



TODAY'S BUYER'S REP

A publication of the Real Estate Buyer's Agent Council, Inc.
A wholly-owned subsidiary of the National Association of REALTORS®

February 2011 • Volume XX • Number 2

Planning for Negotiating Success



By John Wenner, ABR®, CRS, GREEN, GRI, SFR, Real Estate Negotiation Institute, Aliso Viejo, CA

A top real estate producer with numerous sales awards, John Wenner is also a nationally-acclaimed negotiation expert, speaker, author, and trainer with over 25 years professional negotiating experience. He is Co-Founder of Real Estate Negotiation Institute (RENI), the leading national negotiation training company serving the real estate industry.

Whenever NAR surveys buyers about desirable skills and qualities for their agent, an overwhelming majority of buyers (most recently 84 percent) believe that negotiation skills are very important.¹ However, when asked about the actual skills and qualities they experienced during their transaction, buyers rate their agent's ability to negotiate on their behalf lowest, in terms of satisfaction scores.

Clearly there is a big gap between what buyers want and what they are getting. Granted, part of the disparity may be due to unrealistic expectations among buyers. Still, we commit a major disservice to the buyers who rely upon us to negotiate on their behalf if we cast aside any personal responsibility to be better negotiators.

Negotiating is a skill, and it can be learned. But how many of us invest time in educating ourselves, practicing and improving our negotiating skills?

Some people seem to be naturally gifted negotiators. They have a special knack for understanding human nature and how to utilize it, in a positive sense, to achieve win-win results.

But one essential element shared by successful negotiators is readily achievable by every agent—the discipline of approaching each negotiation carefully and methodically, with the intention of developing a negotiating plan with your buyer-client. In other words, taking a systematic approach.

Continued on page 3



LOOK INSIDE...

Negotiation Planning Guide

page 5

**The Negotiation Process:
New consumer one-sheet**

page 7

¹ 2010 NAR Profile of Home Buyers and Sellers, National Association of REALTORS®, page 65.

MEMBERSHIP UPDATE

WORTH QUOTING...

“Obstacles are those frightful things you see when you take your eyes off the goal.”

– Hannah More



Continue Building Your Business with REALTOR Benefits® Program Partner, Lowe's

After 5 successful years NAR and Lowe's are proud to announce a three-year extension solidifying Lowe's position as NAR's exclusive home improvements provider. The Lowe's Program for REALTORS® has been very popular, over 700,000 members have enrolled. It gives you the ability to send clients customized direct marketing, including a home buyer and seller version and discounts on purchases at Lowe's. Best of all it is absolutely FREE to REALTORS®. To continue taking advantage of these great benefits visit Lowe'sREALTORBenefits.com.



Let's Build Something Together™

Final Reminder... Renew Membership Dues

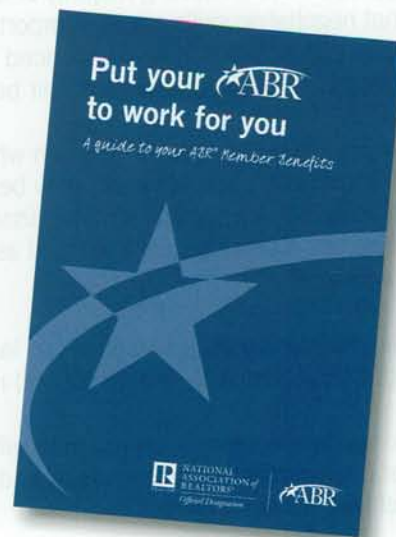
Final dues notices were mailed at the end of January, so if you haven't already, please renew your dues now.

The easiest way to renew is online. Simply go to the members area of REBAC.net and click on "Renew Membership." From our secure payment site, you only need to confirm your membership and payment information.

We look forward to continuing to support your efforts in 2011. **Read more about what's on tap this year in the special REBAC 2011 Marketing Plan insert.**

New Member Benefits Guide

If you're new to REBAC—or just want a refresher on all the great benefits available to members—check out the new member page at REBAC.net/new_member.cfm. Here you'll find a compilation of many REBAC resources and related benefits designed to further your success, plus a downloadable guide, *Put your ABR® to work for you*.



