
GET THE
BEST DEAL
VENDOR MOTIVATION: WHAT TO ASK

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GET THE BEST DEAL

Smart negotiating is the fastest way to make money on property. **Amy Hamilton Chadwick** reveals the secrets of the experts, so you too can buy at the right price.

DO YOU REMEMBER that great deal that got away? The property that was snatched out from under your nose at a bargain price?

Chances are that a professional investor or real-estate buyer was the person who got the jump on you. The people who negotiate for a living have an arsenal of skills that the amateur can't compete with: speed, depth of knowledge, objectivity and confidence to burn.

PLAY BY THE NUMBERS

Never buy on emotion, says Kesh Marharaj, a landlord with over 20 properties who mentors aspiring investors for NZ Wealth Mentor.

"The place is neat and tidy, the buyers see themselves living there. They don't understand the numbers, they get pressured by agents – and they pay more for it."

You have to go back to your numbers, says Maharaj. "Learn the market! Some first-time buyers will look at a three-bed brick-and-tile and pay $380,000, while another lot will pay $420,000. Get a proper valuer!"

Maharaj likes to know what the current owners paid for the property, so he knows how much the value has increased, and by knowing the market value and the cost of renovations. "I don't need to go back to a computer, I can put an offer down quickly. If the numbers don't work, I just walk away. But with my formula I'm managing to buy

VENDOR MOTIVATION: WHAT TO ASK

Vendor motivation is the key to successful negotiation, says Hadar Orkibi. Use these questions to find out all you can:

- **Why are they selling?**
- **How fast do you need me to settle?**
- **What would it take to own the property now if I gave you a cash offer?**
- **Would the vendors like to stay and rent the property back?**
- **What would they use the money for?**

Finding out the vendors' price expectation first would save you time from starting negotiations with the wrong seller. Sound out the agent by asking:

- **What is the vendor's price expectation?**
- **Have they had any offers? When, and at what level? (This could give you good indication if you are working with a realistic or motivated vendor.)**
- **If the vendors have already received what you would think is a reasonable offer, but the offer has been refused, why was that? Was it the price that they did not accept? Or the terms? The answer should give you an idea in which direction to lead the negotiation.**

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two or three good properties each year at 25% below market value."

KNOW YOUR TARGET

The biggest mistake that the average buyer makes is failing to do enough research, says Alan Henderson, director of Erskine + Owen, who specialises in negotiating and buying property.

"You need to know what you can and can't do, how far you can stretch yourself and how fast you can move," says Henderson. "You need to know all you can about the vendor and the agent. Can you settle quickly or do due diligence quickly?" Having all the information at your fingertips can allow you to sneak in and secure a deal quickly – or gauge the level of offer which the vendors will accept.

Erskine + Owen recently helped a client to negotiate on a lifestyle block originally listed for $780,000. When Henderson researched the property he discovered it had been on the market for three months with only one weak offer at the very start.

Armed with this information, he offered $700,000 for the property, "and then all of a sudden there was another offer," laughs Henderson. "We used our judgement and decided it was a load of crap and stuck to our price."

The strategy paid off, the other offer mysteriously disappeared, and the client (who had been prepared to pay up to $760,000) eventually secured the property for $725,000.

SIMPLIFY YOUR OFFER

Offers need to be uncomplicated to have the maximum chance of success, says Hadar Orkibi, deal room manager at Property-Investors.co.nz.

His favoured strategy is to be a cash buyer or be pre-approved, to carry out due diligence as fast as possible then move in with a cash unconditional offer accompanied by a 10% deposit. For a private sale, Orkibi pays a 5% deposit and has his solicitor transfer the deposit to the vendor's solicitor on the day of signing.

"The cleaner the offer is, the better chance you have of the vendor being receptive," Orkibi says. "I mostly use a due diligence clause which covers everything to do with investigating the viability of the deal. It's best to keep the clause as short as possible, from five to 10 working days."

Have a plan to offer at 10% to 15% below your maximum price, he recommends, because you can always increase your offer, but only in certain circumstances can it be dropped.

EXPERTS' TIPS

- **The inner workings of all the major real-estate agencies: "Some agencies get a commission which varies throughout the year," explains Alan Henderson. "So if you're negotiating in March, the agent is desperate to get it across, because if it falls into the next financial year the commission is lower. So you can stretch them out make them work harder. Also, some agencies protect their listings so you should only deal with listing agent, otherwise you're not going to have a good shot."**
- **How to assess a property in a heartbeat: "I don't believe in looking inside properties," Kesh Maharaj says confidently. "There's nothing inside that $15,000 to $20,000 wouldn't cure. I ask, 'Have others looked at it?', the agents say 'No'. I put in an offer immediately and I'm in a contract. It's a bit of risk, but by knowing the areas I do hedge my risk. Speed of execution is important."**
- **Never give way without reciprocation from the vendor: "When we concede something we always ask for something in return," Henderson says. "If they counter-offer and we go up by $2,000, we extend the due diligence by two working days. It all helps."**

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STRIKE A WIN-WIN DEAL

Everything is negotiable except the price: That's the message to approach your vendors with, according to financial educator Lisa Dudson of Accumen.

Vendors may be looking for conditions to sweeten the offer that are unrelated to the money, such as a long settlement date, extending an existing tenancy or a higher proportion of the price as a deposit.

Play to your strengths, says Dudson, whether that's being good at research or a knack for reading other people's emotions. She advises that you make conversation, find out what makes people tick, and once you know what the vendors want, you structure a deal to suit them.

"When you go into a negotiation, think, what are you good at that you can leverage in that negotiation?"

"I don't have tactics – if you do, you can use those – but I do use my intuition and friendly questioning skills to do the deal."

In addition to negotiating on your original offer, the due diligence may also present opportunities for another reduction in price.

"A lot of Kiwis don't do this, but sometimes the best price reductions sometimes come after the conditional offer," says Henderson. "If the due diligence throws up problems – a non-permanent window is one that we've had – you can use the opportunity to renegotiate."

Ultimately, negotiating is an extremely important tool in your investing arsenal. By getting a property for below market value, you have created instant equity from the moment you settle. Negotiating puts into practice the old adage 'A dollar saved is a dollar earned', and by locking in equity you give yourself a head start on the road to building a profitable portfolio. ■