

NEGOTIATE THE DEAL

FIND COMMON GROUND FOR WIN-WIN AGREEMENTS

IGNITE POWER SESSION #10

In this chapter ...

- Negotiate to win
- Learn tactics and counter tactics
- Make it a win-win agreement
- Bulletproof your transactions

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Today's Expectations

Cappers in Training

1. Learn negotiation tips.
2. Understand the most common points of negotiation.
3. Walk through the Three Ps approach to the negotiation process.
4. Identify negotiation tactics and counter tactics.

Ignite Faculty



To maximize your learning, your Ignite Faculty is committed to:

1. Show great role-model **videos** in class.
2. Devote the majority of time on **activities** in class.
3. Role model what it takes to be highly successful. Guide and support the Cappers in Training by holding them accountable to their **Daily 10/4** and prework **Mission**, and during the phone call activity make calls along with the class.

Action Reveal

There are three parts to the Action Reveal.

1. Review **Mission** assignments and get questions answered.
 - a. Answer questions about any videos watched.
 - b. Provide your aha's from the Mission.
2. Announce your **Daily 10/4** activity results from the day before class and review leaderboard standings. Celebrate successes!
3. Make **Real-Play** calls in class.

IGNITE	Mission 10
Complete this Mission prior to attending Ignite Power Session 10	
DONE ✓	1. Daily 10/4 – develop your lead generation habit
<input type="checkbox"/>	Complete your Daily 10/4 daily!
<input type="checkbox"/>	Write notes on the homes you previewed and bring to class to share
<input type="checkbox"/>	Report out – be prepared to share your Daily 10/4 results in class
DONE ✓	2. Extend your learning
<input type="checkbox"/>	Practice scripts with a partner
DONE ✓	3. Prepare for Negotiations – watch a KW Master
<input type="checkbox"/>	Watch: <i>Negotiating</i> (27:30 mins) 
DONE ✓	4. Get Acquainted with Common Negotiation Issues – with scripted responses
<input type="checkbox"/>	Download from Ignite on KWConnect, the Script Book and specifically <i>Negotiation Scripts</i> . Study these scripts and be prepared to use them in class
DONE ✓	5. Follow up – with previous Power Session
<input type="checkbox"/>	Complete activities from the Action Plan in the previous Power Session
DONE ✓	6. Grow your database – with your current contacts
<input type="checkbox"/>	Bring your prepared contact list and your laptop/tablet to the next Ignite class
<small>*Access videos from KWConnect.com. Ignite. Need help? Contact your Technology Coordinator or Tech Ambassador in your Market Center, or email support@kw.com.</small>	
	
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Report Out – Daily 10/4

Note: For help using myTracker, refer to instructions on the back of your Mission page.

Report on Your Daily 10/4 Activities

Keep track of yourself and your fellow Cappers in Training and cheer their successes!

Capper in Training	10 Contacts Added	10 Connections	10 Notes	Homes Previewed
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				

Your Turn – Lead Generate for Business

Daily 10/4 Real-Play

1. Begin by saying an affirming message out loud.

“I tune into the needs of those I’m calling and find solutions that work!”
2. Get your phone and your list of contacts developed in your Mission. Use scripts for Mets from Power Sessions 2 and 3.
 - Goal #1: Call for 20 minutes and make **contact** with as many people as possible.
 - Goal #2: Always ask for **referrals** from each contact and offer your App.
 - Goal #3: Secure an **appointment**.
3. Record your results below.

Reminder: Comply with federal and state Do Not Call (DNC) and spam laws and the policies of your local Market Center.

Results				
Name	Phone Number	App ✓	Referral Name	Result of Call
1.				
2.				
3.				
4.				
5.				
6.				
7.				

