

42 RULES OF MODERN REAL ESTATE **NEGOTIATION**

AN INDISPENSABLE ‘RULE GUIDE’
FOR AGENTS WHO WANT TO
HELP HOME-OWNERS
SELL FOR THE **HIGHEST PRICE**

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RULE 1.

ETHICAL DUTY

As an agent acting on behalf of property sellers, you have an ethical and a legal duty to put the interests of your sellers first. This also means that you are ethically obligated to use the selling method that will get the HIGHEST PRICE for your sellers. You have an ethical duty to become a highly skilled negotiator. You must be committed to the continual study of negotiation.

You have an ethical duty
to become a
highly skilled negotiator.

RULE 2.

DECENCY

Selling and buying a home is a stressful event in anyone's life and if you treat people decently and with respect, they will be much less demanding. These days, agents are notoriously inconsiderate, especially towards buyers. A caring agent is a delightful surprise to sellers and buyers.

Never refer to buyers in a disparaging manner. They will detect your feelings. Do not refer to them as "the enemy" or "the opposition". They are your "counterpart". Buyers are just trying to do what you are trying to do for your sellers – get the best deal. If you are disrespectful, buyers may 'punish' you by deliberately killing the negotiation.

Never refer to buyers
in a disparaging manner.

Decency starts well before a negotiation starts. From the moment you meet sellers and buyers, treat them decently. Turn up on time, call back when you say you'll call back. Keep your word. Keeping promises and showing respect for people's feelings is so rare in the modern real estate world, that decency alone will help you negotiate a successful sale.

And remember: a successful sale does not only mean that a home has been sold (and you, the agent, have got a commission), it means the sellers have received the highest price and the buyers have bought the best home they could find.

No sale should ever be considered a "success" unless sellers and buyers are happy.

RULE 3.

DECISION MAKERS

Before you start negotiating be sure you are dealing with all the people who have the authority to make a decision. There is no point spending hours trying to negotiate if the person (or people) who make the final decision are not present for the entire process. Insist that all decision makers are present during the negotiation.

Failing to follow this rule puts you in danger of being caught by another rule (#37 – The ‘Higher Authority’ Rule), one, which you as a skilled negotiator can use to help your clients, but which should never be used on you or your clients.

Only unskilled negotiators start negotiating without confirming that all decision makers are present.

RULE 4.

TOLERATING CONDUCT

How much bad conduct will you tolerate? The more you want a negotiation to succeed, the more you may excuse rudeness, abuse or perhaps dishonesty. But, please, this is not a kidnapping with a ransom being demanded for a loved one. This is a real estate negotiation. It is never compulsory to tolerate abhorrent behaviour from your counterpart especially if they treat you like an enemy.

**This is not a kidnapping
with a ransom being demanded
for a loved one.**

Some people turn nasty when negotiating. They seem to think rudeness is a sign of strength. On the contrary, rudeness is a character weakness and a sign of stupidity. If rudeness turns to abuse, you are probably dealing with a psychotic bully. Bullies cannot be trusted.

Unless you believe that you will never find another person with whom to negotiate, you should never tolerate abuse or dishonesty. You should give grossly unpleasant people two steely ultimatums: first, immediate cessation of their bad behaviour and second, a final irrevocable offer. If their behaviour continues, you must cease to negotiate.

If you show strength it may force a successful outcome – and, surprisingly, often on favourable terms.

RULE 5.

CULTURAL STYLES

If you don't learn the negotiation style of the main migrant population in your area, you could be causing your sellers' homes to be *massively UNDERSOLD!*

Skilled negotiators devote time to study the styles of migrants with whom they deal. Consequently, these negotiators know how to adapt their own style to suit the style of the migrant. Any cultural idiosyncrasies – some of which can catch unskilled negotiators unawares – are known to skilled negotiators. They are prepared for even the worst tricks.

For example, in some cultures, it's part of their negotiation process to agree to conditions, including a price, and then, once other buyers have gone, an elaborate excuse, with well-acted fake apologies, is offered up as to why the buyers must suddenly pay substantially less for the home. Often, the sellers, having committed themselves elsewhere, now have no time to search for another buyer and must accept this much lower price from buyers who essentially cheated them, all because it's part of their culture.

RULE 6.

THE 7-WORD QUESTION

There is an important seven-word question that every person should ask before any major decision: "*What is the worst that can happen?*" This question should be asked by sellers who feel an offer is too low. If they refuse, what is the worst that could happen in the future? They may be forced to sell later at a much lower price.

And buyers, if they turn down a home because they feel the price is too high, what is the worst that can happen to them in the future? They may be forced to pay more for a home of lesser quality. Be careful putting a price on happiness.

A common catastrophic mistake by sellers is refusing to start negotiating after an early offer. Many sellers mistakenly think that offers made soon after their home is offered for sale must be too low; however, the opposite is more likely to be true. Generally, the highest prices are offered sooner not later. Refusing to negotiate early often means that sellers are forced into selling for a much lower price later. Had they asked the seven-word question, sellers would have discovered the often costly consequences of rejecting early buyers.

