

STORY PATRICK BRIGHT

Agent secrets

From *The Insiders Guide to Buying Real* here are nine tactics that real estate agents don't want you to know

BASICALLY, NEGOTIATION is a process to get one or more parties to agree. To help you get what you want, I'm letting you in on some simple, yet effective, negotiation techniques. Applied properly, these will save you thousands of dollars when buying your next property.

1
You
CAN
negotiate &
buy before
auction

There are several reasons why sales agents don't want to negotiate prior to auction. Firstly, the vendor has just given them a big wad of money for advertising with the agent's name all over it. They're getting great exposure – why would they want to cut the advertising short and lose the benefit?

The best form of marketing for a selling agent is a successful sale under the hammer. Dozens of people turn up on auction day (mostly neighbours) for a stickybeak. They are also checking out the agent for when the time comes to sell their home.

Another reason is agents distrust of buyers. They have a saying, "buyers are liars". They will have experienced deals falling through when buyers backed out. This can be a disaster for the agent and the vendor.

When an agent takes a home to auction they're pretty confident they can get it sold under the hammer or they will withdraw it leading up to the auction. When a property

is sold at auction, there's no backing out for the buyer. There's no cooling-off period – it's a done deal. So if you want to negotiate and buy a property before auction, you have to demonstrate that you are a serious buyer. The best way to do that is by waiving your cooling-off rights (speak to your solicitor first), so that even though it's a private treaty sale, it's under auction conditions.

This assures the vendor you can't back out of the deal and leave them high and dry. If you're prepared to sign an unconditional contract and hand it to the selling agent with

If you want to make an offer, make it sooner rather than later

a cheque for the deposit, then you've got the best possible chance of putting a deal together.

The downside of making an offer before an auction is that you have shown your hand. Since the vendor now knows how much you're willing to pay, they might set the reserve price accordingly. Or if there are other interested parties, the agent might pit you against them in an auction before the auction, commonly known as a "Dutch auction".

If that happens you can play the game or withdraw. Tell the agent you're now prepared

to wait for the auction. Other potential buyers might not show up because they don't like auctions or they've bought elsewhere.

If you want to make an offer before the auction, my advice is to make it sooner rather than later. Ask the sales agent if the vendor is open to accepting an offer before auction. If they say no, then ask why not? It might be because it's a deceased estate or the bank is pushing the vendor to sell the property.

It might just be that the agent believes it's in the best interests of the vendor, given the buyer interest they've received. Agents won't necessarily disclose any of this to you, but you can always ask.

You can try to convince the agent you don't like auctions. Put your offer in writing, asking for a written response and stating you won't attend the auction.

How negotiable the vendor is often depends on how many other interested parties there are. You need at least two bidders to have an auction. If there's only one other interested buyer, or none, the agent and vendor will be more likely to consider your offer.

Don't hesitate to make an offer if you want the home. You could be sitting on the fence waiting for it to go to auction and the agent's told you: "Oh no, we're not really interested in selling prior."

In the meantime, someone else comes along and makes an offer less than the amount you were going to pay and the owner accepts it. You've missed out just because you didn't open your mouth.



PURCHASER SIGN HERE

2

Why pay 10% deposit at the exchange of contracts?

The truth is you can exchange contracts on \$1. So why do we do it at 10% of the purchase price? I believe the reason is that's the way it's been since anyone alive can remember.

Yes, a 10% deposit shows commitment, but you can put up a lesser amount to successfully exchange contracts.

So if you don't have a 10% deposit sitting in the bank, ask to do it on less. The vendor and the agent would rather not lose a sale just because you can't put your hands on 10% for another few weeks. I commonly do it on 5%, as that's very often acceptable.

3

You can change the terms of an auction contract

Before the auction, have your solicitor read the contract and point out the special conditions. If you don't like one or more, or if you want to put in a couple of your own (such as, if I am the successful bidder the vendor will agree to a

5% deposit or a specific settlement date), you can ask your solicitor to draft them into the contract. After they have consulted with their client, the vendor's solicitor will fax or email a yes or a no to each condition. You don't need to involve the selling agent as they could put their agenda ahead of yours.

THE VENDOR MUST KNOW ABOUT ALL OFFERS

4 By law the agent must communicate all offers to the vendor, but this might not happen. The agent might bend the rules a little, especially if it is a lot lower than what the vendor expects to sell for.

When the vendor signs up with the sales agent, they're convinced the agent is the best person to sell their property. It's important for the agent to maintain the vendor's confidence. The agent doesn't want to take a low offer to the vendor just after they've told the vendor their home is worth a lot more.

If you're a bit more clued up, you say to the agent, "Well, that's my offer – put it to the vendors." Now the agent is in a bind. They might think the property is really worth a lot less than \$900,000, but they told the client it was worth that amount to get their business just last week.

So are they going to submit the offer to the vendor? Maybe they will or maybe they won't. It happens.

The way to avoid this is to put all of your offers in writing. Then it's easier for the agent to get caught out if they don't pass on the offer to the vendor.

