

# Module 9 : Negotiating

- The negotiator's mindset
- Basic concepts of negotiation
- The power of silence
- Does honesty have a place in negotiation?

## Topics covered in this module:

- The negotiator's mindset
- Basic concepts of negotiation
- The power of silence
- Does honesty have a place in negotiation?
- Reservation points
- Bargaining range

**Negotiating – 5m 40s**

## 9.1 Introduction

**As an estate agent you are a negotiator.**

It is something you will do every day and you will have to do it well if you hope to succeed.

Many people feel that negotiating is a dirty word and vow to have nothing to do with it. That shows a lack of appreciation for what negotiation is.

Negotiation takes place every day at all levels of society. In the most basic scenario, a man has something to sell and he has a price that he thinks is fair. A customer comes along and would like to buy the item, but he is not prepared to pay the asking price. Negotiation takes place and ends when both parties feel that they have reached a fair deal, or if a mutually acceptable price cannot be reached, the negotiation fails and the parties walk away.

As an estate agent, you have to look after your client and negotiate on his behalf. Although it may seem uncomfortable at first, once you realise the place that it has in society and business, you will quickly realise its importance. Moreover, your clients will thank you for being a good negotiator and your peers, associates and other agents in the real estate industry will respect you.

### **The Mindset**

There is a definite mindset that all competent negotiators embrace. It is an overarching fact that emotion, luck and magic have no place in the professional negotiator's arsenal.

**The keys to being a good negotiator are:**

- Preparation
- Having a strategy
- A clear set of objectives with an end goal
- Knowing when to speak and when to keep quiet
- Know your reservation point
- No emotional buy-in

Many people have the impression that to be a good negotiator, you have to be the hard, cold type. Negotiations are all about dealing with people and reaching agreement. So being aloof will be counterproductive. However, negotiators never become emotionally involved with the matter at hand. It would cloud their judgement.

A good negotiator is preferably a warm, personable type who gets on with people easily and communicates well. The trick to negotiating is finding out what the other party's position and interests are and, if possible, their reservation point. You always must have a strategy and objectives.

Let's quickly slot the estate agent into this frame. As an estate agent, you are always negotiating; you will always have a goal. Your goals will vary, but your mindset has to stay the same. The two life lines of estate agency are your contact network and your stock - having houses to sell to people in your contact network. Without a focus bordering on an obsession to build your network, you will battle to find the right people when you need them.

Where does negotiation come into it? Your goal is adding names to your contact network. But gathering names has no purpose if they don't have details attached. So your goal isn't as simple as it seems. How do you get new contacts to supply the information you need and make them into people as opposed to just a row of names?

Your strategy, to move you closer to your goal, is that you express interest and ask questions.

### **Some roleplay**

You meet a guy in the car park as he emerges from his car. You have not seen him in the neighbourhood before, so you need to find out about him. How do you extract a name, address, occupation and contact details from a total stranger in the car park of your local supermarket?

Obviously, you can't look him in the eye and say: "What's your name? What are you doing here?", but that is the information you wish to get from him. You need to negotiate. You need him to surrender information. In return you will show an interest in him and be of use sooner or later when he buys or sells a house in the area.

In this situation and in all negotiation situations, there is one rule that stands out above all others: You are in control of your situation when you ask questions.

To induce other people to speak to you, you have to show interest in them and their world. Your goal: Gather a name and contact information. A bonus is occupation, place of employment and life circumstances, preferably in relation to real estate (are they in the market to buy a house?), but in the meantime, more general information will do.

Back to our friend in the car park. You gather information with your eyes. Not in a creepy way, in an observant way. Notice something about the person and show an interest. Here, you see that although his car is over ten years old, it was top of the range in its day. You also notice that he treats it carefully. Why? To find out, you make eye contact as soon as you can and greet him with a smile and before he looks away you start speaking. What you say is obviously up to you.