4. Write a note to two – three people you called to thank them for their time.

Time: 20 minutes

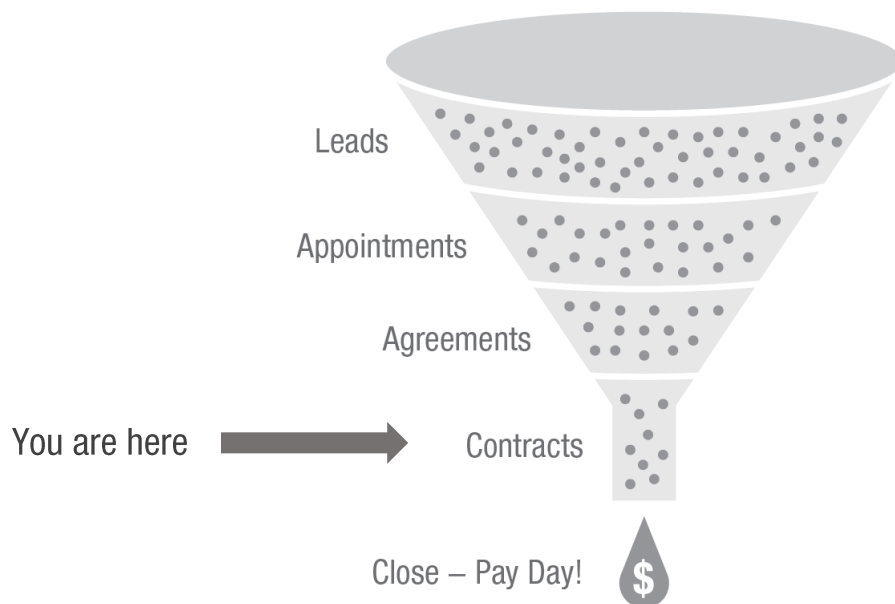
Get Your Head in the Game

Negotiations are an integral part of most real estate transactions. In fact, they are so important that in a 2014 National Association of Realtors (NAR) survey of buyers and sellers, negotiations ranked second in the list of what buyers want most from their agent and ranked sixth in what sellers want from their agent.

As with the offer process, negotiation is a pivotal point—it can literally be the deal-maker or the deal-breaker. Negotiations can actually happen twice during this contract process:

1. During the offer phase, with the goal of getting a contract
2. During the option period (while under contract), with the goal of closing the contract

After investing so much time and energy to move a lead all the way to an agreement and then to a sales contract, do not let a deal fall through now! Your ability to negotiate will directly influence your rate of contracts that close.



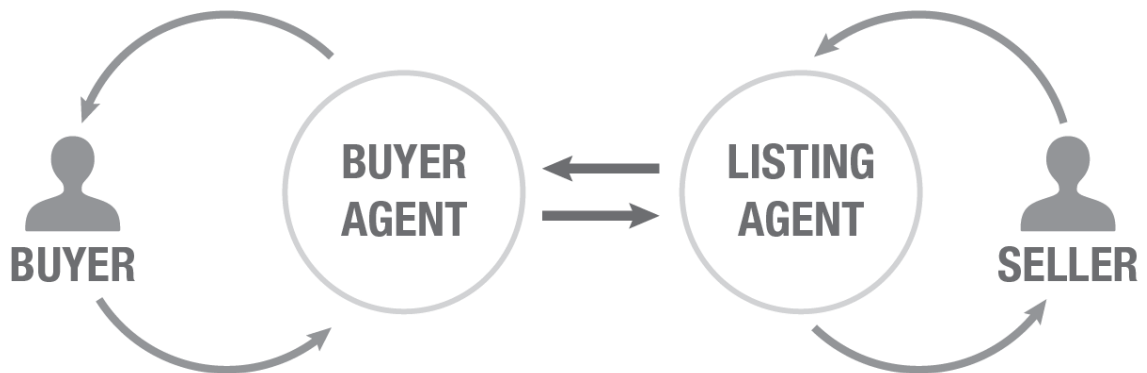
Make It Happen – Negotiation

You may not realize it, but you are almost always negotiating.