Connect online with fellow ABR®s for news, tips and referrals!

facebook

LinkedIn

REBAC.net

twitter

ABR® NETWORK

Planning for Negotiating Success

Continued from page 1

Several of the necessary steps are outlined in the Negotiating Planning Guide on page 5. Use this as a checklist, to help ensure you incorporate many important factors in your background research—details that are essential for formulating a solid negotiation plan.

The initial steps are necessary for evaluating value and assessing the spread between the buyer's maximum purchase price and the owner's minimum selling price. We call this the zone of possible agreement. Illustrating this overlapping range, or gap, can be a helpful starting point in formulating a negotiating plan with your buyer-clients.

If there is no overlap between the seller's minimum price and the buyer's maximum price, the likelihood of reaching agreement is not impossible, but greatly reduced. Even in situations where a zone of possible agreement exists, however, success is not guaranteed.

KNOWLEDGE IS POWER

A systematic approach to negotiating begins with market knowledge.

Knowledge is power, and you want to use as many facts as you can to support your case.

Even if the data doesn't provide an air-tight argument for your negotiating position, do the analysis and know the numbers. You can still create important power in a negotiation simply by demonstrating market knowledge. Power comes from expertise.

Here are some of the most important metrics to include in your analysis:

Inventory/absorption rate. This is perhaps the most important measure of a market's condition. By taking the current active inventory divided by sold properties (typically the past month), we can tell how many months it would take to clear all the current inventory from the market, as of that point in time.

It is generally believed that a healthy, balanced market has an inventory/

absorption rate of four to six months; greater than six months indicates a buyer's market, and under four months is a seller's market. To hone in on specific trends, the same analysis can be conducted by price, or by neighborhood.

Average list price trends. Are listing prices in your neighborhood(s) flat, decreasing or increasing? To be a true neighborhood expert, you have to make a conscious effort to track this data, since it is not readily accessible. But the numbers provide important insights on pricing trends, beneficial for structuring your buyer's offer, or explaining it to the seller.

Number of homes sold. Compiled on a monthly basis, the number of homes sold provides another measure of neighborhood demand. You can evaluate month-to-month trends, or look at the current month (or quarter) relative to the same time period one year ago. This adds a seasonality factor to your analysis, since certain months are often considered more or less active than others.

Average selling price to listing price ratio. Are you seeing sellers with high listing price expectations? Buyers with a different attitude, and getting what they want? The average selling price to listing price ratio can help provide credibility when justifying your offer to a seller. Again, to conduct this analysis, agents must be constantly compiling their own listing price data.

Price per square foot. The validity of this metric varies from one region to another. In some markets, for example, garages are included as living space, skewing price-per-square-foot data. But if appropriate in your market, and supportive of your negotiating position, by all means factor this into your plan.

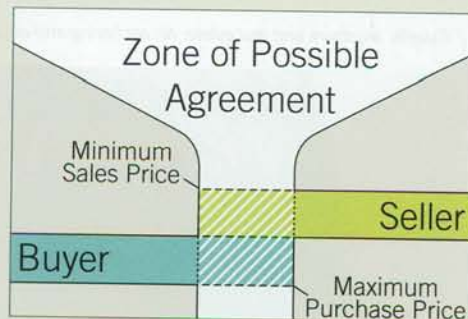
Relative property condition. While all the other measures are based on hard facts, this one is highly subjective. The premium (or discount) you would place on a home's fixtures, construction style, or numerous other tangible and

"...too many people—including many seasoned dealmakers—think of negotiation as being all art and no science; as a result, they rely on gut instinct or intuition as they negotiate. But instinct is not a strategy. Nor is shooting from the hip."

— Dr. Deepak Malhotra
Professor, Harvard Law School

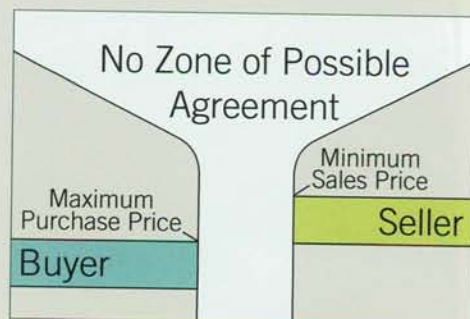
Negotiating Scenarios

SCENARIO 1



Implication: Agreement is possible, but not guaranteed.