### **Just remember these few guidelines:**

- Your interest must be sincere. If you couldn't care less about cars, find another cue.
- Learn to ask open-ended questions. Don't ask a question that the person can give a "Yes" or "No" answer to. If you ask: "Is that an old car?" he can say "Yes" and walk off. If you ask him how old it is, he has to give you the car's age, which will immediately lead to further questions.
- As soon as you feel comfortable that you have a conversation going, but after no more than two questions, introduce yourself by offering your hand and stating your name.
- Remember to keep it light and honest. Don't go anywhere near politics and never ever criticise anyone or anything.

You must always have business cards to hand and offer your new acquaintance one when it is appropriate. This will usually result in the other person handing you their card. If they don't have a card, take out another of your cards and ask the person to write their details on the reverse.

After your first contact, you will have to play the meeting by ear. If the conversation seems to be going well, find a way to extend it a little and remember to keep asking questions until you have enough information.

Effectively, you have negotiated your way to having valuable information about someone you didn't know before you went to the supermarket and you have achieved your goal.

As part of the conversation, you must find out what the person's interests are and link them to anyone else you may know with similar interests. This is part of the mutually beneficial aspect of networking.

### **Understanding the needs of both buyer and seller**

First and foremost, as a real estate agent, you must have a clear understanding of the buyer or seller's needs and requirements. Please bear in mind that as you become successful, you may be dealing with multiple transactions at one time.

Moreover, clients – both buyers and sellers- are not looking for an estate agent who merely passes on messages from one party to another. What they're looking for is someone who is able to strategize and work in a way that helps the two parties meet on middle-ground.

Negotiation does not imply bulldozing over the 'other' party and trying to force your deal through.

Each interaction, negotiation and client is different.

**To understand their motivations better, update yourself on:**

1. Motivation behind buying or selling (money, profit, family, school or moving to be nearer work, moving for bigger space and so on)
2. Willingness, readiness to complete the transaction (for example, if someone has lost their spouse and is selling their house, they may not be immediately in a mental state to negotiate properly)
3. Latest property trends, past history and recent sales/purchases of similar properties
4. Buyer's/seller's flexibility with pricing and their idea of the ideal deal
5. Your client's finances and how forthcoming they are with their monetary status

The better you know your client, the more you can negotiate on their behalf.

**Buyers and sellers may want to commonly negotiate on the following guidelines:**

1. Price: Sellers will want the best price while buyers will want the most competitive deal.
2. Closing date: Sellers may want to move fast while buyers may push for extra time as their cash flow is likely to be affected. Most buyers prefer closing at the beginning of the month so that they can skip the next mortgage.
3. Home warranty: Sometimes, the seller may offer a home warranty or the buyer may ask for one. This covers things like air conditioning, hot water, appliances and so on.

## **9.2 The Nitty Gritty of Negotiation**

**As with all disciplines in business and elsewhere, there is a set of terms that you should be familiar with from the beginning.**

**To start with there are various strategies:**

- Distributive Negotiation - This is where the negotiator attempts to gain all the points and maximise the benefits for their client without making any concessions
- Integrative Negotiation - Where the negotiators work together to find a solution that suits both parties in the negotiations. They will add benefits and value where they can so that their clients realise as much as possible from the process
- Mixed-motive Negotiation - Where the negotiator will make concessions and add value if that

is what it takes to achieve their goal. The aim is to ensure that the client gets what they want as opposed to seeing to the benefits and welfare of both sides.

The strategies will often dictate the style of negotiations that take place. It often happens that negotiators will switch styles during negotiations, depending on what they are trying to achieve.

**Let's take a look at these styles:**

- Collaborative Style - Where negotiators work together to realise the greatest possible benefit for all parties
- Accommodative Style - Where the negotiator will try to accommodate the other party's requirements by yielding all his/her party has to yield
- Compromising Style - Negotiate to reach a compromise where the parties meet at a middle point that isn't really ideal for either of them, but represents progress from where they started
- Competitive Style - The negotiator goes in with the intention of gaining all there is to gain by making as few concessions as possible
- Avoidance style - Where the parties try to stay out of negotiation and simply make demands.

