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Strategies for Successfully Negotiating for Your Dream Property

Information gathering, timing and broker representation can all play a part

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THE TAKE



Pictured is the full-floor apartment in Zaha Hadid's One Thousand Museum in Miami. In places like South Florida, buyers are often looking at new high-rise buildings were developers often have set prices.

ONE THOUSAND MUSEUM BY ZAHA HADID ARCHITECTS

Negotiating for the best deal on a home can be tricky, with both sides looking to get the most out of the transaction. Buyers are not only looking for a good price, but also high-end add-ons and other amenities to sweeten the deal. Meanwhile, sellers are usually hoping to make the most money with the least amount of effort.

Luxury properties can be even more complicated, with both buyers and sellers having high expectations of the deal, brokers said. They may be dealmakers in their own right, priding themselves on their own negotiation tactics. This can lead to a more complicated or drawn-out deal, as the players can be more stubborn about conceding.

In addition, emotions may also be at play, adding yet another layer of complexity. One of the first things to do is cut that emotion out.

"Nothing is personal," said Mike Walker, the owner and CEO of the Arizona-based Real Estate Negotiation Institute which offers classes for brokers. "The best way to mitigate emotions is setting expectations."

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To that end, he recommends that brokers sit down and make a list of what the buyers' expectations are for the deal. "Usually that's a good price and a smooth closing," Mr. Walker said.

But there's more to it than price, and there are a lot of things that can be negotiated, he said. That includes things like the closing date and other deadlines, as well as the personal

“I’ve seen crazy things exchanged,” he said. Once, a year of free coffee was given to a buyer in Pennsylvania, according to Mr. Walker. The seller, who owned a local coffee shop, didn’t want to make a repair after an issue came up in the home inspection, so he offered a caffeine fix instead.

“It often comes down to the confidence and creativity of the agents,” Mr. Walker said.

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Bring in a buyer’s agent

Buyers should have an agent, no matter where they are looking.

“Getting someone to represent a buyer’s needs is essential,” said Gea Elika, principal broker of New York City-based Elika Real Estate and the director of the National Association of Exclusive Buyer Agents, an Arizona-based organization of buyer’s agents who only represent home buyers.

“Often buyers walk into a place, find it amazing and show all their cards before even saying, ‘hello,’” Mr. Elika said. “A buyer’s agent knows what questions to ask. There’s a lot going on behind the scenes.”

And although there are brokers who represent buyers and sellers, an exclusive buyer’s agent, or an agent who doesn’t have listings, only represents buyers.

“Our undivided loyalty is to the buyer,” Mr. Elika said. “We don’t care which property they buy except that it’s priced correctly.”

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Plus, for those buying a property in a state or country in which they don’t live, having someone on the ground in that area is crucial, according to Lora Cusumano of Lux House Hunters. She works with buyers on Long Island, New York, and in South Florida.

“I’m working with one out-of-state buyer who is always taken with the [listing] photos,” she said. “The pictures may look great, but you can’t see the little things.”

In addition, an exclusive buyer’s agent might be able to share information with you that another agent could not, according to Andrea “Andi” DeFelice of Exclusive Buyer’s Realty in Savannah, Georgia.

“If she is an agent of a brokerage, she may have information she can’t disclose because of her relationship with that brokerage,” she said.

That could include circumstances that could help a buyer negotiate a better deal, she added. For instance, if the owners are getting divorced or other circumstances, that mean the sellers need to move quickly on the deal. An exclusive buyer’s agent do their own extensive research on properties, shifting through public records and other information to figure out what the seller’s situation is, and can pass on all that information to their client.

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Preparation is key

Research, both of the home and the neighborhood around it, is crucial.

Things like how much the current owners paid for it, what renovations have been done, how long it’s been on the market, how many showings its had and what comparable properties in the area sold for are all good things to know. If it’s possible to find out the situation of the seller, that can be useful, too.

“If the seller needs the money, a lower offer might work,” said Mr. Elika. On the other hand, if money isn’t an issue, the seller might be in a position to wait for a more lucrative

buyers don't just need to gather information on the properties they are interested in, brokers said, but also their own financial situation. Mr. Elika has his clients prepare a package before even looking at properties.

"There's nothing worse than walking into the right property and not being able to act," he said.

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Negotiation tactics are based on the market

Knowing the conditions of the market is also important, and varies in different communities.

In Savannah, where inventory is tight across all markets, Ms. DeFelice recommends buyers strip as many contingencies out of an offer as possible.

That means cutting out things like potential repairs or asking for add-ons, which might be done in other markets, she said. But one thing to never skimp on is the home inspection. Especially when dealing with historic properties, buyers have to know what they are getting into.

"You don't want to buy a money pit," she said.

Ms. Cusumano said she always tries to write up the contract to be dependent on the home inspection, so she can ask for repairs or for a discount on the price. She also leverages timing to help get a better deal.

"Sometimes we can get a better price if we close later on the deal," she said, noting that the seller may need extra time to close on his or her next home.

Or, if it's an all-cash deal, that can sometimes get buyers a better price, she added.

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Unique deals can be made on new constructions

Negotiations take on a different tone when dealing with new construction that may not even be built yet, brokers said. In places like South Florida, buyers are often looking at new high-rise buildings where developers often have set prices.

"Sometimes there isn't much wiggle room on developments," Ms. Cusumano said. But she has been able to get upgrades like better cabinetry in the kitchen or more high-end finishes in the bathroom.

Liz Hogan, senior director of luxury real estate at Compass in South Florida, agreed that can be difficult to negotiate with developers. Difficult, but not impossible.

Ms. Hogan, who represents both buyers and sellers, worked on the sale of the entire 56th floor of One Thousand Museum by Zaha Hadid Architects in Miami in 2014. The developer needed to get to a certain sales number before getting its next round of funding, and it was very close to that number when she and her client were negotiating the deal.

"We were able to get a very good price because of that," she said. In addition, she was able to get her client five parking places instead of two, plus have the developer add an electric charging station for the client's Tesla. The developer is also making space for a wine cellar.

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Extras like that are definitely something buyers should investigate when negotiating for new developments. Ms. Hogan has bargained for changes to layouts or having the unit built out by the developer instead of having it delivered "designer ready," meaning it still needs floors, window treatments, lighting and other details.

In addition, new developments also often have a 1.5% developer fee, which goes to the title and other closing fees. Ms. Hogan said she's able to negotiate that fee out of the contract about 99% of the time. Depending on the price of the unit, that can save quite a bit of money.

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Currency rate negotiation for international buyers

Finally, for international deals, buyers might want to consider adding a clause about potential changes in the exchange rates, said Julian Walker of London-based Spot Blue International Property.

"Buyers want to limit the risk of currency exposure," he said, adding that a change in the rate could end up meaning a bigger payout.

To that end, buyers can lock in the exchange rate at the time of purchase. There's a risk there, too, however, as the rate could change in the buyer's favor.

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