doesn't have to keep extensive notes about the progress of the negotiation and refer to them frequently.

The Power Negotiator who understands the importance of acting dumb retains these options:

1. Requesting time to think it over so that he or she can thoroughly think through the dangers of accepting or the opportunities that making additional demands might bring.
2. Deferring a decision while he or she checks with a committee or board of directors.
3. Asking for time to let legal or technical experts review the proposal.
4. Pleading for additional concessions.
5. Using Good Guy/Bad Guy to put pressure on the other side without confrontation.
6. Taking time to think under the guise of reviewing notes about the negotiation

Win/win negotiating depends on the willingness of each side to be truly empathetic to the other side's position. That's not going to happen if both sides continue to compete with each other. Power Negotiators know that acting innocent diffuses that competitive spirit and opens the door to win/win solutions.

Power negotiators are never afraid to ask the other party questions or for advice. Even if you know the answers. Asking questions tends to establish a climate of trust.

If you are not happy with the response you get try and ask another question such as "Why do you say that?" This does two things. It buys you some "thinking time" and it forces the other party to better justify their stated position.

**Always ask why?** Most people are afraid to reveal their true motives. Ask why, it may get this information out in the open.

**Listen carefully.** If you listen carefully enough, you will discover everything the other party really wants out of the deal.

Most of us listen to how a person talks more than what he or she says.

Try and understand what is really being said.

### **“Here’s our first offer”**

This implies there is a 2nd, 3rd or other offer to come.

### **“This is our initial bid”**

Again better things are to come.

### **“Here’s something to get negotiations back on track.”**

This is a concession, why is the other party offering a concession without receiving something in return unless they are more desperate to get the deal than you are.

### **“This is our first and final offer.”**

Maybe, but only a fool issues an ultimatum at the start of negotiations. Is the other party really stupid?

### **“This is the best offer we can make.”**

Come on now, everyone can do better. Real Estate Agents typically make this comment about their clients.

### **“Take it or leave it!”**

This ultimatum is usually issued after lengthy negotiations. Unless it’s a ploy to force action on your part, it usually means the other side is frustrated and has decided to give up the deal rather than come up with something that is mutually acceptable.

If I take it, I usually lose.

If I leave it, we usually both lose.

A better course may be to take a break and then come back and note the areas of agreement. Then, identify the areas of disagreement and find areas where negotiations are possible.



## WIN/WIN IN NEGOTIATIONS

The best outcome in any negotiation is when both parties feel they have achieved their objectives and have done so with dignity and integrity. This is called a win/win.

The secret to successful negotiation is to understand the needs of the other party and help them achieve them.

Despite what most people think, money is not always the main motivating factor in property transactions. Let me give you some examples:



### **1. No Auction**

We recently purchased a property from an elderly gentleman. He was moving house – leaving his old family home which was too big with a large garden that required maintenance. He had purchased a small house in a country town right near where his son lived.

He had listed his house for auction with a large local agency but found the whole ordeal very traumatic. After inspecting the property I asked the agent about the owner and why he was selling. I always ask these questions.

After finding out the circumstances I figured that the elderly vendor would probably prefer the certainty of an unconditional sale, even at a low price to the uncertainty of the auction process despite the possibility of a higher price.

So I made a sensible but below market offer on the property.

I offered about 10% below what I thought was a fair market price, but made the offer unconditional and fixed the settlement date to the date that the vendor required to purchase his new home.

The agent of course said the offer would not be enough, but I insisted she present the offer to her client. To create a greater level of certainty for the vendor, I signed a contract of sale and attached a deposit cheque to it.

With very little deliberation the vendor accepted the offer and countersigned the contract note.

Price is not the only consideration for vendors.

## 2. The local vet's house

I learned that money is not always the motivating factor for vendors when buying a home for my family many years ago. We found a lovely old two-story home with loads of character on a big block of land with a tennis court. The sellers were an older couple, the local vet and his wife, and their family had grown up and left home. They now were looking for a smaller house. I was surprised when they rejected the offers of a number of property developers who wanted to build units on the site, and were keen to sell the house to us, a young family with children. They wanted to see their house continue as a place of joy and us as buyers gain happiness from living there as they did.