And buyers, well, the worst that can happen to them if they pull out of a negotiation, especially for a home they love, is that they never again find as good a home. Disappointed buyers, like heartbroken lovers, can spend months bitterly regretting rejecting a home they loved. Even worse, when the market is rising rapidly, buyers who stop negotiating for a home they love may soon be forced to pay thousands of dollars more for a home of lesser quality. So often, the high price required to buy their dream home today becomes, in comparison, a very low price tomorrow. The tragedy of losing the home they love is caused because buyers didn't ask the 7-word question: "*What is the worst that can happen?*"

RULE 7.

CLEAR OBJECTIVES

Before you start to negotiate, set clear objectives. And always be flexible, but know the limit to your flexibility.

One objective, however, that must never be flexible, is the goal of achieving the highest price for your sellers.

The goal of achieving
the highest price
for your sellers.

As an agent, if you discover, after a sale, that a buyer would have paid a higher price, you have failed, not just in your objective, but also in your ethical *duty*.

Failing to get the highest price almost always happens with public auctions. Incredibly, even though prices are often much higher than expected, homes sold at auction almost *never* sell for the highest price. Indeed, so common is it for homes to be **UNDERSOLD** at auction, one real estate institute (REIV) had a training course for agents titled: *“What to say to sellers when their home is sold at auction and the buyers produce a cheque for more than ten per cent of the sale price – meaning, of course, that the buyers would have paid more.”*

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the highest price
almost always happens
with public auctions.

As an agent, rather than learn slick lines to use on your sellers when you fail to get the highest price, you should learn how to get the highest price.

RULE 8.

POSITIVES

Research has shown that asking yourself positive questions (that can only be answered by 'yes') before you start to negotiate, increases the chance of a successful negotiation by at least 35 percent.

Skilled negotiators always start on a positive note. They are genuine (never phoney) about positive points they feel will lead to a successful negotiation.

Skilled negotiators
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on a positive note.

For example, if there is one major reason buyers really want a home – such as it being near a favourite school – the agent will often say, especially in response to any negative points made by buyers – “*Yes, but it’s close to the school that you really want your children to attend.*” When buyers show concern about the price of a home, a skilled negotiator will ask a positive question about one of the buyers’ favourite features, such as, “*But surely it’s worth this price to be near the school you want?*”

If a negotiation is allowed to focus on too many negative features, buyers soon forget the main reasons they like the home. A skilled negotiator never lets buyers forget why they like a home.

Good negotiators know a fact of home-ownership: buyers never regret buying a home they love. A good negotiator will have no qualms in asking a question such as: “*Where would you rather live for the next 20 years: In a ‘this’ll do’ home or in a home you love?*” The more positive a negotiation, the more likely it is that buyers will pay their highest price.

RULE 9.

NOT NEGOTIABLE FACTORS

It used to be said that “everything is negotiable”. Well, not any more, if it ever was!

Skilled negotiators accept that some things are not negotiable and you will be wasting time and energy – not to mention annoying or even upsetting people – if you try to get them to agree to something about which they have clearly said they are “not negotiable”.

Examples where something is “not negotiable” may include: a) a person’s integrity; b) loyalty to a competent friend; c) a breach of the law; d) something of high emotional or sentimental value.

Be sure you know what is not negotiable in your client’s life and, if the need arises, point out firmly and clearly the points upon which your sellers will not negotiate. Also, be sure you discover any points about which the buyers are not negotiable.

Know what is not negotiable
in your client’s life.

RULE 10.

GET OTHERS TO COMMIT FIRST

It’s one of the most commonly known – and one of the most important rules in negotiation – *get the other side to make the first move*.

So important is this rule that there is even a book on negotiation called ‘*Never Make the First Offer*’.

‘*Never Make the First Offer*’.

For example, many buyers ask agents a common question about a home for sale: “*What will they take?*” Unskilled negotiators will often blurt out a figure, thereby betraying the sellers. It’s not uncommon, on a home for sale at, say, \$900,000, for a buyer to ask an agent how much the seller will take and for the agent to reply by saying: “*Well, they accepted an offer of \$850,000 a couple of weeks ago, but the buyers changed their mind.*” This is an outrageous betrayal of a seller. The buyers may have been willing to pay \$900,000 but, due to the agent’s stupidity (or, at best, lack of skill), the agent just cost the seller \$50,000.

Skilled negotiators know exactly what to say when buyers ask: “*What will they take?*” A skilled expert negotiator is the only type of agent who should handle the sale of a home for sellers who want to sell for the highest price.

RULE 11.

MORE MONEY, MORE SERIOUS

There is truth in the famous line: “*Show me the money!*” Buyers who are serious about a home should display their seriousness by offering to pay as large a deposit as possible. None of this, “*Let me know their bottom line and if I like it, then I'll pay the money.*” No, if they are *really* serious they’ll offer money as a deposit. The more money they offer, the more serious they are about buying the home. Skilled negotiators know: “*Money talks.*”

RULE 12.

PROTECT YOUR SELLER’S POSITION

Never tell buyers the *reason* your sellers are selling. If your sellers are experiencing financial problems or are going through a relationship breakdown or suffering a personal tragedy, never let buyers take advantage of them. Never do any advertising that will damage the value of a property. Your duty is to highlight a property’s good points not draw attention to negative personal circumstances of the seller.

