

# essentials

need to know info about:

## The Golden Rules of Negotiating

*David & Leonie Jackson have successfully negotiated on the purchase of over 60 properties for their property portfolio. Here are their "Golden Rules" to get the property they want at the price they want!*

Just about every Australian that we've met wants to own their own home or to have an investment property or two. Property ownership is after all the Great Aussie Dream. But how on earth, in this daunting world of real estate, pitted against professionals in sharp suits and gleaming smiles can you secure the property you want at the best price?

Well we've done this just a couple of times and over the years we have developed strategies and techniques that help us. So, here are our Golden Rules of Negotiating.

### 1. Knowledge is Power

Most of the work involved in successful property negotiations occurs long before you make your first offer on a property. Before we start making offers we want to know the Property Market that we'll be buying in, know the Property and know the Vendor. So let's take a quick look at each of these.

**Know the Market.** Get a feel for your target property market by checking real estate ads in the paper, looking in Real Estate Agency windows and looking up websites such as [www.realestate.com.au](http://www.realestate.com.au) and [www.domain.com.au](http://www.domain.com.au). Get to know the subtle variations that can occur within each suburb/town, because prices can vary considerably within each market.

Doing this over a few weeks, you will give yourself a solid basis on which to judge the ballpark value of a property.

**Know the Property.** Once you have a feel for the market, you can then begin to assess how individual properties sit within that market and what its true Market Value is.

A good place to start is to research comparable sales, the history of the property and what it sold for last time.

There are a number of websites that offer basic property information for free, with the lure of selling you more detailed reports.

Great Aussie Dream offers Free Comprehensive Property Reports which includes the last known sale price of the property, comparable sales, suburb information and will even provide an estimated value of the property based on recent sales in the area. Request your report from our website.

It is important to note that the Asking Price of a property does not necessarily represent true Market Value. I have seen properties priced both well over and well below true Market Value. (See the Property Research - Essentials Guide for more info).

**Know the Vendor.** This information is rarely sought but can be invaluable in deciding on your negotiating strategy. I try to figure out what the vendor's mindset is by asking the agent a series of (seemingly innocent) questions.



- Is the property a rental or owner occupier?
- Why is the vendor selling?
- How long has it been on the market?
- Is the property vacant? if so,
- How long has it been vacant?
- Have there been any offers yet?

In short I'm trying to find out if the Vendor is in pain.

Remember, the Agent is working in the best interests of the Vendor with the aim of selling the property for the maximum price possible. The information that Agents provide to buyers is designed to "assist" them to buy. Unless legally required to do so, Agents will not volunteer information to assist buyers with their negotiations.

By asking these questions carefully and discretely you can find out if the Vendor is selling a non performing investment, if they need to sell for financial reasons, if they are committed to a property purchase elsewhere, if previous sales have fallen over and why, or any of a multitude of situations which may be causing the Vendor pain, thus making it more likely for them to accept an offer from you.

## 2. Making an Offer

OK, you've done the research, you know the true Market Value of the property and you know what your "top dollar" purchase price is. It's time to make an offer! Your challenge now is that you will be dealing with an intermediary. The Real Estate Agent, a trained professional hired by the Vendor to extract every dollar from you that he or she can.

When submitting your offer you need to build your credibility as a buyer, particularly if you are submitting a low offer (which we do all the time). Agents hate dealing with "Tyre Kickers" and they will give you the flick at the slightest suggestion that this is what you are. So how do you build credibility? Easy, first display the knowledge that you have acquired in step 1. Use this information to justify your low offer.

Next, make sure that you're "Credit Ready". In other words you have prepared yourself and your finances so that the banks and lenders will see you as an acceptable borrower for the banks and lenders (see the Essentials Guide on this topic). This is a valuable asset as many deals fall over because of financing issues and Agents hate this. Let the Agent know that you are ready to proceed without delay, have your Solicitor/Conveyancer lined up and details on hand ready to give to the Agent or include with your offer.

I like to make my offers in writing for a number of reasons. It allows me to spell out my case and justification for my offer, lets me build my credibility as a buyer, lets me point out the benefits of selling to me, and shows that I am ready to go. It also lets me add any conditions that I may have.

Most importantly, a written offer is the only way that I can communicate directly with the Vendor. If I make my offer verbally I am relying on the Agent to pass on all the information to the Vendor, but if I offer in writing, chances are the Agent will pass on my written offer for their evaluation or will read it to the vendor verbatim.

## 3. Haggle, Haggle, Haggle!

If you have done your homework then the most likely response to your offer will be "No". Awesome, now the game begins. Hopefully your rejection was accompanied by a counter offer. If there was no counter offer, ask the Agent to try and get one from the Vendor. This is not crucial, but generally when negotiating the person making concessions is also the person stating the numbers.

The two key telling factors in the negotiation process are the increments in which counter offers move and their timing. These two factors can give you a fairly accurate insight into the mindset and the position of the Vendor. Conversely, used properly these two factors can be used as a tool to send the appropriate message back to the Vendor.



To demonstrate, when we are forced to counter offer, we will carefully consider the impact that our counter offer will have. Too big a jump in our offer price tells the Vendor that we still have a fair way to go until we reach our top dollar. Small increases send the message that we don't have much room to move and that a rejection or an aggressive counter offer might scare us off.