When there is something that you want—that new car for the price you want to pay, for your friend to see your point of view in an argument, or for your child to do the dishes—the truth is that whatever you want is often owned or controlled by someone else. The way to get what you want is through negotiation.



In real estate, negotiations occur between agents and between agents and their clients.



Video

Watch a Master: Negotiating



- Watch the video “**Negotiating**” with Josh Anderson (2:57 mins)
- What are your Ahas?

Time: 10 minutes

Negotiating Tips

Keep the following tips in mind as you work toward mastery in negotiation.

- Above all else, **be professional**.
- Remember your **goal—a signed contract**. This is what you're driving toward, and it's what both agents and their clients have in mind.
- Control what you say to anyone involved in the transaction. If you create anxiety in your client or other parties, you are reducing their leverage in negotiations.
- Continually **refer back to motivation**. Remind your client why they want to buy or sell, and help them reevaluate their request if they are becoming unreasonable.
- Don't reveal too much. **Listen more than talk**. Keep your client's motivation close to your chest.
- **Don't be attached to the outcome**. You'll do hundreds or thousands of transactions in your career, and there is no way you can get everything you and your clients want all the time. Don't let it affect your mindset if a deal doesn't go through or if your client doesn't act on your recommendation. Find a different win for your client
- _____
- _____
- _____

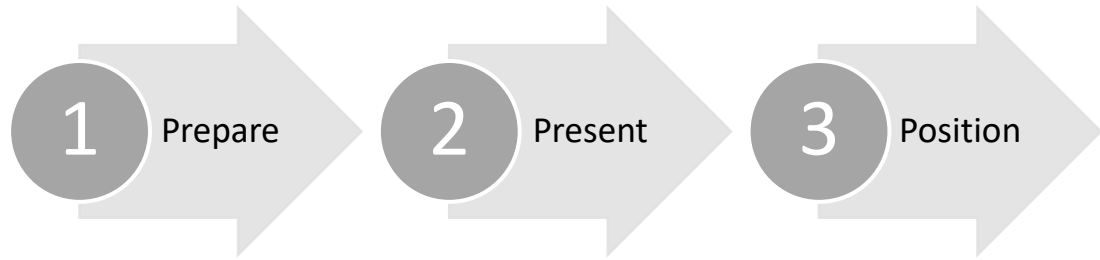
Common Points of Negotiation

During the negotiation process, price and terms are common points of negotiation.

1. **Price:** While the sales price is the primary factor in negotiations, it is not necessarily the bottom line. In a situation where a seller receives multiple offers at the same price, it is the terms of those offers, in addition to the buyer's financial position, that will determine which one wins.
2. **Terms:** The terms of an offer may be financial or time-based, or both. When the buyer and seller can't agree on a sales price, the following five offer terms come into play.
 - **Closing costs:** Traditionally paid by the buyer, closing costs are in addition to the purchase price. Securing the cash to pay these expenses can be difficult for some, especially for first-time home buyers; therefore, the seller may be asked to pay a portion of the closing costs. When you represent a seller, make your client aware that it's common for buyers to ask for part of the closing costs to be covered by them and what their options are.
 - **Closing date:** When the seller has a very specific time frame for moving, the buyer has the upper hand and can leverage this by being more flexible with the closing date and less flexible with the offer price.
 - **Conveyances:** While conveyances are defined by a locality's Board of Realtors, the general rule of thumb is that attached fixtures stay with the home and non-realty items (personal property) go with the seller. In negotiations, a buyer may request that certain personal property items stay with the home, such as furniture, window treatments, or a refrigerator.
 - **Earnest money and option fee:** It is in the seller's best interest for the buyer to put as much into escrow as possible, as soon as possible. While a locality's Board of Realtors has a standard practice for when earnest money (and option fee, where applicable) is deposited, the amount is often negotiated.
 - **Repairs:** Most offers are contingent on the outcome of the home inspection and necessary repairs. Depending on the complexity of the repairs, buyers may ask the seller to make the repairs prior to closing (subject to a follow-up inspection), deduct the repair costs from the sales price, or pay a lump sum at closing to cover the costs.