RULE 13.

BE RELUCTANT, **NEVER DESPERATE**

No matter how desperate the sellers may be, you must never convey that information to anyone – especially possible buyers. Sure, ‘desperation’ may attract more buyers – *but at what price?!* The highest price? No way! Desperate sellers attract bargain hunting vultures.

If buyers get even the slightest hint that sellers are desperate, or even ‘anxious’, to sell, the buyers will *never* pay their highest price.

Instead of saying that sellers are desperate, a much better word – and one that will get sellers a much better price – is ‘reluctant’. If buyers see a nice home and they believe the sellers “don’t really want to sell”, they will be more keen to buy. And, they will often be prepared to pay more for the home.

When you consider it, if the home is lovely and the sellers have lived in it for many happy years, then aren’t most sellers “reluctant” to sell? Of course. Most sellers, especially when they own much-loved quality homes, are mostly reluctant sellers. And *reluctant* is the word you need to use in order to get the highest price.

Your owners must never appear desperate. Your owners are **RELUCTANT** and buyers are lucky to have the chance to buy such a well-loved home.

RULE 14.

PERSUASION BEFORE NEGOTIATION

The only reason that you ever need to negotiate is because you are not able to persuade someone to buy a home and accept the current price and terms. If you believe passionately in what you are offering, remember that passion on its own is often enough to persuade buyers to proceed without wanting to haggle. Always try to persuade before you negotiate. After all, it's really true: Passion Persuades.

Try to persuade
before you negotiate.

RULE 15.

USE POWERFUL WORDS

Negotiation is a serious topic, especially when selling or buying a home. Don't let negotiations become trivial. All parties must be reminded of the importance of what's being negotiated. Often it helps to use powerful words to stress the importance of negotiation. Words such as "life changing" get to the heart of what's happening. And words such as "regret" which so often follows the failure to make the negotiation a success. Another powerful word is "consequences". Yes, what will be the consequences for either party if they fail to resolve this negotiation satisfactorily? How much regret will be suffered if they don't agree today?

How much regret
will be suffered
if they don't agree?!

RULE 16.

REFUSE THE FIRST OFFER

No matter how much they love it, no matter how much it delights or excites them, there is one rule of negotiation that sellers must never break: Always refuse the first offer.

Always refuse
the first offer.

If a buyer inspects a home, loves it and then makes an offer and the sellers immediately say yes, this will very likely trigger two thoughts in the mind of the buyers: First: if the sellers accepted so quickly, they would probably have accepted less. And, second: Something must be wrong.

So, always suggest that your sellers refuse the first offer even if it's above what they expected. But do not let them refuse to negotiate. Just say, "Thank you for your offer, but it should be a lot higher."

RULE 17.

FLINCH

It might be one of the most well-known negotiating rules, but don't ignore it. Whatever offer you get, always flinch – as if you have been stung by a bee. "*You want to pay HOW MUCH?!! No way!*"

Of course, the 'flinch rule', like many rules, applies to sellers and buyers – and it's not exclusive to real estate. Ask any retailer for the price of a product and respond by flinching and, many times, their first words will be: "*Oh, we can do better than that.*"

Think about "the flinch". Understand it. Know when to use it and watch out for when it is used on you. One of the best questions you can ask, after you have flinched is: "*Why are you offering that price?*" Or, if you are helping sellers to buy another home: "*Why are you asking that price?*". Just watch the response – in most cases, especially with unskilled negotiators, you'll instantly get a better price.

You'll instantly
get a better price.

RULE 18.

NEVER SAY NEVER

Be careful letting the word ‘never’ enter a negotiation. Indeed , it’s a good rule to “never say never”.

Who knows what will happen in the future? Maybe there might be a major economic collapse and property values will crash. If that happens, it won’t only affect your sellers’ home, it will affect *every* home, which means if your sellers have to sell for a lot less than they expected, then they’ll be able to buy a home for a lot less than they expected. So, if circumstances or situations change, don’t let your sellers be ‘trapped’ by having committed to ‘never’!

Who knows what will happen
in the future?

RULE 19.

FOCUS ON “CHANGE-OVER COST”

Far too many sellers hold out for too high a price on the home they are selling and then pay too high a price for the home they are buying. This is caused by a psychological factor known as “*The Endowment Effect*” which means that when we have owned something for a long time – and especially if we have liked it or even loved it – we think it’s worth more than it’s really worth.

But there’s the problem: the home is only special to the sellers. The buyers aren’t thinking of the happy memories enjoyed by the sellers, all they are doing is comparing different homes for sale. If your sellers hang out for too high a price, then, eventually – unless they decide not to sell – they’ll probably have to sell for a lot less than they could have received had they not been “blinded by love” for their own home.

So, for their own sake, if they have to sell their home for a bit less than they hoped to get, they should always consider the total change-over cost. Tell sellers to be just as tough on paying a lower price for the home they are buying as they are on wanting a higher price for the home they are selling.

Always consider
the total change-over cost.