When discussing negotiation, there are various terms that help bring clarity to the conversation. **It is unlikely that your client will know these terms, so be careful of using them without making sure that the people you are talking to understand you:**

- Reservation point - This is the point beyond which either party will not move. In property negotiations, the buyer's reservation point will be the highest price he is willing to pay for the house. The seller's reservation point will be the lowest price that he will accept for the house.
- Bargaining Range - Between the opposing parties' reservation points lies the bargaining range. If the reservation points are far apart, for example where the seller will not accept anything less than £550,000 and the buyer will not offer anything more than £420,000, the bargaining range is first of all negative and secondly, large. It is unlikely that it will be bridged without both sides conceding a lot of ground.

**Where the reservation points are within a few hundred pounds of each other, the bargaining range is still negative, but is bridgeable with a few small concessions from either or both parties. If the buyer's reservation point is higher than the seller's reservation point, the bargaining range is positive and the negotiators should easily find a price that suits both parties.**

- **Expanding the Pie** - This is where the negotiating parties bring other elements to the table after the negotiations have begun. For instance, when you are negotiating the sale of a house, the seller may have stuck to their price and the buyer doesn't seem likely to abandon their position without some incentive. The seller could then "expand the pie" by saying that the buyer can have the curtains or the carpets which weren't part of the deal at the start of the process.

**In this way, the seller makes a small concession and achieves their price where the buyer may not gain the actual value of the increased offer, but they are saved some inconvenience after they move into the property as they don't have to immediately have the house carpeted.**

- **Position** - Negotiators adopt a position when they state what their side wants or needs from the negotiations. By stating their position and sticking to it, negotiators force distributive negotiations on the parties. They basically want all their demands met without any concessions.
- **Interests** - Here the parties state what they need from the negotiations and are prepared to discuss a way in which to achieve their goals. It could easily turn out that the parties want different things from the same pie.

## 9.3 The Point of Negotiating

**Negotiating is really just a form of intense and organised communication where two parties are attempting to get the best deal they can from a set of circumstances.**

Let's take an example where a person is selling a house and the buyer is keen to buy it. They cannot agree on a price and they are not communicating very well.

The furnishings are not part of the sale and the seller is having to pay to hire a storage unit to store much of his furniture as he is moving to a smaller home. In the house there are several large pieces of furniture, both antique and modern. The seller has a fair idea of the value of the furniture and is thinking about selling what he cannot eventually fit into his new home.

The buyer is upsizing from a smaller property and will be looking to buy furniture when he moves.

The buyer's reservation point is lower than the seller's by a few hundred pounds and the deal falls through because both parties are sticking to their positions. They are intractable.

If the estate agent had been awake and had found out about the buyer's situation and the seller's predicament, in other words if he had researched the parties effectively, he could have revealed the opposing parties' interests with the following result:

- The seller expands the pie by including the furniture that he would have had to put into storage.
- The buyer is now happy to move his reservation point well into positive territory because not only is he getting some valuable furniture with the house, he will not have to incur the time loss and higher cost of sourcing similar furniture, one piece at a time through the usual channels.

## 9.4 What Negotiators do

### **Good negotiators know their territory inside out.**

They know that timing is everything and that there is no such thing as too much information. You start the process when you first meet a person, and you don't stop.

Gathering of information is an ongoing exercise that you must never neglect. You have to strike a balance between being nosey and genuinely interested. This is not that difficult. You must get to know when it is appropriate to ask certain questions and when it will be seen as profoundly odd to be asking after certain information. You must always be aware of the circumstances that you are in and the circumstances that the people you are talking to are in.

When formal negotiations are in progress, the job of the negotiator is to focus on the other side. As with listing and valuing property and conducting viewings (which are all part of the overall negotiations), a good negotiator asks questions and shuts up; it is better to listen and discover the different parties' interests.

### **Timing**



## **Good negotiation depends on timing.**

If you reveal all your cards at the start of the process, you basically hand over all your negotiating power and will be at the mercy of the other side.

In real estate marketing, timing starts when a house is put on the market for the first time. A good negotiating position to be in is to go to market in spring to early summer or late summer into autumn to avoid Christmas and the summer holidays. If you start marketing at the most opportune time, there will be people looking to buy and the property will be looking its best. These factors both feed into the price that can be expected. It may not elevate the initial asking price much, but it will definitely restrict the buyer's ability to make offers that are too far off the asking price.