Three Ps Approach

Negotiation is a skill that can be learned and perfected with experience. The best practice for negotiating and bringing the buyer and seller together is the Three Ps approach.



1. Prepare

Preparation is the key to building confidence and ensuring a smooth negotiation process.

- **Know your goal.**

Have a clear goal of reaching a win-win agreement in which both the buyer and seller are satisfied with the outcome of the negotiation. Remind your client of their motivation for moving or buying the house, and that when the contract closes, they'll be able to move on with their lives.

- **Know your client.**

Make sure you fully understand your client's goals. Learn the areas in which they are willing to negotiate and where they will stand firm.

- **Think ahead.**

Anticipate what the other party wants out of the negotiation. Write down how you think they may counter the offer and how you plan to handle it.

- **Set clear expectations.**

Prior to meeting with the other party, set clear and realistic expectations with your client and then under-promise and over-deliver. Stress the importance of moving quickly to create a sense of urgency. Part of setting clear expectations with your client is being clear that win-lose agreements are likely to be rejected by the other side. To set yourself up for success, make it win-win.

(continued on next page)

- **Be informed.**

Before making an offer or counteroffer it's good practice to speak with two other agents. Ask open-ended questions and use active listening to find out as much as you can about the other party and their agent. This helps you know with whom you are negotiating, on what points you will negotiate, and where you and your client have leverage.

- **Obey the laws.**

Every state and locality has its own set of laws that regulates zoning, mortgage qualification, and other real estate matters. Stay current on your local regulations and stay out of court!

- **Know the documents inside and out.**

Become familiar with your local Board of Realtors' governing forms. Take the time needed to understand the form templates and what belongs in each field.

The 2014 NAR Profile of Home Buyers and Sellers revealed that 83 percent of buyers considered negotiation skills to be “very important” when working with a real estate agent.

Your Turn – Prepare to Negotiate

Be Clear on Your Client's Expectations for the Negotiations

1. Read the scenario below.
2. Identify the key areas in which you need more information or certainty before you could confidently negotiate on your client's behalf.
3. Write three specific questions you would ask your client in the space provided below.

Scenario

You are representing a single buyer. Your client is renting her present property. Like any first-time buyer, she is looking to you to guide her through the process. The asking price for the home she really loves is \$175,000. The house appears to have evidence of a roof leak, is listed “as is,” and is correctly priced. Your client would like to keep her payments as low as possible since she still has a number of student loans to pay off. She wants to write an offer for \$155,000. There has been quite a bit of activity on the listing.

Questions to Ask Your Client:

1. _____
2. _____
3. _____

Time: 15 minutes

Aha's from Activity

- _____
- _____

2. Present

Move into the negotiation process by presenting your current offer to the co-op agent and listening to the response.

- **Call the other agent** to let them know the offer or counteroffer is coming, then invite them into the buying loop in eEdge where they will be able to view the offer contract.
- **Pay attention to nonverbal cues.** While it is not always possible or practical to make your presentation in person, a face-to-face meeting allows you to analyze body language and facial expressions. Otherwise, present your offer by phone and listen for verbal cues.
- **Keep quiet once you present an offer.** Sometimes, letting the other person do most of the talking is the most powerful negotiation technique because of what they will reveal.
- **Listen carefully to what is important to the other party.** Write down what they say to demonstrate that you are taking them seriously, and then move on.
- **Stay calm and relaxed.** Either party may have a strong emotional reaction to the price or other terms of the offer. Be a calming influence until they are able to see the situation rationally again. Remember—you are there as a representative for your client. Keep your emotions out of it.
- **Focus on the customer's needs.** Isolate the objections of both sides and offer solutions that will satisfy the other party while still meeting your client's core needs.
- **Give your offer the best chance.** Be confident and committed to your offer as you present it. Avoid indicating to the other side if you believe it is a less-than-great offer for them.