So it helps understand why the vendor is selling. The reasons people sell their properties tend to fall into two broad categories. There are those that are time relaxed and those that are time sensitive.

Understanding what motivates the vendor of the property that you are interested in, helps you formulate your plan of attack in your negotiations. To get the best deals, I look for motivated sellers, vendors that are really keen to sell their property. The common reasons for selling property are:

### Time Relaxed:

- The vendor is retiring.
- They are looking for a better opportunity or to upgrade to a bigger property.
- The property needs improvement or work.
- The vendor wants to free up funds or equity for various reasons such as to purchase business or luxury items.
- The vendor wants to trade up to a bigger home, or down to a smaller home as their family needs change.
- A better opportunity has arisen.

### Time Sensitive/More Motivated:

- Marital problems or a family breakup.
- Financial problems.
- Job relocation.
- Health.
- Family emergency.



Successful negotiation comes from figuring out what the other party wants and showing him or her how to get it. By doing this you should be able to get what you want too. The problem is most vendors, or their agents, won't tell you what they want. Sometimes they are not even sure of what they want.

### Information is Vital

To help create a win/win situation, **you need as much information** as you can get. Not only about the other party involved in the negotiations, but about the property, the real estate market in the surrounding area and investing in general.

Here are some examples to give you an idea of what I mean:-

You discover that the seller is desperately short of money and needs an urgent sale. Here time is more important than money. The vendor may be trying to prevent the mortgagee from taking possession of his house or the finance company taking his car. If you can come up with the cash in 21 days, you may get the property at a lower price than someone who needs 90 days.

The owners of the property want to separate or divorce. You can often recognise this situation because the house looks like a battlefield. Here a major motive for selling is escape. Offering a low price but a quick settlement could be attractive to the seller as they just want to get out.

You discover the seller is building a house. How much would the sellers be prepared to drop the price if they could have the convenience of being able to rent the property from you until their house was completed? They would avoid the emotional and financial expense of moving into alternative rented premises. This type of information could be worth thousands of dollars to you.

You learn that the seller is older and more cautious and while they want to move, they are worried that they might sell their house and not find what they want in time. Here a dominant need of the vendor is security. If you make an offer that would allow the owners to stay in the property and rent it from you until they find what they are looking for, they are likely to accept a lower price in return for their increased security.

A good understanding of the local property market can help you make a much more powerful offer by backing it up with details of recent sales in the area. You would accompany your offer to the agent with a comment like *"Look at these figures of recent sales in the area. Based on these, we believe a fair price would be \$775,000 and it is unlikely anyone would offer your vendor more. What do you think?"*





## NEGOTIATION TRICKS

Before you commence any negotiation you need to do some preparation.

Inexperienced negotiators tend to wag their tongues before they have engaged their brains, and then realise that they have said things that they shouldn't have, or made offers or concessions that they need not have made.

Figure out what the other person wants and work out a way that they can achieve this while at the same time fulfilling your own needs. Then show them how they can get what they want.

Do your sums and work out what your bottom line is, how much you are prepared to pay for the property or the lowest price you will accept if you are selling. Then formulate a plan for the negotiations, using some of these negotiating techniques.

These tricks have been proven to work on small deals and multi million dollar deals, but beware. These tricks work for both buyers and sellers. So when you are negotiating the purchase of your property, watch out as the vendor or his agent might be using some of them on you.

### 1. Care, But Not Too Much!

Many people find that they can negotiate on behalf of friends, but when it's their own money on the line they become too involved and can't negotiate effectively.

**That's why it is important to become involved, to care...but not too much.**

Don't fall in love with a property. One reason many people pay too much for properties is that emotion carries them away. They find their ideal dream home or investment property, get all excited and offer too much. Then they wait with nervous anticipation for the vendor's reply, during which time they get even more emotional and when the agent returns with a counter offer, they are so excited that they will sign almost anything.



