

What you Must Know to Negotiate a Great Property Purchase

Buying a property is a big purchase. Get it wrong and it could set you back years. Get it right and it could propel you forward.

Here are some tools to help get you started on negotiating a great deal.

We at Erskine + Owen have found over years of negotiating property deals that successful negotiation is more about good knowledge than anything else. The more you know about the vendor, the property, your competition and yourself, the more armed you will be, and thus the more powerful you will be in the negotiation process.

Know Yourself

Before you launch yourself at the sales agent – do a little research so that you don't waste your time:

- **Buying Power.** Know exactly what you can afford. No point going to battle without knowing your firepower. You could get blown out of the water!
- **Value.** How could you possibly know what to offer on a property unless you know what it's worth? What it is worth to the open market, what it is worth to you the home buyer/ investor/ business owner, and what it is worth in a quick sale scenario. What methods are you using to determine its value? How familiar are you with past sales in the area?
- **Speed.** Know how quickly you can act. How fast could you settle a property? How fast can you get your deposit paid across? These things help you to know what concessions you can make to the vendor.
- **Time Frames.** Be realistic about how much time you have. Do you need a house now for school reasons? Is a baby due soon? Are you about to retire and need somewhere on one level urgently. Or perhaps you are an investor and have time on your side.

Know the Vendor and/or Agent

The more you know about the vendor or agent, the more you can present offers that are attractive to them, without compromising your wants.

- **Research the vendor.** Why is the vendor selling, how long has the property been on the market, have there been any offers, what price was rejected? Is the vendor feeling depressed because a contract has just fallen over? Use this knowledge to construct an offer that still achieves what you want but becomes more attractive to the vendor. For example, settlement date might not worry you, but the vendor might want an early settlement. What could you get from the vendor in return for offering an early settlement?
- **Research the agent.** Did you know that agents are more motivated by a cash unconditional deal at some times of the year more than others? Have they sold much recently – are they hurting for a commission? Be very aware that a sales agent is paid by the vendor to work for the vendor – they are not working for you. They are getting paid to get the best possible price for the vendor. The sales agent is not your friend, but they will want you to feel they are.

Ask lots of open ended what, where, how questions. Avoid too many why questions.

Know the Property

- **What are the defects of the property?** What is there about the property that will help you build a case for a lower price and/or better terms? Requisitions on the LIM? Building defects? Unpermitted works? Flood zone? Tired paint job? Bad neighbours? Bad tenant? For example, you might know that the unpermitted window will take you 2 hours to fix, but you ask for \$5k reduction, and they may give it because who else will buy a house with unpermitted works?
- **Research the property value.** One of the first questions we ask people is how do you determine what you will pay for a property? 9 times out of 10 the response is a bit 'wooly'. People will often say they look at what other properties are being marketed for, and perhaps 'offer \$30k less'. Yet knowing the value of the property is vital to your negotiation strategy. If the list price is below the value – doesn't that change what you offer compared to a property listed way above value? Just offering a certain amount below the list price is not a great approach.
- **Research the Market in General.** What's happening in the market? Is the market flat? Are there too many listings and not enough buyers or vice versa? Is Christmas approaching and are vendors looking to settle quickly?

Know the Sale & Purchase Agreement

The sale and purchase agreement is really your guideline for negotiation. You need to know it so you know what can and will require negotiation.

- **Deposit.** Can you pay a large deposit, and will that be attractive to the vendor. Tip – agents will want nothing less than 5% as that covers their commission
- **Deposit Date:** Usually paid at unconditional date. Don't let an agent coerce you in to paying a deposit upon acceptance of the offer – unless this will win you other things that are important to you.
- **Settlement date.** What can you work with, what does the vendor want?
- **LIM.** We always recommend you get this. Understand the timeframe for satisfying the LIM condition. Sales agents will try to get you to agree to reducing the time frame. What are the implications of agreeing to a shorter time frame to satisfy the LIM condition? Tip – some councils take longer to produce them than others.

Know Your Competition

Are you searching in an area that has more home buyers or investors? If first time home buyers are attending open homes in their droves you may have to be prepared to act hard and fast. If there are more investors, depending on the type of property the competition may not be as tough.

Know the Form of Sale

- **Auction.** Great for the sales agent as it gets them a good amount of marketing for their brand. In reality many properties don't sell under the hammer and you can negotiate afterwards. If you really want the property then consider the 'King Hit' or 'Rapid Fire' approach. 'King Hit' you go in with your top dollar as the opening bid. It can deflate other bidders. This is best used only in a hot market where you are certain there will be a lot of competition. The 'rapid fire' is a less aggressive approach where you bid immediately after another bid. This gives control over the bidding. Don't let anybody else control the bid.

- **By negotiation.** The preferred form of sale as it gives the most room to explore options with the vendor.
- **Tender.** If you really want the property you must go in with your best offer. If you are an investor you can offer lower so you have effectively registered your interest in the property and then see what happens after the closing date. There may be an occasion where you are the only one tendering and get to buy it.

Time Time Time

Buy yourself as much of it as you can. Remember that a house purchase is a commitment to hundreds of thousands of dollars. Take time to get it right.

We'd love to hear about your negotiation needs