RULE 20.

NEEDLESS CONCESSIONS

Never let the sellers give away what they don't have to give away. Never concede a point you don't have to concede for them.

Never let the sellers give away what they don't have to give away.

In their eagerness to sell, some sellers offer far too much to buyers – and far too soon. From the moment a home goes for sale until the moment the sellers finally agree on a satisfactory 'sale price' with the 'right buyers', the sellers need to be constantly careful not to 'give-away' too many concessions too soon.

By being overly keen and offering plenty of concessions in an effort to attract more interest from buyers, sellers can accidentally create the opposite effect – turning buyers away – because the buyers may think, *"Why are they trying so hard to get me interested? Maybe something's wrong."*

If sellers give away all their concessions too early in the negotiation process, they will have nothing left with which they can bargain other than money. And, of course, too many monetary concessions will soon lower the selling price.

If buyers love a home, they will still buy the home without the sellers having to offer lots of concessions!

RULE 21.

ASK FOR MORE THAN YOU EXPECT

There is nothing wrong with sellers wanting 'extra' for their homes. Wouldn't you want a bit extra for your home if you could get it? So, allow them – even encourage them – to try and sell for a bit extra. Ask them to list all the reasons they love their home and why they feel it is worth 'extra'.

The negotiation expert, Roger Dawson, lists four reasons why you should ask for more than you expect when negotiating: **1)** You may get it! **2)** You have more room to negotiate if you start higher; **3)** Asking more makes the home seem worth more (indeed, sometimes, if a home is not selling, instead of doing what most agents do – dropping the price, try increasing it. You'll be surprised how often it works. If it doesn't work, however, *quickly adjust it again!*) **4)** When you have 'room to move', you're less likely to get deadlocked.

RULE 22.

KNOWLEDGE TRULY IS POWER

KNOWLEDGE IS POWER – The party who has the most knowledge is the one who almost always (80% of the time) gets the best deal.

This percentage jumps to about 99% when one party has a great deal of knowledge about the *other* party, especially if one party discovers the other party's 'bottom line' – e.g. at a public auction when buyers discover the sellers' reserve [lowest] price, but the sellers NEVER discover the buyers HIGHEST PRICE, thereby giving basically ALL power to the buyer and guaranteeing that, when it comes to price, it will be the buyer who gets the best deal. It's amazing that most sellers do not realise how badly disadvantaged they are at a public auction. The sellers always have to reveal their lowest price but the buyers never have to reveal their highest price.

The buyers never have to reveal their highest price.

Not only does this put sellers at a huge disadvantage, it's monumentally unfair.

Ask the following question of all sellers: "When you are selling your home to a buyer, what is the most valuable knowledge the buyer could discover about you?" The answer is: *The lowest amount the seller is prepared to accept*. Such knowledge should always remain confidential.

Now, from the other side, here's the other question that sellers must ask: "What is the most important knowledge you could obtain that would help you to get the highest price for your home?" The answer is obvious: The highest price that each buyer is capable of paying for their home.

For years, almost all agents have been focused on discovering the sellers' lowest price. This gives sellers almost no chance of getting the highest price. So be sure you always focus on discovering the buyers' highest price NOT the sellers' lowest price.

Finding the buyers' highest price is the most powerful knowledge that sellers can obtain. After all, how can you persuade the buyers to pay their highest price unless you discover the highest price they are prepared to pay?

Knowledge is power. That's how you get the best deal for your sellers when negotiating. You get them the best knowledge.

RULE 23.

DISCOVER THE BUYERS' TWO HIGHEST PRICES

The biggest lie in negotiation is: *"This is the most we can pay."* Skilled agents get to know buyers who are looking for homes in their area. They spend time with those buyers so that they can do two things: First, help the buyers find the right home for themselves and, second, 'qualify' the buyers and discover how much they are capable of paying.

All buyers have two highest price limits: 1) The limit they are **CAPABLE** of paying and 2) The limit they are **WILLING** to pay for a *specific* property.

All buyers have two
highest price limits.

You cannot know what buyers are capable and willing to pay unless you know the buyers. Other than their names and contact details, you cannot get important knowledge about buyers at open-for-inspections. Only unskilled negotiators and tour guides hold their sellers' homes open for short-time public inspection periods.

Before you allow any buyer to inspect any home, make sure that buyer is qualified and capable of affording the home they want to inspect. If your sellers want to sell for, say, a million dollars, the very first and most important thing you need is a buyer who can *afford* to pay a million dollars.

To guarantee the highest price for your sellers, it's essential that you know the highest price that buyers are **capable** of paying and are **willing** to pay.

It's essential that you know
the highest price
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capable of paying
and are willing to pay.

RULE 24.

GET BUYERS UP, NOT SELLERS DOWN

Instead of spending your real estate life doing what most agents do which is trying to talk sellers down in price, focus on *talking buyers up in price*.

There are two 'Price EXTREMES' in every sale. First, the Sellers' Lowest Price (SLP) and, second, the Buyers Highest Price (BHP).

As an agent, you do not need to know the Sellers' Lowest Price, your business is to know the Buyers Highest Price.