#### MARK'S STORY

A good example of this is the time when Mark, a solicitor, bought his first investment property.

Mark was used to negotiating multi million dollar deals on behalf of his clients every day. In these dealings he was able to keep a level head and negotiate effectively on behalf of his clients, because while he was trying to get his clients the best deal, if it didn't work out he cared, but not too much.

Yet when it came to negotiating the purchase of an investment property for himself, he did a second-rate job because he was too involved, he cared too much.

Mark found a house that he wanted to buy and after inspecting it one Saturday, he did all the sums and because it looked like a good investment property he discussed it with his wife. They talked through all the pros and con's and agreed that they should make an offer on the property.

By this time it was Saturday night, but Mark thought he would try and ring the agent anyway. Now that he decided that he wanted this property, he did not want anyone else to get in and make an offer before him. Being Saturday night, the selling agent didn't answer his phone, so Mark left a message on his voice mail. He also left a message on the agent's home phone answering machine.

All Saturday night and Sunday morning Mark thought about the property. He imagined how with little effort he could fix it up and get a higher rent. He even imagined the colours he would repaint it. When the agent did not return the call by Sunday lunchtime, Mark imagined that the agent was negotiating with another buyer and selling "his" house to someone else. In reality the agent was spending some time with his family.

So Mark rang him again and left another message on his voice mail.

By the time the agent got around to returning Mark's calls, he knew that Mark was a keen buyer. During the negotiations on the property Mark again showed how keen he was by increasing his initial offer immediately on being told by the agent that the buyers would never contemplate such a low offer.

If he was acting on behalf of a client Mark would have said something like "How do you know that they won't accept the offer. This is all my client is prepared to pay. Put the offer to the vendor."

But Mark cared too much. When he heard that someone (probably an imaginary buyer) made an offer on the property he made a higher counter offer. In the end he paid \$50,000 more than he had budgeted for. Fifty thousand dollars more than he had worked out was a fair price.

Why?

Because he fell in love with a property and he cared too much. But caring didn't really help him. It made him pay too much.

When the stakes are high, and you are emotionally involved in the negotiations, you don't think clearly. It's like a temporary state of near insanity. During the negotiations and especially at an auction, when you have made an offer, and you hear somebody else make a higher one on the property you want, the adrenalin is flowing and your heart is pumping.

This is why it is often useful using middlemen such as agents, experienced friends or buyers' advocates to act on your behalf and take some of the emotion out of negotiations; especially at auctions.

## 2. Make a List

**Try not to negotiate on only one factor.** The more items that are up for negotiation, the better the chance you have of agreeing on a mutually satisfactory solution.

This technique is frequently used when unions negotiate a “log of claims”. When unions want a 5% pay increase they present the employers with a long list of claims. Most of the items on the list are not critical and are “given up” as concessions for the important items which usually lie near the end of the list. Look at the following log of claims:

1. More holiday pay
2. An extra 2 days annual leave
3. Better biscuits in the tea room
4. Better safety standards
5. Higher superannuation payments
6. A 5% pay rise

What do the unions really want?

While the first 5 items would be nice, the workers are really after the pay rise. During the negotiating process, by the time the discussion gets around to the important item of the pay rise, after management has already knocked back items 1 through 5 psychologically it is time for management to make some concessions.

Because negotiation is seen to be a process of give and take, after making all the “concessions” on the first 5 items, the unions will not budge on the pay rise. So before sitting down at the negotiating table for your property with the agent or the vendor, you also need to make a list.

Make a list of the things you would like to achieve and the things you must have. Put the least important items at the top of the list and the critical items towards the end. Your list could look like this:

1. The date of possession or the length of settlement. Suggest 90 days, even though the vendor would prefer to get his money earlier such as in 30 days.
2. The amount of deposit you will pay. Offer 5% of the purchase price rather than the standard 10%. Why have your money sitting in the agent's trust account?
3. The vendor repairs the leaking roof prior to settlement.
4. You want the right to show prospective tenants through the property.
5. Clean out all the rubbish in the garage.
6. The price you want.