## **Price Setting**

**In the cat and mouse game of marketing, sellers are always expected to ask 5% to 10% more than they would like to realise from the sale of the property.**

As a result, buyers routinely offer at least that much less.

If you are expecting this, and you should be, you will be ready by having something in reserve. For instance, the seller may want to include the curtains and carpets with the house. Persuade them not to, so that you can use them as bargaining chips to bring the buyer's offer back in line with what they want.

Taking this example a little further, if the buyer enquires after the curtains and carpets, you will tell them that they are not included in the price. Now the next step is to do with timing.

You don't then tell the buyer that you discussed this with the seller and they will include the carpets for a higher offer. That immediately signals to the buyer that the carpets have no real value for the seller.

You tell the buyer that you don't think they are, but you will talk to the seller. Ask them what they would be prepared to increase their offer by if the carpets were included. If they are a bad negotiator, they will tell you.

Through negotiating you will eventually settle on a price that suits all parties.

## **FACT**

Two thirds of estate agents insist on doing an in-home valuation before discussing fees

*Source: [hoa.org.uk](http://hoa.org.uk)*

**Take a Quick Recap Test**

[viralQuiz id=208]

## 9.5 Hard Work

**Although negotiating is hard work it can also be fun and very challenging.**

It probably comes close to chess in terms of strategy, forward thinking and planning.

**There are some caveats that all negotiators never ignore:**

- The power of silence. It is a well-known fact that once a key question has been asked during negotiations, the first person to speak loses. This can result in agonising moments where no one says anything for minutes at a time, but if you have put an offer on the table and asked for a response, keep quiet. If you talk to alleviate the embarrassment of the silence, your offer will be rejected or watered down.
- Never be so attached to a deal that you are afraid to walk away. Sometimes buyers try to drive an unacceptable offer through by standing their ground. If it seems that you are making too many concessions and that the seller's reservation point has to be changed to accommodate the offer, walk away from the negotiating table.
- Always put your conversations and agreements in writing as soon as possible. When you are in discussion with someone, develop the habit of taking notes. If time allows, check through your

notes with the person before taking your leave. Your last words should be that you will email them the points you agreed on. In the email, detail the items in bullet points and specifically request that the person acknowledge the email with any points they might like to add.

**It's not a case of not trusting your memory, people remember things differently. An email saves a lot of bother in the long run and will stop people wriggling out of agreements they have made.**

- Always go for a win-win result. If the parties to the negotiations come away feeling that they have achieved a satisfactory result, you will be remembered with favour. If one or other party feels aggrieved by the result, you will be remembered badly.
- A lot of negotiating is managing the expectations of the parties involved. If you are competent and willing to do the work, you will reap long term benefits.

**By not overpricing houses just to get the listing, you will be better off in the long term. You will have to work harder to get the listing and harder to get the best price, but you will not be burning bridges along with your reputation. The damage to your good name will cost you far more in the long term than any quick buck you may have made by taking shortcuts.**

- Don't concede anything without getting something in return. You must always have thought through every scenario and be prepared to deal with it to the best advantage of your client.

## **Assignment**

### **Negotiating**

*Time: 30+ minutes*

Hopefully, you have absorbed the information well in this module. To find out, make your way through the activities in this worksheet.

Download the worksheet below, print out and complete.

[Download Worksheet](#)

## Summary

Negotiating can be really tough sometimes and you realise that you are in a position where the first party to blink loses. To be a good negotiator takes hard work, integrity and courage. Never forget that you are looking after the interests of your client and watch out for the situation where you end up negotiating against yourself. This happens when the buyer in a deal rejects your offer and you don't keep quiet. Instead, you say something like: "Oh, that's a pity, well what about this for a solution...".

If the buyer rejected your offer, it is up to them to come up with a better offer that will be acceptable to both parties. If they cannot, or will not, be ready to walk away from the table. In time you will become an expert negotiator. It's hard work, but seeing it through will ensure that you succeed as a property agent.

If you try to take shortcuts or deviate from being an honourable negotiator, you will, sooner or later, fail.

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