Most agents never know the highest that buyers will pay because, firstly, they never take the time to 'qualify' the buyers and secondly, their 'bag of tricks' is made up of ways to persuade sellers to lower prices, such as the 'Conditioning Method'. Never use 'conditioning' on your sellers.

Never use
'conditioning'
on your sellers.

Sure, you can give honest feedback and, yes, you are legally obligated to pass on all offers to sellers, but you must protect your sellers from bargain hunters and recommend that sellers refuse offers that are too low.

Only ask sellers to reduce their asking price as an absolute last resort such as when asking too high a price is repelling buyers instead of attracting them.

Only ask sellers
to reduce their
asking price
as an absolute
last resort.

RULE 25.

THE “3 HIGHS” – HIGH, HIGHER & HIGHEST!

This rule can easily help negotiate tens of thousands of dollars EXTRA for your sellers, even hundreds of thousands of dollars on expensive homes.

There are three main ‘high price’ categories for any home: a High price, a Higher price and, finally and most importantly the **HIGHEST PRICE!**

With the popularity of property, almost every home can now sell for a high price, especially in comparison with what the owners paid for the home.

These days, however, due to competition – especially on more desirable homes – sellers are often getting ‘higher’ prices than expected. And this, of course, is making sellers very happy. It’s also making agents look good because agents say to sellers: “Look how much extra we got for you. You had a ‘reserve’ price of \$650,000 and we got you a **higher** price of \$700,000; that’s an extra \$50,000.” Well, yes, it is: \$700,000, in this example, is *much* higher than \$650,000.

But the question most agents fail to ask – and a point that never occurs to most sellers – is this: Although the price offered may be *higher* than expected, **Is it the HIGHEST price the buyer will pay?** Probably not – as you’re about to see.

Agents, please do not underestimate the importance of getting the **‘highest’** price for your sellers. The above example – where the sellers had a reserve price of a *high* amount of \$650,000 and the agent got them a *higher* price of \$700,000 is a true case. But the buyers who paid \$700,000 *were willing to pay \$900,000!!* That’s right; they would willingly have paid another \$200,000.

So why didn’t they?

Because the agent did not use a **HIGHEST PRICE Negotiation System**; that’s the main reason the sellers effectively LOST \$200,000 – without knowing it (which is what happens to most sellers. They never realise that their homes have been **massively UNDERSOLD!**).

As an agent, you have a duty to get the best of the three ‘high price’ categories, which, of course, is the **HIGHEST PRICE**. It’s *more* than a high price, *more* than a higher price – *nothing but the highest price is good enough.*

By using a **HIGHEST PRICE NEGOTIATION SYSTEM**, a skilled agent can explain clearly to home sellers how the agent can **guarantee to always obtain the highest price** that a buyer will pay for their property.

And, remember, the difference between a high price and the *highest price* can be **tens**, even **hundreds of thousands of dollars extra** for the sellers.

RULE 26.

THE HOLD BACK RULE

As explained in Rule 20 (Concessions), many sellers, in their haste to attract buyers, offer far too much when they first put their homes for sale.

When they first put their home for sale, don't look at what sellers can include, look at what they can exclude. No one is going to buy a home just because the sellers include a three thousand dollar pool vacuum cleaner – so use the “hold back” rule. Keep as many items as possible *excluded* from the initial offer of the home. And then, later, if buyers haggle over the price – as most buyers do – you can begin to offer some of the items you have “held back” instead of offering a big discount on your price.

**Don't look at what sellers can include,
look at what they can exclude.**

RULE 27.

MANDATORY RECIPROCITY

One of the most common words in negotiation is ‘concessions’. Every time someone asks you to ‘give’ them something, they are asking you for a concession.

And the Golden Rule with concessions is “*mandatory reciprocity*” which quite simply means: “*Never give a concession without getting one in return*”.

**“Never give a concession
without getting one in return”.**

You'll be amazed how easily this can give your sellers a much better deal. All you have to do, when someone asks you for a concession, is say: “*Well, yes, but if they do that for you, what will you do for them in return?*”

Every concession is worth money, so, when a buyer asks you for a concession, it is perfectly fair to request that a monetary value be paid for that concession.

RULE 28.**NEVER USE A BAIT PRICE
TO ATTRACT BUYERS**

Yes, it's true, if you advertise a very low price (that the sellers don't want to accept) – and you use the expression “*offers above*” or “*bidding to start from*”, you will attract more buyers. But at what price will you attract the buyers? It's obvious: if you promote a property at a low price, you attract buyers who only want to pay a low price. [NB: From 2016, in NSW, it is ILLEGAL to use “*offers above*” or “*bidding to start from*” or any dodgy price guides. NSW agents: STUDY THE NEW LEGISLATION and remember the FIRST RULE of your system – OBEY THE LAW!].

In the earlier example, where the sellers wanted at least \$650,000 and the buyers paid \$700,000 but were *capable* of paying \$900,000, the agent had ‘quoted’ the property as “starting from low 600's”, consequently there were dozens of buyers who all wanted to pay “low 600s” and so, when one buyer offered \$700,000 that figure *looked good compared with all the other low offers*.