In cases where we get a quick counter offer with a substantial drop, this signals to us that the vendor is prepared to accept much less than their asking price, and that they're keen to move quickly. Our response to his will be to either reject the offer and ask for another counter, or counter with a very slight increase or simply offer a quick settlement.

However, where the vendor has rejected my offer without a counter, or has been offended by such a low offer we will generally increase my counter offer a fair bit, (staying within budget of course) to demonstrate that we are serious about buying.

In many instances silence is a powerful tool. Generally, we don't respond to counter offers till the next business day. Anyone who has haggled in a hawker in an Asian marketplace would know that one of the most powerful tactics you can use is to start walking away. If the price you have offered actually works for the hawker, even though he said "No", he will follow you up the street imploring you to buy his goods at the price you stated.

This is the precisely the same principle. It gives the Vendor lots of time to sweat and ponder the possibility that they have scared off their buyer, making them more receptive when we do respond. We have even had the situation where the Agent has called us back and advised us that the Vendor has "reconsidered".

The key to the Haggling process is to understand the impact that the amount of your counter offers and your timing has on the vendor, and to be alert to the signals that the vendor is sending you via their counter offer. And remember, always keep your end price in mind.

#### 4. Keep your Emotions in Check

There's a saying that "When emotion goes up, intellect goes down". This is particularly true when it comes to purchasing property. Whether you are purchasing a home to live in or an investment property, you must avoid the trap of "emotionally moving in".

Obviously when purchasing a home to live in, there are certain features and characteristics that may make a home uniquely suited to you, and as such you might be prepared to pay a little more for that, and that is fine. The key is to ensure that you are making a rational purchase, that you negotiate as hard as you would for an investment and that you don't exceed your previously set "top dollar" amount.

However, when it comes to investment property it seems that people are equally prone to letting their emotions take over. The purchase of an investment property is a financial decision that should be based purely on the numbers.

One of the biggest mistakes that we see new property investors make is that they purchase property based on whether they would be happy living in it. This of course is ridiculous because it is unlikely that they ever will live in the property and in any case, tenants have different criteria when selecting a property.

The beauty of buying a property for investment purposes is that your personal preferences don't factor into what makes a good investment property, the market decides that. So if you've found a good investment and you can't get that particular property for the price that you have deemed reasonable then fine, let it go. There are another 10 or 20 just up the road that will serve your purpose just as well.

#### 5. Know When to Walk Away

This one may seem fairly obvious, but many people fail to recognize when to walk away from a deal. At the end of the day, buying property is just a numbers game. Either they work or they don't. Simple.



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## About Great Aussie Dream

Great Aussie Dream was founded in 2002 by husband and wife team David & Leonie Jackson. Starting out as a Property Investment company, a Home Loans & Finance division was quickly added followed more recently by a Real Estate & Buyers Agency and Financial Planning.

At Great Aussie Dream we believe that the best way to grow our business is to put our clients first. This is so successful that 99% of our new business comes from either repeat business or referrals from our existing clients. It's what everyone at Great Aussie Dream strives to deliver, and more importantly what our Clients have come to expect.

### Home Loans & Finance

Our multi award winning Mortgage Brokerage is set apart by the way we work with our clients to package their borrowing to meet their needs and goals, and is linked closely to their investment strategy.



Great Aussie Dream has access to over 20 Lenders, including all major Financial Institutions and Banks. Our knowledge of lender credit policies and policies of the Mortgage Insurers ensures that our clients are in the best possible position when they apply for a loan.



We are recognised as leaders in our Industry, winning multiple National Industry Awards including, Mortgage Broking Business of the Year in 2010 and Best Customer Service in 2008.

So... our clients tell us we're the best, and our Industry has voted us the best. Why then would you trust your finance to anyone else?

### Real Estate & Buyers Agency

Leveraging off David & Leonie's property investing knowledge, their experience researching property, their skill at negotiating and purchasing property, our Real Estate & Buyers Agency, provides a range of services and product offerings to both Home Buyers and Property Investors. We understand that not everyone has the time or inclination to become Property Experts, let alone the hours it takes to do the proper research, making property investing a real

gamble. Utilising our Property Targeting System (developed by David & Leonie to purchase their own property), we offer brand new and "off the plan" properties for sale that have been specially selected for their capital growth potential and their return on investment. And for those clients with something specific in mind, a Buyers Agency is available, bringing to bear all of the skills and knowledge of two of Australia's top Property Investors.

### Financial Planning

At Great Aussie Dream we believe that we are in partnership with our Clients and that we succeed by helping our clients succeed. This ethos has led to Great Aussie Dream earning a reputation for putting our Clients first. It is not surprising then, that when our clients seek financial advice they come to us.

Our Financial Services division is the latest addition to our stable of products and services, and was something that we didn't rush into. We went to great pains to ensure that our Financial Planning lived up to the high standards our Clients expect, offering the best products available in the market place whilst maintaining our independence from the major Banks and Financial Institutions that most Financial Planners are handcuffed to.

We have also recruited experienced and talented Financial Planners that share our passion for delivering truly superior service and our desire to make a difference. At Great Aussie Dream Financial Planning our mission is to work with our Clients, securing their current financial position and building their wealth in the future.



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