

Four **Critical** Real Estate Negotiating Pressure Points

By Roger Dawson

These four pressure points are at work in every negotiation. Either you are applying them on the seller, or the seller is applying them on you.

Power Negotiators know that they can get a much better deal if they know how to apply negotiating pressure points. Here are the four essential pressure points that will give you power in dealing with real estate sellers.

1. Options

The first pressure point is convincing the sellers that you have more options than they do. Power in a negotiation goes to the person with the most options. If a seller has five buyers lined up waving cashier's checks at him willing to pay \$300,000 cash, he has a lot of options. You probably don't have a way of getting him to accept \$250,000 from you.

However, it's important to realize that talented negotiators deal with perceptions, not reality. Sellers will often tell you they have turned down better offers than yours, but they are simply applying this pressure point to you.

Your power in the negotiation depends on your ability to convince the sellers that you have more options than they do. Let the sellers know that you have better buys available to you and you give yourself power. You might say, "We like your property, but we do have two others in mind that are lower priced or in a better location."

2. Time Pressure

The second pressure point is time pressure. Time pressure plays a part in every negotiation, but it has special significance when buying real estate. If you want to see how time can be used as a negotiating tool, just watch some children getting concessions from their parents. Children know all about time pressure. If they want something, they ask for it just at the last moment. They wait until you're rushing out the door for an important meeting ... that's when they know they have the best chance of getting what they want. Why? Because they subconsciously know that under time pressure people become flexible.

Unless sellers are under time pressure, it's hard to get good buys. However, when they are under a lot of time pressure, you can get terrific buys. And what time pressures might sellers be under? Of course, you won't know until you have done some work gathering information and asking questions. But there are a lot of possibilities:

- Maybe they're behind on their mortgage payments and don't see how they can catch up.
- Perhaps they are actually in foreclosure and in danger of losing the prop-

erty unless they can find a buyer.

- They might need money to pay off mounting debts.
- They might have contracted to buy another home and can't close on it until they sell this one.
- Possibly they're retiring soon and want to move as soon as possible.

That's just a partial list of the many things that put sellers under time pressure. Make your own checklist and expand it with each new situation you encounter. Keep your list in mind when you first meet with potential sellers and see if you can spot symptoms of the time pressure they may be under.

To extort time-pressure information from the seller you might ask, "Would you consider a lower offer for a fast sale?" Sellers don't always respond truthfully, but you may get a feel from the eagerness of their response. If you are dealing with a real estate broker, have your agent call the listing agent and ask, "How long has it been listed? Have they turned down any offers? Why are they selling?" The listing agent will be more likely to share this information with another agent than with you directly.

Another aspect of time pressure that is especially germane to buying real estate is Acceptance Time. It often

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takes sellers time to understand that they are not going to get as much for their property as they hoped. A low offer that might horrify a seller just after they've put their property up for sale may look a whole lot better after the property has been on the market for three months without an offer. Never write off sellers as being hopelessly inflexible on their price. Some of the best buys are from sellers who call back weeks after they turned down the original "unacceptable" offer. They needed time to see that they weren't going to get a better offer. Always leave the door open for sellers to reopen negotiations. Instead of pressuring them by saying, "This is my final offer," leave the door open with a statement like, "I hope you get what you're asking, but if you don't, call me. I'm not saying I'll be in a position to buy later, but we can always talk some more."

Patience is a real virtue when negotiating. The longer you can keep sellers involved in negotiations, the better chance you have of getting what you want. Take your time inspecting the property. Ask as many questions as you can think of. Discuss things you may have in common with sellers. If you see golf clubs or a fishing rod and you golf or fish, have a conversation about it. Take a tape measure with you, measure some of the rooms, and note down the measurements. Pace off the back yard and write it down. Why do these things? For two reasons: The longer you spend with sellers, the more trust they will develop in you. And the more time they spend with you, the more flexible they will become when the negotiations start. Time spent with you will increase their flexibility on price, terms, and other considerations. Why? Because mentally, they want to recoup the time spent with you. Their mind starts to tell them, "I can't walk away from this empty handed after all the time I have invested."

There is a caveat here. If you aren't careful, time can work against you in the negotiations as well. You may find yourself becoming more flexible for the same reasons sellers do. Your subconscious mind will be saying, "I don't want to walk away from this with nothing after all the time I've spent on it."

3. Information

The next pressure point in negotiations is information. The side with the

most information will do better. When you think you know everything you need to know about a property and a seller, you probably only know about half of what you really need to know. And to compound the problem, most of what you know probably came from the seller.

The more information you can learn about sellers and their properties, the better insight you will have into their real motivation for selling. Any bit of information you learn could potentially lead to a creative win-win solution that will let you buy the property at a wholesale price.