SCENARIO 2



Implication: Agreement is not impossible, but you will have to work harder.

Continued on page 4

intangible features—relative to similar properties currently on the market—might be quite different from another agent's assessment. Still, relative property condition can be an important tool in structuring your negotiating strategy.

THE LISTING PRICE TRAP

If you are disciplined in thoroughly assessing a property—researching and evaluating the absorption rate, average list prices, and other important factors—you'll greatly improve the likelihood that you can approach your buyer's negotiation with objectivity. This includes ignoring, for the moment, the property's list price.

The list price is of course the point from which the negotiation begins. As such, it is also an "anchor point"—a position of power in a negotiation. Research has proven that the list price will influence buyer's agents, even if the listing agent didn't do a good job of pricing the property.

In a study of price influencers², real estate agents were given market data and analysis, and were invited to visit and price a particular property. The agents were divided into two groups; the only difference between the groups was the stated list price.

Each agent was asked to assign a value to the property. They were also asked if the list price had any impact on their decision. Even though 80 percent of the agents said "no," the data said "yes."

We all want to believe that we are capable of conducting an objective and accurate market analysis, but these findings illustrate the power of the listing/anchor price, and the importance of independent market research to help offset the potential risk that your buyer pays more than they should.

THE IMPORTANCE OF PLAN B

What should your buyer do if an agreement can't be reached on price? When do they walk away? These are important questions to discuss and agree upon before a negotiation begins. If a buyer has alternatives, they are automatically in a stronger negotiating position.

Roger Fisher, noted Harvard negotiation expert and co-author of *Getting to Yes*, advises, "The more you think about your walk-away options before you negotiate, the stronger you will be as a negotiator. Once you know your walk-away option, you can make an informed decision about whether it's better to walk away or reach an agreement."

Also, don't forget that sellers have alternatives too. When planning your negotiating strategy, attempt to anticipate what those options might be.

Continued on page 6

² *Experts, amateurs and real estate: An anchoring-and-adjustment perspective on property pricing decisions*, by Gregory B. Northcraft and Margaret A. Neale, 1987.





Negotiation *Planning Guide*

Successful negotiators rely on:

- 1) research** - gathering all the relevant facts you can about the market, the buyer and the seller; and
- 2) planning** - using these facts, coupled with an understanding of different negotiating techniques, to craft an optimal strategy.

When developing your negotiation plan, take time to first assess each of these factors:

MARKET CONDITIONS

- ◆ Conduct a thorough market analysis specific to the property in question, evaluating:
 - Inventory/absorption rate
 - Average list price trends
 - Trends in number of homes sold
 - Average selling price to listing price ratio
 - Price per square foot
 - Relative property condition
 - Any other relevant data
- ◆ What does the data say about the seller's asking price? Opportunities for buyers?
- ◆ What distortions, if any, are caused by distressed properties?

BUYER'S PERSPECTIVE

- ◆ What are your buyer's alternatives?
- ◆ What is the maximum price they are willing to pay?
- ◆ What other elements can your buyer include in their offer (or a response to a counteroffer) to make it more appealing?

SELLER'S PERSPECTIVE

- ◆ What are the seller's alternatives?
- ◆ What is the possible minimum the seller would accept?
- ◆ What do you know about the seller's situation that reveals motivations, priorities, etc.?

ZONE OF POSSIBLE AGREEMENT

- ◆ What is the range (if any) between the buyer's maximum price and the seller's expected minimum price?
- ◆ How do these numbers compare to your analysis of market conditions, specific to this property?

PERSUASION APPROACHES

Which will be most effective? (Think SUCCESS to remember all options.)

Self-interest – Can you show the seller why it's in their best interest to accept your buyer's offer?

Uniqueness – Is there a way you can make your buyer's offer unique and/or special relative to other buyers' offers?

Contrast – Can you present comparisons that will improve the appearance of your buyer's offer?

Communication – What method of presentation will you utilize? Words? Verbal? Body language?