But the reason the sellers were getting low offers was because the agent used a low ‘bait price’ to attract more buyers. Yes, it did attract more buyers, but it attracted them at the low price.

The reason sellers were
getting low offers
was because the agent
used a low ‘bait price’.

RULE 29.**BEWARE OF THE “MORE BUYERS” MYTH**

Agents are always telling sellers that if they promote a lower price they will “get more buyers” and if they do lots of advertising, then, again, they will “get more buyers”.

This is what the newspapers and “bought sales trainers” (employed by the newspapers) keep feeding agents – do more advertising and promote yourselves at the expense of the sellers and, at the same time, get more buyers for each home.

But how many buyers can buy the one home? Just one, right?! So, in reality, all you want is one buyer – the buyer who can pay the HIGHEST price.

Be smart, agents: you only need one buyer to buy one home – the highest paying buyer. Forget “more buyers” especially those wanting to nab a bargain; focus on the best buyer!

RULE 30.

KEEP MULTIPLE OFFERS CONFIDENTIAL

If you have more than one buyer interested in a home, this is your chance to get the sellers the highest possible price. Do not ruin the sellers' chances by telling each buyer what all the other buyers are offering.

If you let all buyers see all offers then, instead of buyers all offering their highest price, they will just offer a little bit more than the buyer who is making the highest offer. This is exactly what happens at public auctions.

Sure, sellers at public auctions are often delighted that they got a higher price, but they seldom realise that they didn't get *the highest price* – which can mean their homes are **UNDERSOLD** by hundreds of thousands of dollars. Remember the example of the buyer who paid \$700,000 and would have paid \$900,000? That was an auction property.

By keeping all offers confidential
you force buyers to offer
their highest price
and you can then guarantee
the sellers that you got the
HIGHEST PRICE
possible from this buyer.

Keeping all offers confidential is a brilliant way for agents to get the highest price for sellers. Unfortunately, it requires agents to do two things that most don't like to do: think and work harder.

RULE 31.**CREATE GENUINE COMPETITION**

If you can create genuine competition for a home, yes, this is your chance to get a much higher price for your sellers. It's also the time when, without realising it, many sellers let their homes be **UNDERSOLD** because they don't realise that, while competition certainly can (and does) create a higher price, it can also create an even higher price again – and that's the **HIGHEST PRICE** (See Rule 25).

Many sellers let their homes be UNDERSOLD.

So, make absolutely sure that, as mentioned in Rule 30, if you have more than one buyer interested in a home, that you do not let each buyer know how much the other buyers are offering.

In what country in the world are citizens renowned for being careful with their money? Scotland!

Here's how many Scots get the highest price for their homes:

- 1.** They ask all interested buyers to think carefully about the highest price they are willing to pay.
- 2.** Having decided on their highest price, each buyer must then place this price on a pre-designed form in a sealed envelope.
- 3.** At a pre-arranged time, all envelopes are opened and the person who has made the highest offer buys the home.

Now, because buyers are not given a second chance to make another offer nor, of course, to increase their current offer, this encourages them to offer their highest price.

Under this system the difference between the amount offered by the highest buyer and the second highest buyer can often be many thousands of pounds. These "many thousands" are all extra that the sellers receive.

To attract competition for a home, you should set a reasonable asking price – an attracting price – in the hope that, as often happens, more than one buyer shows interest which forces the price higher. Of course, the price you use to attract buyers must be a price at which the home would sell *if* it is the best price the sellers are offered.

Agents who are highly skilled negotiators often sell homes at amounts well above the asking price to buyers who have offered the highest price that they are capable of offering.

Agents who are unskilled negotiators will often say: "*If you put a price on a home, that price can only go down.*" Such statements are nonsense and merely reveal the appalling lack of knowledge of such agents.

Sometimes, in areas or in markets where it can genuinely be hard to know the likely selling price of a home, you can occasionally attract competition by not revealing a price – provided you are genuine and you do not play those silly "well, you tell me" guessing games that upset buyers.

As the sellers' agent, the more frank you are with buyers, the more they will understand and trust that you are not cheating them by asking them to offer their highest price. You are doing what you are legally and ethically bound to do – sell the sellers' home for the highest price.



RULE 32.

'CALL OUT' THE FAIR DEAL

What buyers – indeed, what everyone wants most of all, is to be treated fairly, not to be manipulated and, at the end of the negotiation, to know that, even if they paid a bit more – or, sometimes with sellers, if they sold for a little less – they were treated well and they got “a fair deal”.

So, always be fair
and don't ever let the other side
have any reason to feel
they are being treated in any manner
other than scrupulously fair.

If an unfair or harsh demand is made in a negotiation, rather than feel bitter, it often helps to ask the other party a simple and blunt question: *“Do you think that's fair?”*

The same applies in any situation where you feel something is not right; always ‘call it out’. For example, if one person in a negotiation seems unhappy or has ‘an attitude look’ about them, just ‘call it out’ by saying something such as, *“You don't seem too happy; is everything okay?”* Or, *“You seem to have gone a bit quiet; would you mind telling us what clearly seems to be bothering you?”*

Sometimes, when you ‘call out’ a situation you will discover that a complete misunderstanding was about to derail the negotiation. So, don't let anything fester. Be committed to fairness – both for yourself and others – and you should have a negotiation where everyone feels they get a fair deal.

