

11 NEGOTIATION TACTICS FOR BUYING IN HOT MARKETS

API reveals 11 killer negotiation strategies that will help you get the edge over your competitors in a hot property market.

Caroline James

Sydney's property market has jumped into high gear over the past 12 months, Brisbane is warming up for its long-awaited rebound and Melbourne sellers relished a solid run of ripper auction clearance rates last spring, pushing home prices up in most suburbs within 10 kilometres of its CBD.

The demand-supply pendulum is swinging – often wildly – in favour of sellers in many postcodes across Australia.

So how can investors hold their nerve and pay the best price for a property when often faced with fierce buying competition?

We asked property experts to share their killer negotiation tactics for buying in a red-hot market.

1 CASH IS KING

Few things grab a seller's attention as quickly as cold hard cash.

Establish access to credit lines or savings funds that you can draw from your own account to pay your purchase

deposit on the spot, Somersoft Financial Services founder and property millionaire Jan Somers advises.

"The best tactic I use to gain an edge over strong buyer interest is to make a cash offer," Somers says.

"It doesn't mean you have hundreds of thousands of dollars in cash stuffed in your mattress, it means you have access to the money so that you can sign an unconditional contract."

2 USE KNOCKOUT BLOWS

Sucker punches don't just win fights in the boxing ring.

Make your biggest offer at the get-go and you may just floor all rival contenders, Catherine Bakos of Empower Wealth suggests.

"I offer knockout blows if the property is suitable, I know the price is fair and I know there's competition on it," she says.

"There's no point allowing the bidding between competing buyers to gain

momentum and eclipse (what I know is a fair level).

"I'm better off working with stealth and securing it before buyers have time to realise that the price was actually a fair price."

3 TRY A TRADE

Investors with multiple properties can gain an edge in hot markets if they're happy to do a little horse-trading.

Offer the selling agent another bite of the commission pie and end up in the box seat with new listings, reveals Advantage Property Consulting director Frank Valentic.

4 BUY UNCONDITIONAL

Somers says "for the right price" offer your property's sellers an unconditional purchase contract.

That means no 'subject to finance' clauses, or conditions based on pest and building inspections.

It's legally binding, simple and often a deal-clincher in the eyes of motivated sellers.

"Vendors like this and are often willing to accept a lower offer, even in a hot market," Somers says.

"For a vendor, a definite sale is worth getting a bit less for than someone who has offered more but subject to finance, pest, building and all the other tests that can hold up a contract."

5 MAKE AN EARLY BIRD OFFER

You've researched the market, organised finance and know current property values when a suitable property hits the market. It's going to auction. The market is scorching.

"It's time to make a jump offer," says Valentic, who was recently "caught on the hop" when a suitable property was listed but the buyer's finances were still conditional.

"Make an early bird offer in writing – a serious offer – attached with a cheque, with a deadline, so the agent must present it to the vendor.

"If you're ready to buy, see if you can catch people off guard because sometimes, when a good offer crosses a selling agent's path, you may just get the jump."

Metropole director Michael Yardney pinpoints two key times for making pre-auction offers in a hot market.

"Be prepared to act quickly (and) close the sale after the first open home if possible, as the more people who are exposed to a property, the more likely it is for the price to go up," Yardney says.

"Or consider making a reasonable offer in the week leading up to auction day as this is when the vendor is most nervous and will often consider a realistic offer rather than taking their chances at auction."

Lisa Bradley of Finders Keepers Buyers Agents agrees. However she tips against making an unconditional pre-auction offer before an auction campaign's second weekend.

According to the Sydney buyers' agent, offers made before then may be outright rejected and used to push up the price.

"The best timing is early Monday afternoon or Tuesday after the second Saturday open (inspection)," she says.

"Of course to execute this tactic effectively, you must get your homework on pricing and due diligence done first."

6 AVOID LOW-BALL OFFERS

Red-hot markets are not the time for driving hard bargains with sellers.

If the property is desirable because you can see opportunity to make money, holding out for a purchase price far below market value and deeply discounted only gets sellers and sales agents offside. So don't do it.

"Sellers are well informed today so don't waste time with low-ball offers," Yardney says.

"Do your research and put in an offer that's realistic for your capacity and enticing to the vendor and takes the property off the market before an emotional purchaser pushes the price too high and you miss out."

7 BUILD A NETWORK

Okay, this tactic is a longer-term proposition. But when you consider it can save you thousands of dollars with each investment, building close relationships with sales agents in your target markets can pay dividends, Chris Gray of Your Property Empire advises.

"Getting to know the agents ... will make the difference between buying a property and not," Gray says.

"In a hot market, especially in the blue-chip suburbs where there's plenty of demand, the agents may have five or even 10 interested buyers all around the same price level, so they'll often give it to the

How do I keep a cool head in a hot market?

If there was ever a time to double your homework, it's now.

"You can avoid reckless spending in a sellers' market by knowing exactly what the property is and isn't worth," Lisa Bradley of Finders Keepers Buyers Agents says.

