

Gaining the upper hand

Buying an investment property is a relatively easy process, but it's your ability to negotiate successfully that can gain you the upper hand and save you tens of thousands of dollars. Helen Collier-Kogtevs, director of Real Wealth Australia, shows how it can be done

The most common mistake investors make when negotiating is that they fail to ask for what they want. Haggling in this country is generally not a common practice and there can be a negative connotation when asking for a discount.

Back in my early days of investing, I felt embarrassed to ask for a discount as it would make me feel 'stingy'. But as I learnt to treat the process like a game, gaining the position of power became easier. So my golden rule is always to ask for what I want even if what I want may sound ridiculous to the vendor. This rule has formed the basis of every negotiating strategy I have used and will continue to use.

There are a number of different strategies you can use in order to gain the upper hand during negotiations. However, the following four are, I believe, indispensable:

Strategy 1 Become the expert

Often before I start the negotiating process on a specific property, I study my chosen area of interest for some time. This research enables me to understand what the best streets are in that suburb, where the schools are in relation to the property, where the childcare and



shopping centres are located and where the other infrastructure is located that supports the local community.

I even contact the local council to learn about their future plans. This gives me an idea of whether they're pro-development and/or family friendly and what industry types they are encouraging to establish in the area. Without physically living in the suburb, I endeavour to become the expert and have as much knowledge as a local. Watching the property market in my chosen area of interest allows me to spot an opportunity quickly when it becomes available.

Armed with this knowledge, selecting my purchase becomes easier, as I have

a detailed understanding of the suburb and what makes it attractive for people to want to live and rent there.

Once I've found myself an opportunity, I always use 'subject to' special condition clauses in the purchase agreement to make the purchase conditional, to take the property off the market, and to buy me time to do more detailed research into the specific property. As a rule, these clauses include due diligence, pest and building inspections and any other inspections that I feel may enable me to learn and understand more about the property. I want to become the expert in that property and conducting inspections

allows me to uncover anything untoward that even the vendor may not be aware of.

One specific instance where this happened with me was when one of our building inspections uncovered asbestos in the laundry, of which the vendor was unaware. This information allowed me to discourage other buyers at the auction, reduce the vendor's price expectations and allow me to ask for a bigger discount to compensate me for the removal of the hazardous asbestos. By applying the strategy of becoming the expert, I was able to save thousands of dollars off the asking price. Had I not become the expert I would have missed the opportunity and paid dearly for it.

Strategy 2

Know what the other party needs

It's important to understand what the vendors need and what their constraints are when negotiating. This way you can formulate your strategy to provide a win-win outcome.

So how do you find out what the vendor's constraints and needs are? It comes back to the golden rule – ask.

A good place to start is with the selling agent as they have a good understanding of the vendor's position and what their desired outcome is from selling the property. Often the selling agent will know if the vendor needs to sell by a certain date, is committed elsewhere or is looking to up/downsize.

The selling agent can become your ally at this point so don't be afraid to ask the agent why the vendor is selling. Finding out what the vendor needs has often given me the upper hand in my negotiations. For instance, when purchasing our own home, I discovered that the vendor was building their dream home elsewhere and needed to sell to help them secure the finance for its construction.

One of their concerns was that they needed a longer settlement period until their new home was ready for them to move into. By becoming aware of their situation I was able to obtain a discount off the purchase price and in return allowed them to stay on until their home was complete. This made their transition easier for them and more cost-effective for me. The greater the knowledge of the needs of the other party, the greater will be your opportunity to negotiate a better deal.

Strategy 3

Use time to your benefit

How often have you made a bad decision when you've been under pressure? I see many investors make snap financial decisions worth hundreds of thousands of dollars without even thinking about it.

To gain the upper hand in your negotiations, the only person that should be under pressure is the vendor. If you find yourself under pressure then you're in a vulnerable position. To overcome this, use time to your benefit by setting deadlines with your offers. Add an expiry date so that the

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vendor is under pressure to make a decision. Setting a deadline on offers prevents the agent from silently bidding you against other buyers in a quasi 'Dutch' auction.

The best tip is to buy yourself time by setting deadlines or using expiry dates as this puts the vendor under pressure to make a quick decision.

As I mentioned before, use 'subject to' clauses in your contract to allow you more time to do your research and inspections on the property without worrying about someone else coming along and gazumping you.

As an investor, if someone is putting you under pressure, the trick is to put off making the decision. Tell them you need more time to think about it. However, you must be prepared to walk away should they not agree to you having more time. Remember, negotiating is a game and sometimes walking away is the best strategy.

Strategy 4

Develop options

Developing options is like having a back-up plan if things go wrong, or put another way, a 'plan B'.

Having a plan B has saved my bacon many a time. I would never start a negotiation without a plan B in place. This strategy gives me options and the freedom to move should a vendor not

accept my offer and conditions. Having alternatives up my sleeve for 'just in case' allows me to work a win-win without losing the opportunity.

If you go into negotiations without any options and your offer is rejected, then you have nowhere to go and negotiations quickly come to an end. It's often difficult to come back to the negotiating table after you've failed the first time around. It becomes difficult to regain your position of power. However, if you have other options in place, this makes you a better negotiator and gives you a stronger position.

The bonus is that it also gives you more confidence. People will sense

that you're well prepared and under no pressure to negotiate with them because you have lots of options. But be wary of flogging a dead horse in your negotiations. If none of your options work, then it's probably best you walk away from the deal.

At the end of the day, my experience has taught me that negotiating is really about confidence and how comfortable you feel about asking for what you want in the first place. Once you have mastered the concept of 'asking', implementing negotiation strategies that gain you the upper hand becomes easy.

Just remember, the better your position of power, the more money you can save yourself. This will lead to more money to put towards more investments. If you want to build real wealth, then learning the skills of negotiating will save you many thousands over your lifetime. 📌

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