Be committed
to fairness.

RULE 33.

USE THE FRANKLIN RULE

Nobody likes pushy salespeople. Indeed, the greatest skill in negotiation is being able to help people make a decision that gives them what they want; and, in real estate, that's usually a home they like (love!) at a fair price.

But, still, no matter how much someone wants to buy a home, they will often have concerns. Left unaddressed, minor concerns can erupt into major 'deal killers'.

Many skilled negotiators use an idea favoured by one of history's most famous negotiators – Benjamin Franklin. When involved in a difficult negotiation or facing a tough decision, Franklin would rule a line down the centre of a piece of paper. On one side, he'd list advantages; then, on the other side, he'd list disadvantages. He could then see, at a glance, the good and the bad in any deal.

In a negotiation he'd then try and increase his advantages and decrease his disadvantages.

This 'Franklin Rule' is still used to great effect by many negotiators as it enables them and their clients to know the good and the bad in any deal. When looking at the two columns, the right decision often seems to 'jump out', that's how obvious the solution becomes when it's on paper.

The right decision often
seems to 'jump out'.

RULE 34.

PUT IT IN WRITING!

The written word has far more credibility than the spoken word; therefore, as much as possible, always encourage buyers to make offers in writing. The written word carries real power in a negotiation.

The written word carries real
power in a negotiation.

RULE 35.

NEVER SPLIT ‘THE FIRST DIFFERENCE’

Here's how to get a few thousand dollars extra for your sellers.

How to get
a few thousand dollars
extra for your sellers.

Let's say a home is for sale for \$800,000 and the buyers have offered \$750,000. In response, the sellers reduce the price to \$790,000. But the buyers only increase their offer to \$760,000.

The parties are now \$30,000 apart – but everything then seems stuck.

In many cases, the buyers will say, “*Let's split the difference.*” What they are saying is that they are prepared to go up by \$15,000 and they expect the sellers to do the same. Never let the sellers do it. At least, not on the first ‘split’.

Instead, confirm to the buyers that they have now agreed to offer \$775,000 – but your sellers are not prepared to come down from \$790,000; however, after much consideration, they may agree to ‘split the difference’ between \$790,000 and \$775,000 which means the buyers have to go up by another \$7,500.

Skilled negotiators create a ‘second split’ and win a few thousand dollars extra for their sellers. So, never ever split the first difference. Go for the second difference.

So, never ever
split the first difference.
Go for
the second difference.

RULE 36.

USE THE TRIVILISATION TECHNIQUE

Far too many home sales are lost for the sake of a few thousand dollars. For example, the sellers may have agreed to sell for \$880,000 but the buyers just won't budge from \$850,000.

Skilled negotiators will use what's known as a 'Trivialisation Technique'. They will ask the buyers how long they intend to live in the home; often the buyers will say "For the rest of our lives", to which the skilled negotiator may say, "*Well, that's at least 30 years and considering that you are only \$30,000 away from being able to buy the home you really want, that works out at just a thousand dollars a year, which is less than three dollars a day. Why, even a cup of coffee costs more than that these days. Surely you're not going to lose the home you love for less than the cost of a cup of coffee each day.*"

Surely you're not
going to lose the home you love
for less than the cost of
a cup of coffee each day.

If the negotiator is strong enough on the trivialisation point, many buyers will instantly increase their offers to the extra amount. Sure, the price may seem high today, but, spread over the time in which buyers plan to own the home, even the biggest of price differences can seem trivial.

Further, it can be pointed out to the buyers that the capital appreciation on a home worth almost a million dollars has historically been at least five per cent, so it's only going to take a year or two from the time the buyers buy the home until capital appreciation has compensated them for any extra they may have had to pay to buy the home.

RULE 37.

THE HIGHER AUTHORITY

Rule 3 says to be sure that all decision makers are present before you start negotiating; if not, someone can use the ‘Higher Authority’ Rule against you.

This rule means that you tell the other side that, before you can make a final decision, you need to check with someone else, a “higher authority”. For instance, sellers may want to check with another agent in whom they have confidence.

This rule means that you tell
the other side that,
before you can make a final decision,
you need to check with someone else,
a “higher authority”.

Bureaucrats use this rule all the time, often to the great frustration of those with whom they are dealing. It can be a handy rule that often gets you a better deal; but don’t use it too often as it will tend to make your counterpart say, *“Well, what’s the point in negotiating with you if you can’t make a decision?!”*

The Higher Authority Rule is best used when you want to extricate yourself from a position where you are under intense stress, such as when someone is using high-pressure to get your sellers to make a decision that they don’t feel comfortable making. In that situation, you just say that they cannot make a final decision until you speak to “another person” – this ‘Higher Authority’.

You just say that they
cannot make a final decision
until you speak to “another person”.