Exchange (or reciprocity) – Can your buyer help the seller get what they want in exchange for giving your buyer what they want?

Sameness – Is there a "connecting point" with the seller and/or the listing agent that you can use to your advantage?

Sound logic – Can you use logic and rationale to justify your buyer's offer to the seller?

PLAN!

Working with your buyer, take all these and other relevant factors into consideration and agree on a negotiating plan. Will you be leaning heavily upon logic and data, using your market analysis to support your offer? Are there other aspects of your buyer's offer that can be emphasized to sweeten the deal? How will you structure your initial offer, relative to potential responses to counter-offers?

These questions, and others, are central to negotiating success. You can demonstrate your knowledge and experience to buyer-clients—and improve their ability to get what they most want from you—by taking a professional, step-by-step approach to negotiating on their behalf.



Planning for Negotiating Success

Continued from page 4

PRESENTING YOUR BUYER'S OFFER

I realize that many agents are accustomed to faxing or e-mailing a buyer-client's offer to the listing agent. There are many compelling reasons, however, that buyer's reps should present the offer in person.

Ideally, you should ask the listing agent if you can accompany him or her to present your buyer's offer to the sellers. Even if this request is denied, go to the effort to make personal contact with the listing agent, taking time to explain how your buyer structured their offer.

Research has proven that this approach is much more effective. In a study undertaken at UCLA and described in a book titled *Silent Messages*, Dr. Albert Mehrabian said he found that e-mailed or faxed offers had only a 7 percent effectiveness rating; 38 percent if a verbal message such as calling on the phone to describe the offer was added; and 55 percent effectiveness for adding body language, by communicating face-to-face.

How can any buyer's rep look at these results and continue to fax or e-mail their clients' offers? Phone calls and personal presentations are obvious and

easy ways to improve your negotiating effectiveness—the number one skill desired by buyers.

If you can explain your buyer's rationale in structuring their offer, you get to bring more information to the table that helps the seller(s) understand the logic behind your offer. You also greatly reduce the likelihood of negative, emotionally-charged reactions, which only serve to push the two parties further apart.

MEETING OUR OBLIGATIONS TO CLIENTS

Too often, we think of negotiation skills as a nice-to-have. But if you consider the fiduciary responsibilities we owe to buyer-clients, a strong argument can be made that negotiating skills are not just desirable, but essential and critical.

Yes, negotiating skills take time, education and practice. Don't ever consider your work on this skill complete. Every transaction is unique and offers opportunities to hone your negotiating talents in new ways. **R**

Use this handout to discuss the negotiating process with buyer-clients. Print more copies and view other consumer one-sheets in the Members area of REBAC.net.



Recommended Reading

- ◆ *Getting to Yes*
by Roger Fisher and William Ury
- ◆ *Influence, Science and Practice*
by Robert B. Cialdini
- ◆ *Bargaining for Advantage, Negotiation Strategies for Reasonable People*
by G. Richard Shell
- ◆ *The Mind and Heart of the Negotiator, Third Edition*
by Leigh L. Thompson
- ◆ *3D Negotiation*
by David A. Lax and James K. Sebenius
- ◆ *Negotiation Genius*
by Deepak Malhotra and Max H. Bazerman
- ◆ *Metaphorically Selling*
by Anne Miller
- ◆ *The Psychology of Persuasion*
by Kevin Hogan
- ◆ *Yes! 50 Scientifically Proven Ways to Be Persuasive*
by Noah Goldstein, Steve J. Martin, and Robert Cialdini
- ◆ *Beyond Reason, Using Emotions as You Negotiate*
by Roger Fisher and Daniel Shapiro

Learn More! NEGOTIATION TRAINING

Offered by the Women's Council of REALTORS®, Effective Negotiating for Real Estate Professionals examines positional bargaining and value negotiating, with special attention paid to the issues of representing someone in a negotiation and breaking an impasse. This course meets the elective course requirement for the ABR® designation and is one of three courses required for the Performance Management Network designation. It will also satisfy the designation transition for current LTGs.

To learn more about Effective Negotiating for Real Estate Professionals, including dates and locations of upcoming sessions, visit REBAC.net/wcr_negotiating.cfm.