As you negotiate on each point, gradually concede on the items at the top of your list, but don't give in too quickly or it will be obvious that these points don't really matter to you.

When you get to the items that matter most to you, point out that you have compromised on items 1, 2 and 3 and that the other side needs to do a little compromising too if they want the sale to proceed. It should seem that you are giving up more items than the other party is, while in reality you are getting the item you really wanted anyway.

This “list” technique really works, as most people respond to what seems to be fair.

If they are being stubborn and not willing to compromise, say something along the line of *“I am really trying to make this deal work. Look at what I have given up so far ...”* and go through the concessions you have made to this point. *“If you really want to sell this property, then you are going to have to make some concessions too. How about meeting me half way?”*

### 3. Make a Written Offer

If you are a confident and experienced negotiator, I find the most effective way of concluding negotiations and submitting your final offer is to come **face to face with the vendor**. Most agents are reluctant to bring buyers and sellers together because if you are an inexperienced negotiator, and especially if you become emotional during the negotiation process, it can often upset the sales process.

So for most deals, **putting an offer in writing** and attaching a deposit cheque to it puts you in a very strong negotiating position.



Put yourself in the seller’s shoes. What would impress you more?

A telephone call from your agent saying he has a “hot prospect” who is willing to buy you property on the condition that this and that gets done; or a fully signed offer to purchase with a cheque attached.

The cheque only needs to be for a few thousand dollars. The sight of a cheque makes it psychologically harder to refuse if the vendor has the feel of your money in his “hot little hands”.

The written offer also shows your sincerity and often makes it easier for the agent to convince the vendor that this is your highest offer. A written offer may also avoid the to-ing and fro-ing as both parties arrive at their highest and lowest figures.

To gain maximum leverage out of your written offer, it should only be open for a period of 24 or 48 hours, and then lapse.

Think about it - If a vendor is asking \$600,000 for his property and receives a written offer for \$585,000, with a deposit cheque attached, and this offer expires by 5.00pm tomorrow, is he really likely to push you for that extra \$15,000 knowing that there is a chance you could go cold and reconsider the purchase if asked to resubmit another offer for a higher figure?

## 4. Always Keep a Third Party Handy

When negotiating a deal, it is useful to have an **absent third party** such as your spouse, a board of directors or a builder friend to use as a negotiating lever.

When the agent says “They haven’t accepted your offer, is that the best offer you will make?” it is very powerful to say “I don’t know, I will have to speak with my wife / builder / banker / partner as they have a lot to say in that decision.”

This trick gives you time to collect your thoughts, rather than making a rushed decision. It also makes the other side a little anxious, as they have to wait for a reply.

## 5. Pre Thinking

Before any negotiation, **gather all the information you need** and do a lot of thinking so that you won’t be trapped when somebody asks you a tough question.

This way you will have a good answer because you have pre thought the conversation. To do this, you need to think through different scenarios and know all the questions and answers before they come up.

And if they still surprise you, before agreeing to any negotiating points, try using the following phrases that will give you more time.

*“Wait a minute - let’s discuss this a moment” or “Let’s explore that.”*

Then think through the proposal and ask questions. *“Now let me think - was that clause something we agreed on in our preliminary agreement?”*

Look through your notes which gives you time to think and allows you to stand firm against the addition of a new clause. *“No, it’s not here. We didn’t agree to that, so it would not be fair to put it in now.”*

## 6. Be Mr. Nice Guy

It makes no sense to put the seller on the defensive by criticizing him or his property.

Rather than telling him that his asking price of \$650,000 is stupid you could say *“my budget won’t allow me to go over \$600,000.”*

Or rather than commenting on how poor the building is, say something like *“You know, it’s a real shame what some tenants do to a building. Look what their done with the...”*

## 7. Split the Difference

The owner wants \$750,000 for his property and you feel a fair price is \$700,000. What do you use as an opening offer? A sensible negotiating start is \$650,000. This is because many properties are sold on the basis of a “split the difference negotiation.”