Remember the Keller Williams belief, "Win-Win or No Deal."

Your Turn – Nonverbal Cues

Present the Offer and Catch Nonverbal Cues

In the time allotted, write down as many nonverbal cues (body language, tone of voice, or rate of speech) as possible that suggest the negotiation is going in a positive or negative direction.

	Positive	Negative
Face-to-Face		
On the Phone		

Time: 10 minutes

Aha's from Activity

- _____
- _____

Identify Tactics and Use Counter Tactics

In negotiating, your clients and/or agents may use certain methods or “tactics” in an attempt to manipulate the negotiation.

Because these tactics are generally predictable, you can learn to quickly and accurately identify them when they are being used on you. Additionally, you can respond with the appropriate “counter tactic” with a high probability of accurately predicting how your response will be taken.

Following are three of the most common tactics used in negotiations and counter tactics to use in response.

Tactic	Action	Counter Tactic
Nibbling	Once your client has agreed upon one major concession, the other party will start “nibbling” for additional smaller concessions.	
Hot Potato	The other party tries to pass a problem onto you. For example, the co-op agent tries to pass all closing costs to your client because their client “can’t afford them.”	
Good Guy / Bad Guy	Two people working together (e.g., a husband and wife) will take on opposing roles—one appears friendly and considerate while the other behaves in a difficult or aggressive manner. Think of the typical car salesperson (good guy) who says his manager (bad guy) won’t let him reduce the price any further.	

3. Position

Positioning is moving both parties closer to each other until you have full agreement.

- **Acknowledge and affirm the common ground**—where the buyer and seller are in agreement and are at the same position. Then, identify which positions may be easily adjusted and which are set in stone.
- **Ask “what” and “how” questions** to better understand the other party’s values and why certain things are important to them.

For example, say you represent a seller who wants to close in thirty days. If a buyer wants to close within sixty days, ask your client:

“Mr./Ms. Seller, you are requesting a thirty-day closing. What is important about closing in thirty days?”

If your client becomes defensive, you would explain:

“My goal is to let the buyer know why this point is important to you.”

Understanding what is important to the other party allows you to prioritize and address their issues in order of importance.

- **Positioning is a process** and sometimes requires you to come back to the negotiating table more than once. Sometimes several counteroffers will be necessary to negotiate an acceptance.
- **Know when to walk away.** Sometimes the other side may refuse to give your client the win they need despite your efforts. Knowing when and how to walk away can not only save your client from a win-lose deal, but it can sometimes jolt an unreasonable party into a concession for fear of losing the deal. The key is to walk away without burning bridges.

Your Turn – Positioning

Practice Positioning

1. Choose a partner. One person will play the buyer agent and the other will play the listing agent.
2. Take a few minutes to review the scenario and information about your role.
3. Using what you've learned so far in this session, take 1–2 minutes to **prepare** for negotiation.
4. **Present** your case to your partner and practice **positioning**. Go back and forth two times, both aiming to arrive at a win-win agreement.

Scenario

The property has 4 bedrooms, 3.5 baths, and is listed at \$350,000 in a well-established neighborhood. The house requires new carpeting throughout the first floor and a new garage door opener. Three offers have been made, but all were below the asking price.

Buyer Agent Role

Your buyers are making an offer of \$340,000 for the house. They have been preapproved. The buyers would like to close in the shortest time possible since they are moving from out of state and need a home for their family. Since they are leaving their appliances in their current home, the buyers would also like all of the appliances to be included.

Listing Agent Role

Your sellers have raised their family in the house you are selling and have many friends and family in the area. Since their children are now grown, they no longer need the amount of space their current home provides and have purchased a home in Florida. They would like to give all appliances to their daughter, who has just gone through a divorce. They will not be moving until they have sold their current house, and although they would like to get to Florida as soon as possible, they are ready to stand their ground regarding the price.