Don't be afraid to ask the tough questions. Most people are reluctant to ask tough questions for fear they would offend sellers. They preface their questions with statements like, "Would you mind if I asked you ...?" or, "Would you be embarrassed to tell me ...?" To apply this pressure point you must ask tough questions more directly, by asking, "How much is owed on the property?" or, "Are the payments current?" Even if sellers refuse to answer the questions, you are still gathering invaluable information.

Like a good investigative reporter, even if they refuse to answer, you can learn a lot by judging their reaction to your questions. Don't limit your information gathering by asking only questions that you know sellers will answer.

People share information much more easily with people in their same peer group. Let's take the issue of how long a property has been on the market and how many and what type offers the seller has rejected. Sellers may be reluctant to answer these questions if you ask them directly. The seller's broker may not want to tell you either. However, if you have your real estate broker call their real estate broker, the two of them may exchange all kinds of information because they see themselves in the same peer group. You might also gather sensitive information through mutual friends, neighbors, or co-workers of sellers. Ask tough questions, and you will get important information. Ask easy questions, and you will get only what the seller wants you to know.

4. Communication

The fourth pressure point is the most important for real estate investors. It's projecting that you are willing to walk away from the deal. If you said to me, "just give me one thing that will make me a more powerful negotiator," it

would be, "Communicate to the seller that you're prepared to walk away if you can't get what you want."

When my daughter Julia bought her first car, she went down to the BMW dealership and test-drove a really nice used BMW. She fell in love with the car, and they knew she'd fallen in love with it.

When she got home, she asked me to go back with her and renegotiate a better price. On the way to the dealership, I asked her, "Are you prepared to come home tonight without the car?"

"No, I'm not!" Julia replied. "I want it! I want it!"

"If you feel that way," I told her "you may as well give them what they want, because you've already set yourself up to lose. You must be prepared to walk away."

Julia and I spent two hours negotiating the purchase, and we even walked out of the showroom twice during those two hours, but finally we got the car for \$2,000 less than Julia was originally prepared to pay.

So, how much money was Julia making while she was negotiating? A thousand dollars an hour, right? That's pretty good money anywhere! And it just goes to show that you will never make money faster than you will when you're negotiating.

Projecting that you're prepared to walk away is the number one pressure point to use when negotiating with sellers, but how do you give yourself walk-away power? You do it by giving yourself options. Before going into a negotiation, develop some options.

Go find two other properties with which you'd be almost as happy. This doesn't mean that you won't get the one that you want, but it will make you a more powerful negotiator. When you meet with the sellers, you'll know that if they are unreasonable, you have two other properties you can look at as well. Sellers are able to sense when you do not have other options, and this gives them the power. By having at least two options and being committed to walking away if you don't get what you want, you will have the power.

Study these pressure points and try them out in small day-to-day negotiations. Practice them in situations that aren't important so you can perfect them for use in ones that are. Applying these four pressure points and being aware of when they are applied on you will put you in a position of strength in your negotiations.

Real Estate Buyers Must-Know List:

Tear this list out or copy it and bring it with you so that you don't miss a thing. Remember the side with the most information wins. Have at least 2 other options that you would be happy with before you begin your negotiations. Be willing to walk away if you do not get what you want.

Ask these questions directly. You must ask tough questions to get real answers:

- How long have you* owned the property?
- How long has the property been for sale?
- How many offers have been made on the property?
- What do you* plan to do with the money from the sale?
- How much do you* owe on the property?
- Are you* under any pressure to sell?
- Are the payments current?
- Why do you* want to sell? – use your judgment to make sure those are the “real” reasons for selling
- If the property is listed with a real estate broker, when does the listing expire?

* Use “the seller,” if you are dealing with a real estate broker

Ask these questions directly and confirm with neighbors, co-workers, or a professional, such as your general contractor:

- Are there any hidden problems with the property?
- Are there any nearby problems that affect the value of the property?

Take the following steps to increase the time pressure felt by the seller, and you will have power over the pace of the negotiation:

- Take your time inspecting the property.
- Look at every detail and ask as many questions about the property as you can think of.
- Bring a tape measure, measure some of the rooms, and note down the measurements.
- Pace off the back yard and write the measurements down.
- Discuss things you have in common with the seller. If you see golf clubs and you are a golfer, have a conversation about it.

To learn more about Roger Dawson; his audio programs, *The Weekend Millionaire's Real Estate Investing Program*, and *Secrets of Power Negotiating*; and his latest book, *The Weekend Millionaire's Secrets to Investing in Real Estate: How to Become Wealthy in Your Spare Time*, visit www.AdvantEdgeMag.com/002. To book Dawson at your next event, call 1.800.550.3506. ■

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