RULE 38.**BHP PROMISE GUARANTEE**

For getting the highest price, no rule is more important than the 'BHP Promise Guarantee' and yet it is a rarely used rule in real estate negotiation. Indeed, most agents have never heard of it, but that's because most agents are incompetent negotiators. As often mentioned, agents make the classic and dreadfully costly mistake (for the sellers) of focusing their entire attention on the lowest price the sellers will accept when they should be focusing on the highest price the buyers are prepared to pay.

For getting the highest price,
no rule is more important than
the 'BHP Promise Guarantee'

In real estate terms, particularly at, say, auctions, the Sellers' Lowest Price is called 'the Reserve Price'.

What do they call the Buyers' Highest Price? They don't even have a name for it, that's how little is the attention that is ever paid to getting the Buyers' Highest Price!

All real estate always sells between two 'EXTREME price points'. Those two points are the Sellers' Lowest Price (**SLP**) and the Buyers' Highest Price (**BHP**). A skilled negotiator, acting on behalf of the seller, will do everything possible to ensure that the selling price is at the Buyers' Highest Price. Indeed, the BHP is the only price the sellers should want because that is, quite literally, the highest possible price at which the property can sell to that specific buyer.

There's a well-known point in real estate negotiating that all sellers should be warned about: *If they tell the agent the lowest price that they're prepared to accept, that's quite likely to be the highest price they'll ever get.* And why would anyone want their lowest price to become the best price they get? It's ridiculous.

You don't need to know your sellers' lowest price; instead, you need to discover the highest price the buyers are willing to pay.

You don't need to know
your sellers' lowest price;
instead, you need to discover the
highest price the buyers are willing to pay.

RULE 39.

THE KISSINGER CLOSE

The famous diplomat, Henry Kissinger, spent his entire life involved in world-changing negotiations. He had an expression that became well-known because, love him or hate him, it has to be acknowledged that he negotiated on some very major matters. His expression, that always seemed to get him a better deal was: *"That's just not good enough."*

"That's just not good enough."

So always ask for more by using the 'not good enough' expression. These days, it will probably pay to add some courtesy and you may get a better result for your sellers if you say to the buyers: *"I'm sorry but that price you are offering them is just not good enough for you to buy this home. You'll have to do a lot better. But thanks for your interest."* Kissinger was right – just asking for more so often gets you more.

RULE 40.

THE BUSES RULE

A common mistake in negotiation is similar to a mistake in romance – thinking that the other person is the only one who will ever want to be involved with you.

If things get too difficult, if your counterpart frustrates you too much, if you get to the point where you can't stand what is going on, always remember the 'Buses Rule'. That's right, *buses*.

In most cases, other than extreme slumps, buyers are like buses – there will be another one along shortly.

Consider this: If a buyer has persuaded sellers to greatly lower their price, it probably means that, at this new price, many other buyers will now be interested.

**At this new price,
many other buyers will
now be interested.**

So, if you're fed up negotiating with a difficult buyer, just stop and say that you'd rather find another buyer. Amazingly, once you tell difficult buyers that you have decided to look for other buyers, many instantly become more reasonable.

RULE 41.

THE COLUMBO BONUS

This is the favourite rule of some of the very best negotiators. It is based on the 1970s television series, *Columbo*, about a scruffy detective who masked his intelligence with a bumbling style. One of his most famous lines which he often used after he finished questioning a suspect was, “*Oh, just one more thing.*”

Well, that’s *exactly* what you can do in your negotiation. When everything is just about wrapped up and done, when everyone is on the verge of agreement, you come out with your “*just one more thing*” request.

When everyone is
on the verge of agreement,
you come out with your
“just one more thing” request.

For example, if you are selling a property to a developer who plans to build, say, 48 apartments – well, once you have almost agreed, you make your “one more thing” request such as asking that your sellers be “given” [yes, that’s right “given”, at no charge] one of the completed apartments – and be sure that once they agree (which they very often do), you again say “one more thing” and ask for your sellers to have their choice of which apartment. Naturally, they can select the best. The best?

There is nothing wrong with wanting the best deal for your sellers and their family. The best deal possible for your sellers is your minimum requirement from any negotiation.

There is nothing wrong
with wanting the best deal
for your sellers and their family.

RULE 42.

THE HELP OFFER

Everyone responds positively to kindness. If someone treats us in a considerate manner, it makes us want to please them in return. So, if you can find a way to show kindness, your negotiation will almost certainly go well.

Everyone responds positively
to kindness.

For example, if you are their agent and you are helping sellers get the best deal when they are selling, why not offer to help them get the best deal when they are buying? And, at no extra charge. If you are a skilled negotiator, such an offer could be worth thousands of dollars to your sellers.

So, find a way, *some way*, that you can help people *in addition* to what is the subject of your current negotiation and you will almost certainly find that your current negotiation will go a lot smoother. And, as an extra bonus, you'll get that wonderfully satisfied and happy feeling that only comes from helping others and being responsible for bringing happiness into people's lives.

Get that wonderfully
satisfied and happy feeling
that only comes from helping others
and being responsible for bringing
happiness into people's lives.

You'll be a successful negotiator – able to win the highest price for your sellers and be respected and admired by all you meet. That's true success!



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