

agreeing on a price

what are some of the tricks to getting the best price

It is a Buyer's Market. What does that mean when it comes to negotiating the purchase price? How do you make sure you get a great deal?

Price is property and vendor dependent. On the one hand less desirable properties (and properties requiring a quick sale) are consistently selling below historic values. On the other hand, "hot" entry level properties in good suburbs appear to be holding their own.

In a simple sense, negotiation is a straight line between the buyer's price (as little as possible) and the seller's price (as much as possible.)

The main driver to where the hammer falls is scarcity. In a seller's market multiple buyers outbid each other until the one with the "most" wins. (i.e. Property is scarce.)

In a buyer's market a lack of buyers results in the price dropping. Although it might not be obvious there are less buyers in the current market (due to tighter credit criteria) and they can borrow less.

In a really slow market (like 2008 and the first half of 2009) the price can fall below "fair value." A lack of buyers (or a property being poorly marketed) can result in a property selling below a price others in the market would be prepared to pay.

Well presented, quality properties in desirable suburbs still sell fast even in a slow market. With these types of properties you need to move quickly and the focus should be getting an offer on paper.

If you're up for it, the opportunity for a "bargain" is in properties that others don't see the potential in. Generally

good locations but poorly presented and poorly marketed. Finding the right place at the right price is hard work. The best price negotiation occurs when you are making rational and objective decisions and are prepared to walk away from a property.

First things first. Know yourself. It helps to write down your goals and what you are prepared to negotiate and not negotiate.

How to use Time

1. Put limited time frames on offers. You can only have 1 offer live at a time. Let the Agent know that you want to put an offer on another property.
2. Do unconditional offers (but only if you have finance approved already.)
3. Do a short settlement. This can be an emotional benefit to seller (they can "move on".)

How to use Information

Information is all about putting yourself in the vendor's shoes. How keen is the seller? Given the vendor's situation what would you do?

1. How much equity is sitting in the property value? And how much do you think they would give up?

Sellers will more readily give up profits than suffer a loss. A seller who has owned a property for over 7 years is likely to have substantial profits built in. If they are upgrading they are also likely to have benefited from a great deal on their new purchase.

1. Is the house empty? If so, for how long?
2. Is the seller moving? Have they purchased somewhere else?
3. Are they going through a divorce?
4. Has the seller overcommitted?
5. Do you think they are in a position to sit out the current market if they can't sell?

The clues to look out for are empty houses and incomplete projects. Clients that find urgent sellers are buying a full 10% lower than other buyers.