"Review recent comparable sales and other alternatives on the market.

"Be objective and realistic, consider the property's pros and cons compared to others and then, quite simply, don't go above the maximum figure your analysis tells you.

"If you're worried about losing control of yourself at auction, get someone else to bid for you and stay away from them telling you to go above your pre-agreed budget.

"Always let your analysis guide (your) spending and be willing to walk away."

Catherine Bakos of Empower Wealth says the most successful investor is the one who never pays more than market value.

In any market – hot, cold or stable – it's very easy to be emotionally persuaded to pay a higher price when you see someone else doing so.

Resist the urge and save thousands.

"Always let your analysis guide (your) spending and be willing to walk away."

"It can become even more problematic if the buyer has missed out several times or seen a property which they had set their heart on sell for a ridiculous price," Bakos says.

"The most vital thing for any buyer in a strong market is to make sure they understand what market value the property represents, to have a 'fair' stretch (not a silly one) and to stick to it once they start negotiating.

"The most successful situations I've seen are where the buyers write down their top end offer and hold themselves accountable for not extending past a figure which was sensibly decided upon in the first place."

Get an independent bank valuation before you buy – it's almost 99 per cent guaranteed you'll never overpay, because if it's for mortgage purposes it will always be slightly conservative, recommends Chris Gray of Your Property Empire.

Also, consider getting a building inspection and/or strata inspection. You might buy a property at a reasonable price but if it turns out to have concrete cancer, damp/pest issues or some building upgrade plans, and you get a \$25,000 to \$50,000 bill for repairs a few months after, that turns into an expensive property and could force some highly leveraged buyers to sell their property months after buying it "at a very expensive loss", Gray warns.

buyer they know, trust and can rely on not to back out at the last minute."

Gray says that befriending sellers' agents can also gain buyers advantages including access before the public campaign begins.

This means you can get a jump on rival buyers by arranging pre-purchase inspections before anyone else.

"You may be able to negotiate a private viewing so you can ask questions without having to attend open houses with 50 other buyers. Realistically it takes years of regular contact but if you plan to buy multiple properties in the same area it becomes really useful and can save you tens of thousands of dollars."

8 FIND THE SELLER'S SOFT SPOT

A little sleuth work can render big

rewards, Bradley says. Aside from the price, almost every seller will have a deal sweetener.

"Ask the vendor or the sales agent what would make the deal more attractive," she says.

"For small-scale developers and home sellers who have already bought elsewhere, a short settlement period means they get their cash quickly and can be more valuable than a few thousand extra dollars.

"Avoid the temptation to add in all sorts of contract amendments or conditions that really make little difference to the property value's for you.

"The simpler and more attractive an offer is, the easier it is for a seller to say yes and close the deal quickly with you, rather than hold out for more or pursue other buyers."

"Sellers are well informed today so don't waste time with low-ball offers."

9 LISTEN FOR SILENT SELLERS

You'll need to engage a buyers' agent if you want to use this tactic, but inside knowledge of off-market listings is gold for buyers in a hot market.

"Buyers' agents have access to silent sales, which are often held by motivated vendors who have their personal reasons for not widely marketing their property," Yardney says.

Gray agrees buying off-market is a killer tactic when the market is hot.

He says it's another good reason to build a relationship with local sales agents who can give you the heads up on hush-hush listings.

"Not all vendors want to go to auction, have open homes and have the uncertainty of gambling on the result when they've already bought elsewhere, so by getting to know the agents you can find off-market, quick sales that aren't advertised to the general public," Gray explains.

10 CIRCULATE A BRIEF

Get on the front foot and write to all your local selling agents, telling them exactly what you want to buy and what you can offer. Think of yourself as a business and sell your best features to the market. Perhaps you're looking for two-bedroom 1970s and '80s apartments within 500 metres of the beach and can meet any settlement terms and offer an unconditional contract? Tell them, Bakos says.

"I make sure the local agents all know my briefs for their corresponding areas, because I can often take advantage of off-market and pre-market purchase opportunities like never before when facing sellers' market conditions," she says.

"This ensures I see many properties before any other buyers and if the price is fair, I don't quibble it, I just take it off the market quickly."

11 CO-BID AT AUCTION

Mounting a collaborative bidding assault can prove a successful buying strategy at the auction of a hotly contested property.

In recent months Melbourne's inner suburbs have recorded highly competitive bidding at some properties' auctions, Valentic says.

One buying tactic that has often proven successful has been multiple parties from the same party bidding on a property.

"We're starting to use it where a colleague will bid up to a certain pre-agreed level and try to exhaust the other bidders and then I'll come in just at the eleventh hour with a bid and having a new person come in can often deflate the other bidder. In a hot market, such as what we're seeing this year in Melbourne and Sydney particularly, while it's never guaranteed this tactic will work, we have found this strategy sometimes works very well; you just have to be a bit creative." API

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