Aha's from Activity

Time: 15 minutes

Your Turn – Negotiate a Counteroffer

Negotiate This!

Put what you have learned to the test.

1. Choose a different partner from the previous activity. One person will play the buyer agent and the other will play the listing agent.
2. Take a few minutes to review the scenario and information under your role.
3. Using what you've learned in this session, take 1–2 minutes to **prepare** for negotiation of a counteroffer.
4. **Present** your case to your partner and practice **positioning**. Go back and forth two times, both aiming to arrive at a win-win agreement.

Buyer Agent Scenario

Your client has found the house they love and it's in the neighborhood they want. It is at the top of their price range and does need some work updating the kitchen and master bathroom. Your client makes an offer on the property and the seller's agent says, "I must warn you that we have gotten several offers, and your offer is pretty low."

Listing Agent Scenario

Your sellers need to move within 45 days due to a job transfer. You feel that you have priced the house competitively. You are aware the house needs updating, but the sellers don't see the need because the house was just fine for them. There have been multiple offers (the other offers are still standing, but the timing may not work for the seller) and the latest offer is lower than the asking price. You have let the buyer's agent know, "I must warn you that we have gotten several offers, and your offer is pretty low."

Time: 30 minutes

Aha's from Activity

- _____
- _____

Putting It All Together

1. **Action Plan**
2. **Prepare for Your Next Class**
3. **Recall and Remember**

Action Plan

Action	Completed / Due Date
Attend negotiation training classes at your Market Center, Region, or Family Reunion.	
Practice negotiation tactics and counter tactics with a partner.	
Practice all scripts with your partner.	
Prepare for next class. Download pre-work.	
Continue with your Daily 10/4.	

Bring your phone, laptop/tablet, and database to every class.

Prepare for Your Next Class

Prepare for your next class by completing the Mission prior to the next scheduled Ignite Power Session.

Download your **Mission** for the next class from Ignite on KWConnect.

• IGNITE
• Mission-11

Complete this MISSION prior to attending Ignite Power Session-11

↑
↓

DONE ✓

1. → Daily 10/4 — develop your lead-generation habit

- Complete your Daily 10/4 daily!
- Write notes on the homes you previewed and bring to class to share
- Report out — be prepared to share your Daily 10/4 results in class
- Bring a supply of notecards, business cards, and stamps for handwritten notes

DONE ✓

2. → Extend your learning

- Practice scripts with a partner

DONE ✓

3. → Prepare for contract to close — learn from others

- Interview one or two agents in your Market Center and ask about their contract-to-close successes and best tips, and be prepared to share in class.

DONE ✓

4. → Follow-up — with previous Power Session

- Complete activities from the Action Plan in the previous Power Session

DONE ✓


5. → Grow your database — with your current contacts

- Bring your prepared contact list and your laptop/tablet to the next Ignite class

↑

*Access videos from KWUConnect.com. Ignite. Need help? Contact your Technology Coordinator or Tech Ambassador in your Market Center, or email support@kw.com.

Page Break



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Recall and Remember

When do the two possible occurrences of negotiation happen during the contract process?

Name some common points of negotiation.

What are the components of the Three Ps Approach?

How do you combat the “nibbling” tactic?

How many contacts in your KW eEdge database by the end of Ignite? _____

How many contacts do you have today? _____

From Aha's to Achievement

AHA's

What are your aha's?

BEHAVIORS

What behaviors do you intend to change?

TOOLS

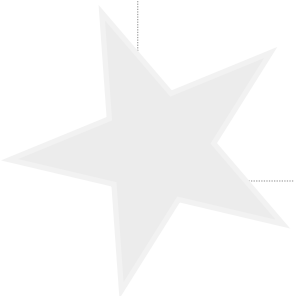
What tools will you use?

ACCOUNTABILITY

What does accountability for this look like?