This doesn't mean that you will both immediately compromise and meet half way. What usually happens is that the vendor will drop his asking price by \$10,000, so you will raise your offer by much the same amount and after a series of offers and counter offers, most successful negotiations end up with a price about half way between the original asking price and the first counter offer.

Don't be disappointed if your first offer is quickly rejected, because your first offer should really be a starting point in negotiations.

But if your offer is rejected, **don't make a further offer until the vendor declares the price he is willing to sell at**. Sometimes you will be surprised at how much the price drops below the initial asking price, and it may even be lower than you were going to offer the next time round.

## 8. Know When to Bluff

It is preferable to negotiate from a position of strength.

So what creates this perceived strength or power? A lot depends upon perception.

You will feel confident if you have done all your homework and understand the local property market. If you know the local prices well and you feel confident that there are no other buyers about to put an offer on the property, then you feel as if you are negotiating from a position of strength and have time on your side. But what happens to your feeling of power when the estate agent tells you that he has another buyer who is about to place a firm offer on the property? How much power do you feel you have then?



**You see...it's all a matter of perception of power and who's in control of the negotiations.**

A large part of this to-ing and fro-ing and reaching a final price is bluffing. But bluffing will only work if the other party does not realise that you are bluffing. So when you tell an agent that you will not pay a cent over \$550,000 for the property, you can't show one single solitary crack or let them know that you are bluffing. Don't give it away by making saying things like *"you wouldn't lower your price would you?"*

Don't be scared to bluff a little because when you win you win. And if you don't win, and the other party calls your bluff, you don't lose. You can always go back and say that you have changed your mind.

## 9. The sounds of silence

Many people feel awkward when there is a pause in the conversation. And they may even improve their stated position to you.

So when you have asked for a commitment or made an offer, simply pause. And wait patiently for the other party to speak, even if it seems like minutes are going by.

Be patient - you will be surprised what great offers may come out!

Once you've reached an agreement, change the topic and move on to the documentation straight away. Don't give them a chance to have second thoughts

## 10. Greed

Don't get too upset when sellers are asking too much. If they insist on their price and won't budge, then focus on the terms. You may end up with a better deal.

I have purchased a number of properties where the vendor was insistent on their price but would let me purchase on 5% deposit with settlements as long as 6 months and in one case 15 months. The settlement terms meant I still got a great deal.

## 11. The power of the printed word.

**It is difficult to argue against the power of the printed word.**

Think about it....ours lives are governed by signs every day. Do you challenge them? Probably not!

That does not mean you can't start doing so as of today.

If you are selling you can use this to your advantage because very few people challenge the standard words in written agreements or contracts. Just place the documents before the other party and wait for them to make their move.

They may appear to be reading the document to help justify the commitment they are about to make.

## 12. Numbers

Sometimes it is better not to make an offer that is a round number. Somehow round numbers come across as being negotiable.

On the other hand **odd numbers always appear firmer**. They convey the impression that you have spent a considerable amount of time and effort in formulating them.

## 13. Think in Real Money Terms but Talk Funny Money

There are all kinds of ways of describing the price of something.

Haven't we all had a real estate salesperson say to us at one time or another, "Do you realize you're talking \$5 a day here? You're not going to let \$5 a day stand between you and your dream home are you?" Sales-people call that breaking it down to the ridiculous.

He hopes that you don't realise that \$5 a day over the 25 year life of a real estate mortgage adds up to thousands of dollars. Power Negotiators think in real money terms.

Here are some other examples of funny money:

1. Interest rates expressed as a percentage rather than a dollar amount.
2. The amount of the monthly payments being emphasized rather than the true cost of the item.
3. Cost per brick, tile, or square meter rather than the total cost of materials.
4. Insurance premiums as a monthly amount rather than an annual cost.
5. The price of land expressed as the monthly payment.

Businesses know that if you do not have to pull real money out of your pocket, you're inclined to spend more. It's why casinos the world over have you convert your real money to gaming chips. It's why restaurants are happy to let you use a credit card although they have to pay a percentage to the credit card company.