5

How to get your offer accepted

One of the basic rules of negotiation is to begin with a low offer and work your way up. You start off with an offer that's below what you're prepared to pay, confident you can always increase it. So what can you do to encourage a

reluctant vendor to take your offer?

An excellent way is to staple a cheque for the deposit to a signed contract. It costs you nothing as the vendor's solicitor or agent can't put the cheque in the bank until the vendor countersigns the contract. In that case the property is yours.

A signed contract with a 10% deposit cheque stapled to it is an extremely powerful incentive to sign. Selling agents love it, because if it's an offer they think they can get over the line, they can confidently sit down with their client and say, "Here, just sign on the other side of the page and it's a done deal."

The vendor knows they can put their signature on the contract and it's over. No more open homes, no more bridging finance and no more uncertainty – they can move on. It's a very persuasive strategy.

I have submitted offers that have been rejected by a vendor then two days later I've submitted the same offer with a 10% cheque attached to a signed contract. More often than not the agent calls me the next day saying: "It's done – your client now owns the property."

THE FAST SETTLEMENT OFFER

6 A good strategy I occasionally use to find out the vendor's motivation is to submit an offer (or ask the agent if the vendors will accept an offer) with a 90-day settlement. The typical settlement period is 35 or 42 days.

The agent may come back with, "No, the vendors can't do a settlement that long." This tells me the vendor is probably committed elsewhere or is quite motivated to sell quickly. I then know an offer that might be lower than they were looking for, but with a quick (say 28-day) settlement, is far more likely to be accepted.

I call this strategy "the fast settlement offer". It can work extremely well because the vendor gets focused on the time frame fitting in with their needs - for example, saving them from a double move.

Selling agents usually don't like delayed settlements because they don't get paid until settlement. But if you



have a property to sell and you think the agent is doing a good job, tell them, "If you help me put this together with the settlement time frame I'm after I'll give you a shot at selling my property." This is a very big carrot to get them working with you!

7
Never disclose your budget to the selling agent

Now this seems pretty obvious doesn't it? But people let the cat out of the bag in various ways. Once they know your budget, the selling agent will do everything they can to extract every cent of it out of you. It pays to play your cards close to your chest, but some sales agents are sneakier than others.

If the agent is telling you about a home that is inspection by appointment they might say: "The owner is expecting over \$700,000. Can you afford that?" It might well be in your price range but you don't want to divulge that. What often happens is that your ego takes over and you say, "Yeah, of course I can afford that."

Instead, tell the agent: "It all depends on the property - if I like it I'll pay what it's worth"; or "The property sounds interesting and I'd like to see it". That way you've given nothing away and you can still inspect the home.

Some other questions a good operator will ask to get a picture of your situation and how motivated you are to buy include:

- Do you need to sell anything first?

- Are you renting?
- Do you have finance approved to this property's price?
- Have you set an upper limit or do you have a maximum figure you're prepared to pay for the right property?

They are not going to come out with them all at once or in an obvious way so you will have to keep an "ear out" for them.

I suggest you prepare answers to these questions, because when you're put on the spot you could easily say the wrong thing. One of the key benefits of using a buyer's agent is they don't have to answer these and many other questions the selling agent is likely to ask.

By not revealing anything and digging deep, the buyer's agent keeps their client in the strongest possible negotiating position.

8

Never let the agent see you fall in love with the home

I've seen this happen far too many times. When I take clients to see properties I have a little coaching session beforehand. I tell them: "We're going to have a look at this home, but we won't talk about the property until

we leave. Don't answer the sales agent's questions, just smile and ask them to speak to me. If you have to make notes that's fine, but say nothing until we are well out of earshot of the agent and any other buyers as well."

Despite this advice people still get carried away. So please take special note of this one.

9

Never let the agent know if you are motivated to buy

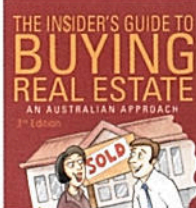
Always play the indifferent buyer. Just be nonchalant. You don't want to show you're really keen, but don't make out you have no interest in it either - they'll discount you as a buyer and won't keep you in the loop.

If you are interested in the property, tell the agent, "It's a nice property. It's comparable to some I've seen," and leave it at that. You're communicating to the agent that you've done or are doing your research. You know what you're talking about and there are other properties you could buy.

Don't ever lie to the agent outright. I don't, but I also know I don't need to tell them everything either. I only tell them what they need to hear so my clients purchase the property they're after at the best possible price.

I suggest if you're buying property with your partner, let one person do all of the talking with the agent. Otherwise the agent may try to play one of you off against the other.

Remember, selling agents aren't your friends when you're a buyer. They may appear that way at times, but they're paid to get the best price and terms for the seller, not you. **M**



Win one of 10 copies

This is an edited extract from the *Insiders Guide to Buying Real Estate* (3rd edition) by Patrick Bright (RRP \$29.95, published by Brolga Publishing). To win one of 10 copies, tell us in 25 words or less your best negotiation technique. Send your entries to money@bauer-media.com.au or *Insiders Guide to Buying Real Estate*, GPO Box 3542, Sydney, NSW 2001. Entries close March 5, 2013.