ACHIEVEMENT

What will you achieve?



Enhance Your Learning

Connect on Social Media

Keller Williams Facebook Page -

<https://www.facebook.com/KellerWilliamsRealty>

KW Blog - <http://blog.kw.com>

Inman - <http://www.inman.com>

Your Market Center Facebook Page

Scripts

Handle your buyer's request for inclusion of seller's personal items

I'd be more than happy to write that into the contract for you. I feel when you start involving people's personal property it becomes more emotional. When you're asking for their antiques and their furniture, it's different than asking for their refrigerator or their washer and dryer. I don't like to get involved in personal property. If those are items that you want, let me call the other agent and see if the sellers are even willing to part with the items before we actually put it in the contract. If the other agent says, "They might consider including the items for the right price," then we can throw it in there. How do you feel about that?

Clarify the inspection report for your buyer

I understand you are a little concerned about the inspection report. I recommend that we negotiate for a dollar amount so we can be in control of who addresses these issues. We need to focus on the big items — heating, air-conditioning, and the roof—discover what amount of money we'll need to accomplish these repairs, and counter that amount back to the seller. If there are really big issues, it may be that we do need to walk away, but you shouldn't be alarmed just because the list is long. The seller is required by the Real Estate Commission to point out all items. But we'll have to determine whether the items will affect the house long-term for you.

When your buyer wants the seller to make nonessential repairs

I understand this is important to you. In my experience, repairing this item typically costs about \$700. While that's not inconsequential, is it worth losing this house? All things being equal, if the seller had a competitive offer for exactly \$700 more and gave you the chance to match that offer in order to keep the house, wouldn't you want to match that offer?

Recommend that your seller counter a low offer

I pulled up the information on what has sold in your price range since I put your house on the market. Ten (*insert correct number for your scenario*) houses have sold since then. Obviously, your house was not what these people were looking for; we didn't create enough value for your property compared to what they bought. But we have an offer on the table now. It may not be exactly what you hoped for starting out, but let me go over the information with you. There are offers that will come in low. Often, the buyers are making an offer based on the advice of a friend or relative. We're not going to turn them away because they've made this low offer. We know that they really like your house or they wouldn't have made it. We have the opportunity to sell your house if we can negotiate to the price that you need. We're going to make a counteroffer back to them, in writing—one that will reflect the price that you would like. We've already seen the price that they would like to pay. I recommend that we counteroffer and try to get them up to the price that you would like. What's the bottom-line price you would consider? Then let's leave some negotiating room above your number. Most counters go back and forth 2–4 times.

Prepare your seller to negotiate high-cost repairs

We've received a repair request. The buyers have had a structural engineer take a look at the house, and the engineer is recommending that eight piers be put underneath the home. What I know from my experience is that piers cost approximately \$XXX apiece. I can recommend to you some people who can give you bids within the next several days, then we can get back to the buyer within their option period to let them know whether you think this is something you can take care of. And then we can get this house sold. We don't have to listen to the structural engineer, but the fact that we have a structural engineer report means that it has to go with the seller's disclosure. If you decide not to put in any piers, perhaps you'll want to get your own structural engineer out there and get his opinion. Then if we can compromise with the two structural engineers' recommendations, we can call the buyer back and try to negotiate this—maybe you pay half and they pay half. Somehow, try to work this out with the buyer. If this contract does terminate, then you must amend your seller's disclosure because now you have a report in hand stating that you are aware of foundation issues. This will have to go to any potential buyers from here on out.

Counsel your seller when the buyer requests personal items

You know, the buyer in this offer is asking that you leave that stove that you're kind of attached to, and that light fixture in the dining area. I know those are items you'd like to take with you when you leave. Are you willing to replace that light fixture in the dining room? We could put something else up there that is a comparable light fixture, or give the buyer a credit back for that. Let me go back to them and tell them you really want to keep those pieces of personal property, and see if we might keep this deal together that way.