So, when you're negotiating, **break the investment down to the ridiculous** because it sounds like less money, but learn to **think in real money terms**.

## DESIGN YOUR PROPERTY PORTFOLIO TO WEATHER THE INEVITABLE STORMS THAT LIE AHEAD

**The 360°  
Metropole  
System**

**Currently, less than 1% of properties on the market are 'investment grade'. Do you know how to select them?**

**Turn to Metropole for independent, unbiased property advice.**

- ✓ We offer our clients a time-tested system
- ✓ A proven track record: we've been involved in over \$2 billion worth of property transactions
- ✓ True on-the-ground experience from our offices in Melbourne, Sydney and Brisbane
- ✓ We don't sell property, but have access to every property on the market

*"Property investors, home buyers and developers, with all the agents, property marketers and developers out there looking after their own interests, it's a great feeling having the independent team at Metropole on your side working for you."*

**Are you just getting started or want to grow your existing property portfolio?**

CALL 1300 20 30 30

for an obligation free strategy session or a review of your property portfolio

**Michael Yardney**  
Voted Australia's leading expert in wealth creation through property

**Metropole**  
Property Strategists  
[www.metropole.com.au](http://www.metropole.com.au)

**GET YOUR FREE REPORT:**

**THE INSIDERS GUIDE TO PROPERTY INVESTING**

Download now at [www.metropole.com.au/yip](http://www.metropole.com.au/yip)

## **THE MYTHS OF NEGOTIATING**

### **Myth 1. Negotiating is a game**

Many books I have read suggest **negotiation is a game**. In fact early in this e-book I said treat negotiation like a game to make a point but I didn't say it was a game!

Let's look at this more closely. A game is structured to have winners and losers, whereas in a negotiation both sides may achieve their individual goals.



All games are regulated by rules that dictate what players may or may not do, while negotiations have absolutely no rules that govern behavior or conduct.

Furthermore, games tend to have time limits and a provision for overtime if it is needed, while negotiations end when they end regardless of how long it may take.

I could come up with other differences, but I believe these three should be sufficient to realize that **negotiating is definitely not a game. It's a process.**

### **Myth 2. Needs and Wants are the same**

**People negotiate because they have needs** which they hope to fulfill through the negotiation process. Negotiating is fundamentally a process of satisfying needs – both yours and the other party's.

So early in the negotiation process it is important to ascertain the other party's needs. It is also important to recognise that what a person "wants" and what they "need" are two different things.

I may "want" a newspaper because I "need" to know what is happening in the world.

I may "want" a pair of glasses because I "need" vision or "want" to use a screw driver because I "need" to tighten the screws in the wobbly chair.

In negotiations people will often tell you what they want. To help you become a better negotiator, **you must really understand their needs**. You can often do this by asking a simple question – **"Now that you have told me what you want...what do you really need?"**

It is amazing how individuals will immediately move away from what they said they wanted and explain the more important details of what they need.

### **Myth 3. Aggressive negotiators win**

I see many negotiators who believe that an aggressive negotiator tends to be the most successful.



In reality, the overly aggressive negotiator is not as productive simply because of human nature. **“The tougher the tactics...the tougher the resistance!”** Those negotiators who attempt to use force, intimidation, manipulation seem to bring out the greatest resistance and the least amount of cooperation and support from others.

## Myth 4. Proper preparation wins negotiations.

**Although there is no substitute for being well prepared before a negotiation, it does not necessarily insure the outcome.** Preparation is only the foundation, not the goal itself.

I have confidently entered into negotiations on a number of occasions believing I had “all the bases had been covered” and that nothing had been left to chance. I believed I had thought through all the possible scenarios and that there could not possibly be any surprises ... and yet there were.

Afterwards I realized my preparation was not at fault, it was my assumptions and perceptions.

During the preparation phase a good negotiator works diligently on the questions they will ask, and when they will ask them. But sometimes they fail to realize some questions may open a “hornet’s nest” and people respond in a very unpredictable and defensive manner to something they believed was inappropriate.