The Negotiating Process

You've found a home that's right for you and it's time to make an offer. What steps are involved in negotiating a real estate purchase?

STEP 1. RESEARCH AND PLANNING

Depending on market conditions, you may have to act quickly, before another buyer steps ahead of you. That said, the best way to approach a home purchase is to arm yourself with facts and to plan a negotiating strategy. Your ABR® can assist you on both these points.

When deciding what to offer for a property, current market prices are the most important factor. Your ABR® can provide valuable assistance in this regard—counseling you on market conditions, price ranges, comparable properties, and appropriate negotiating strategies.

STEP 2. SUBMIT AN OFFER

Real estate transactions require a written contract, which conveys an initial written offer. A check for earnest money usually accompanies an offer.

Your offer will specify price, plus all the terms and conditions of the purchase you want to negotiate. Your ABR® provides a valuable service by helping you use standard forms that are kept up-to-date with changing real estate laws, which vary from one state to another, and by explaining the negotiating impact of including various terms and conditions.



STEP 3. THE SELLER'S RESPONSE

When your offer is presented, the seller's options are to:

Accept. If, after reviewing your written offer, the sellers sign their unconditional acceptance, then you will have a binding contract as soon as you are notified of the offer's acceptance.

Reject. If the sellers reject your offer, you are released of any obligation. The sellers cannot later change their minds and expect to bind you to a contract based on that offer.

Counteroffer. If the sellers like most aspects of your offer, they may present a written counteroffer that includes the changes the sellers want to make. You are then free to accept their counteroffer, reject it, or make your own counteroffer to their counteroffer. This process can repeat itself as many times as it takes for you and the sellers to agree on the sales contract. At this point, negotiations are over and the terms of the sale are final.

It is important to note that the negotiating process always moves forward; buyers cannot decide at a later time to accept a counteroffer that they previously rejected. If the property is still available, buyers must reinstate negotiations by submitting a new offer.

WITHDRAWING AN OFFER

Can you take back an offer? In most cases the answer is yes, right up until the moment your offer is accepted. In some cases, you can withdraw an offer before you've been notified of its acceptance.

If you want to withdraw your offer after acceptance, be sure to do so only after consulting a lawyer who is experienced in real estate matters. You want to avoid losing your earnest money deposit or a lawsuit for damages the sellers incurred because of your actions.

The Accredited Buyer's Representative (ABR®) designation is awarded by the Real Estate Buyer's Agent Council (REBAC), a subsidiary of the National Association of REALTORS® (NAR).

To learn more about REBAC and access various home buyer resources, please visit www.REBAC.net.



empowered by **REBAC**



NATIONAL ASSOCIATION of REALTORS®

Official Designation



PRSR STD
U.S. POSTAGE
PAID
PALATINE P&DC, IL
PERMIT NO. 319

Real Estate Buyer's Agent Council, Inc.
430 North Michigan Avenue
Chicago, IL 60611

1-800-648-6224
REBAC@realtors.org

TODAY'S BUYER'S REP

February 2011 • Volume XX • Number 2



NATIONAL ASSOCIATION of REALTORS®
Official Designation



Plan Now for e-PRO® Training at the Midyear Meeting

Held May 9–13, 2011 in Washington, D.C., the upcoming REALTORS® Midyear Meetings & Trade Expo will include an opportunity to take Day 1 of NAR's e-PRO® Certification Program on May 10, from 8:30 am to 5:00 pm.

All new content!

Technology has changed since the e-PRO® certification was created over ten years ago. That's why the National Association of REALTORS® partnered with the Social Media Marketing Institute (SMMI) to develop an entirely new e-PRO® program that helps you successfully compete in today's ever-evolving real estate market.

The new e-PRO® curriculum helps you use the latest social media technologies, such as Facebook and Twitter, to create an online presence vital to reaching today's hyper-connected consumers. e-PRO® also teaches you how to take advantage of rich media and e-office strategies to run your business more efficiently.



e-PRO®: Day 1 Course

For more details on the e-PRO® course offering at the Midyear Meeting, or other dates and locations, visit ePRONAR.com.