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Top negotiating mistakes buyers and their brokers make



Most people buy and sell a home just a few times during their lives, so even if you consider yourself a good negotiator, chances are that you're bit rusty when it comes to acquiring or unloading a co-op or condo.

So with the spring market ahead of us and First-Time Buyers Week taking place as we speak*, we reached out to a dozen or so real estate brokers and closing lawyers to compile this list of top negotiating blunders committed by sellers and their brokers.

1. Don't talk too much in front of the seller's agent

"Buyers tend to talk too much in the presence of the selling agents about their financial information before they even make an offer," says Maria Pascal of Douglas Elliman. "This information is best left confidential and should be handled by their real estate broker."

"Even when buyers have brokers, they like to go to open houses themselves. And when you go to an open house, the seller's broker is often looking for indications that could make it harder for you to leverage anything in a negotiation," says Ian K. Katz, of Ian K. Katz Group, whose firm focuses on working with buyer's. "I tell my clients to leave emotive responses and even questions to themselves."

The only thing you should be sharing with the seller's agent is your "apartment needs and wish list," says Pascal. "Ask questions but don't show your cards."

You may give the agent reason to believe that you can afford more than you initially offer--or, unbeknownst to you, you might disqualify yourself as a buyer by inadvertently underselling your qualifications.

"Presentation is everything and your broker knows how to present your net worth statement properly," says Pascal. "Oftentimes even the most educated buyers leave out assets that they didn't realize are counted towards their net worth."

2. Don't make a lowball offer that isn't—or can't be—defended

Starting with a really low offer "just to see if a seller is desperate enough to take it" is a mistake, says Bevan Versfeld of Rutenberg Realty. "The broker for the seller will recognize it"--and you may "insult" the seller into refusing to negotiate with you.

"The first thing is you come across as not serious, and your broker comes across as not knowledgeable," says Kobi Lahav of Mdrn. Residential.

Rather than pulling a number out of a hat, says Olinda Turturro of Mdrn. Residential, study comparable properties in the building and neighborhood. Have a conversation with your broker so you will be able to "make an informed offer," accompanied by a well-reasoned analysis that makes sense to the other side too.

"Sometimes low-balls are fair if the property is overpriced, but if there's a lot of activity at an open house, it's just not going to fly," says Katz.

Part of the problem, says Lahav, is that everyone thinks they're an expert on comps now because of Zestimates on Zillow. "Those are usually wrong," says Lahav. "You still need an expert, and someone who's been in the market for years to help you know what the correct prices are," he says.

3. Don't ask for everything at once

Pick your battles when you make your first offer, says Kevin Kurland of The Spire Group. Making a lowball offer and insisting on closing in four months even though you know the seller wants to close in two will probably not get you very far.

"If this was 2008-2009, you could ask sellers to throw in a lot of extras, like renovations and furniture. Not anymore," says Lahav. For things like small cracks in the floor, people

can be very short-sighted, says Lahav. "People don't realize that these things aren't worth holding up a sale."

4. Don't present your best offer first

"A lot of times when people negotiate they put everything on the table right away," says Holly Sose of Corcoran.

The problem lies in the fact that most times, the other side assumes you're asking for more than you expect to get, she says. They try to chip away at your position; meanwhile, you're stuck digging in your heels with nothing left to give.

"If you give it all up at the beginning, they don't understand you're being generous," says Sose. "It makes the transaction go so much better if everyone can give and take."

If you get into a bidding war, Sose says you have to get over the mental hurdle of going over the asking price.

"In this market, if you're in a bidding war you need to take your highest mental number that you're comfortable with and add 2-5 percent. Or be prepared to go home empty handed."

5. Don't seem too enthusiastic

Stay neutral in front of the seller or their broker: "Stop saying that you picture yourself eating in their kitchen or hanging out in their soaking tub," says Rodrigo Guzman of Douglas Elliman. "Be more neutral so the seller and their broker won't think they can yank on your heart strings during price and concession negotiations."

6. Don't forget to write a proper offer letter

An offer is more than just a number scribbled on a piece of paper. Your offer letter should be carefully crafted, typed in a Word document on your agent's letterhead (scanned and emailed is fine) and explain the offer as well as the reasoning behind it, referencing supporting information like comparable sales.

"It communicates a lot more sincerity if it's a written letter that takes time to delineate the points supporting the offer," says Wei Min Tan of the Castle Avenue team at Rutenberg. But it's not just about the letter "You should include a pre-approval letter from the bank, too, if you're financing. It gives the seller a sense of comfort. Also, make sure you're including the standard REBNY financial statement that you submit with the offer letter." And, if the buyer is buying all cash, Tan suggests presenting a proof of funds/bank statements that show the buyer has the right amount money in the bank.

Moreover, he says, "the seller's broker will show an offer letter to the seller, and these points will not be lost. A letter also shows that you are a nice person who is taking the time to produce a letter, rather than presenting 10 other offers on other properties at the same time."

7. Don't disappear after low-balling if you haven't heard back on a counter-offer

"Staying on top of the seller's broker is important," says Lori Ben-Ari of Core. "Playing it cool is a strategy if you're willing to lose the property, but if there's a lot of interest in the property, you need to stay in touch with the seller's broker."

If the property has been on the market for a short time, and there are other offers, she says, "the property is most likely priced well."

And, adds Ben-Ari, "When the seller does not counter, the buyer should go back to the selling broker and get a sense if the other offers have been countered. If this is the case, the buyer needs to come in with a stronger offer, within 10 percent of the asking price. If the property has been on the market for a while, the buyers can afford to have more patience, but should still check in with the selling broker on a regular basis," she says.

8. Don't forget the the big picture

Lahav says he's had buyers get so focused on negotiating down a little (\$5,000-\$10,000), that they don't realize that all negotiations take time and can cost them money, especially in the current climate when interest rates are increasing. "You have to do the math and see if going back and forth is going to be worth it."

9. Don't go in guns a-blazing

The more broad problem in New York City, says Katz, is that a lot of buyers are attorneys or executives in other fields that are used to negotiating transactions. "They can come to the negotiation thinking it's a zero-sum game — that they have to win and the other side has to lose. "I often tell people they need to look at it from a more collective bargaining perspective. Sometimes people need to lose a couple of apartments to realize that. You need to be willing to meet in the middle."

A co-op negotiation, Katz says, also tends to be more intricate and delicate than a condo. "And buyers often make the mistake of focusing too much on the price, on when they can move in, and what financing percentage they'll need. They don't dig down and see how their financial background compares to other interested buyers and therefore how much they can leverage that in the negotiations." If, for example, your post-close liquidity is strong and you could even afford to pay cash, you need to stress that to the sellers. If not, you need to be a bit more flexible on some of the aforementioned issues—like timing, price and financing percentages.

10. Don't be rude

Hearing someone's voice, and hearing that they're a nice person, makes a lot of difference, says Tan. "It's not just about reviewing papers. The seller is taking a risk on you. Until the contract is signed, both parties can back out," so they want to have a good feeling about someone, he says. "You don't want to create any tension at all."

11. Don't go for any broker

"Pick a broker that you trust," says Turturro. Interview them, and once you choose your broker, you need to trust what they're saying and how they're advising you in the

negotiation process, she says. "Our job as a broker is to achieve a meeting of the minds between the two sides. A smart broker knows that unless the price is right for both, there will be no sale at all."