A Power Negotiator is one who not only does their homework well, but also can **think on their feet** and respond to situations and questions well. There are two tactics that I find work well in such situations.

The first one is when you have **“limited authority.”** That’s when you state you’re unable to take a position or agree to something without consulting someone else....your partner, you accountant your wife etc.

If the other side knows you have the authority and you can’t use this tactic, then you use the **“limited knowledge”** tactic. This is when you defer because you need more information from your marketing, engineering or manufacturing staff before you are able to concur.

## Myth 5. The first one to concede loses

The final myth is one that has is often believed by many negotiators and is the belief that **“the negotiator that makes the first concession displays weakness.”**

While this may be true at times, in reality when a Power Negotiator makes the first concession, they show confidence not only in their ability to make it, but also in setting the stage for receiving a compromise in return.

And if none is forthcoming, they have established **“goodwill”** in the negotiation by virtue of having made the first positive gesture in the process.

Because negotiating is a **“give-get” process**, one should never be afraid of being the first to make such an overture to another party. Ultimately, the objective is to “get” as much as one “gives” and hopefully more if one has conducted the negotiating process well.



## **COMMON MISTAKES OF NEGOTIATION**

Here are some of the common mistakes I have seen people make when negotiating.

### **1. Lack of Forward planning:**

Lack of forward planning is one of the major reasons for not creating a win/win outcome and therefore killing many negotiations.

**Take the time to do your homework and work out your objectives.**

Know your preferred outcome and the least you are prepared to accept out of the negotiation. Think through potential objections from the other party and how you will deal with them.

### **2. Rushing the negotiation process:**

Another common reason for negotiations failing is **rushing** to conclude the negotiations. Don't make this mistake; take your time so that you can get the results you are really wanting.



### **3. Failing to understand the real needs of the other party:**

Look beyond the words and look at the **real needs** of the other side. You can do this by asking probing questions.

### **4. Talking too much**

In negotiations you must remember to **listen more than you talk**. Listen to the real meaning of the words rather than just the words the other party uses. Remember to use silence, it is a powerful tool and will force the other party to start speaking.

### **5. Failure to establish rapport**

Before you get involved in negotiation, **build some rapport** with the other parties. Without it, negotiation can be a very difficult task.

### **6. Failure to acknowledge the other person's view point**

Remember not everybody thinks alike. Even if you don't agree with the other person they are entitled to their view. That's the way they see the world.

Acknowledging their point, whether you agree with it or not, shows them respect and is part of building a rapport.

You see...if the other party thinks you do not understand, they will either persist with their argument or negotiation in an attempt to have you understand, or they may just quickly negotiate out of frustration. **One of the basic emotional needs is being understood and acknowledged.**

## 7. Not understanding that good negotiation creates a win/win.

The results of a good negotiation are when both parties achieve what they want.

## 8. Making the First Offer

Some suggest that it is unwise to make the first offer during the negotiation process. They say that the party that makes the first offer of price loses the negotiation.

However, when buying real estate this rule does not always apply as usually the vendor has nominated a sale price so this is the same as making an offer, therefore the next step is up to you to make the next offer.

## 9. Accepting the First Offer

It is as big a mistake to accept the first offer as it is to make the first offer. **There is always a better offer available.**

## 10. Making Concessions

Always encourage the other party to make the first concession. When you agree to a concession, **always get something in return.** Concession from you deserves a concession from the other party.

## 11. Underestimating your own Power

As we have said earlier in this e-book, **the perception of power gives you great strength into the negotiation process.** Power is usually perception. If you think you have it, you have it and you will always have more power than you think you'll have in a negotiation.

## 12. Forgetting you have something the other side wants

Always remember that negotiation is a two-way affair. You would not be in the negotiating process if you didn't have something the other party wanted. With real estate it is often money that they want, you are a potential purchaser. So you have more power than you think.

## **PURCHASING AN INVESTMENT PROPERTY BY PRIVATE SALE**

Most properties are sold at private sale and you will be dealing with real estate agents rather than negotiating with the vendor.

You must remember that agents are employed by the vendor and are obliged to act in the vendor's best interests.

Here are some further tips that will help you become a Power Negotiator: -

1. When speaking to agents, understate the upper limit of your price range, because in general, agents tend to push you up a bit higher than what you say you are prepared to pay for a property.
2. Clearly explain to the agent that you are looking for an investment property and what your basic requirements are.
3. Don't show you emotions if you find a property that you are keen on. Most agents are good people readers and therefore will have the upper hand and take advantage of your keenness.

When you have found the right property, it is time for the cat and mouse game of establishing the lowest price that the vendor will sell it to you for.

The fundamental rule of negotiation is not to care too much whether you buy the property or not.

Remember that looking for an investment is different to looking for a house to live in where it is understandable to develop an emotional attachment.

With investment properties it is important to remove the emotions from the investment equation and only purchase the property if you are able to buy at the right price.

1. Pitch your first offer so that the final price you want to end at is half way between you offer and the asking price.
2. Make your offer unconditional or with only one conditional clause "subject to solicitor's approval within 72 hrs."
3. Make a written offer and attach a cheque to your offer.

# BUILD A PORTFOLIO THAT WILL GIVE YOU FINANCIAL INDEPENDENCE



Currently, less than 1% of properties on the market are 'investment grade'. Do you know how to select them?



Turn to Metropole for independent, unbiased property advice.

- ✓ We offer our clients a time-tested system
- ✓ A proven track record: we've been involved in over \$2 billion worth of property transactions
- ✓ True on-the-ground experience from our offices in Melbourne, Sydney and Brisbane
- ✓ We don't sell property, but have access to every property on the market

This means you will outperform the average investor & could give your family the financial freedom they deserve.

*"Property investors & home buyers : with all the agents, marketers and developers out there looking after their own interests, it's a great feeling having the independent team at Metropole on your side working for you."*

Are you just getting started or want to grow your existing property portfolio?

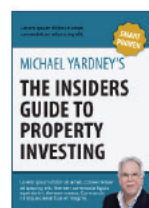
**CALL 1300 20 30 30** for an obligation free strategy session or a review of your property portfolio



**GET YOUR FREE REPORT NOW:**

**THE INSIDERS GUIDE TO PROPERTY INVESTING**

Download now at [www.metropole.com.au/api](http://www.metropole.com.au/api)



PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA  
PIPA  
CORPORATE MEMBER

[www.metropole.com.au](http://www.metropole.com.au)



**Michael Yardney**

Once again voted Australia's leading expert in wealth creation through property





## FIND OUT HOW METROPOLE CAN HELP YOU

Please call us on **1300 20 30 30**  
Or access **[www.metropole.com.au](http://www.metropole.com.au)**

**Melbourne:** Level 2, 181 Bay Street, Brighton, VIC, 3186

**Brisbane:** 20 Prospect Street, Fortitude Valley, QLD, 4006

**Sydney:** Level 4, Edgecliff Centre 203-233 New South Head Rd, Edgecliff, NSW, 2027

Copyright © 2003-2016 | All rights reserved | Published by Metropole Property Strategists

DISCLAIMER: Metropole Property Strategists and its related businesses makes no representation and gives no warranty as to the accuracy of the information in this document and accepts no liability for any errors, misprints or omission herein (whether negligent or otherwise). The publisher, editor and authors shall not be liable for any loss or damage whatsoever arising as a result of any person acting or refraining from acting in reliance on any information contained therein. Some of the authors are NOT licensed investment advisors or planners; licensed real estate agents; licensed financial planners or advisors; a qualified or practicing accountant; qualified or practicing finance professionals. All information in this e-book has been obtained by the authors solely from their own experiences as investors and is provided as general information only. No reader should rely solely on the information contained in this publication, as it does not purport to be comprehensive or to render specific advice. As such it is not intended for use as a source of investment advice. All readers are advised to retain competent counsel from legal, accounting and investment advisers to determine their own specific investment needs