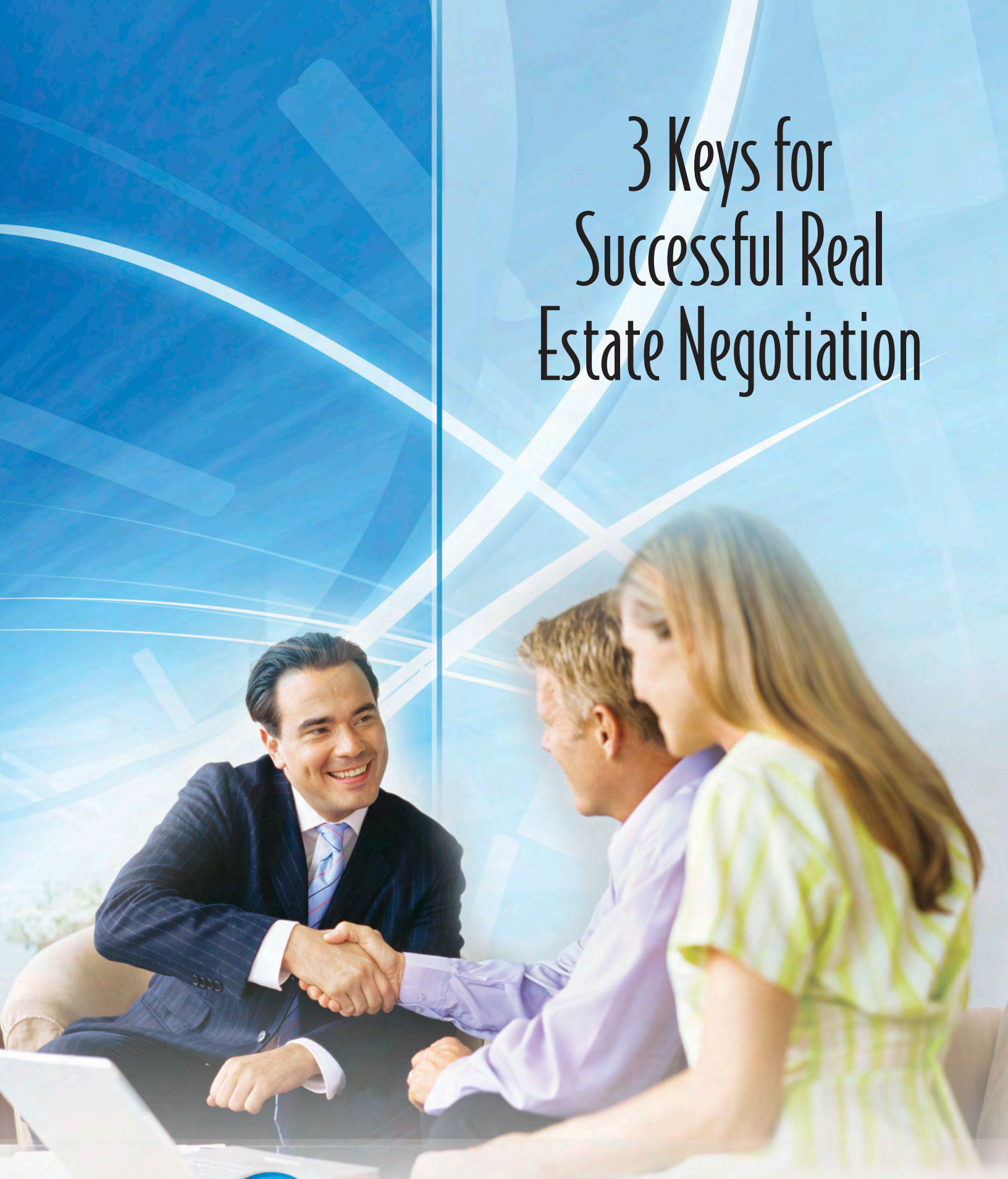
3 Keys for Successful Real Estate Negotiation



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3 Keys for Successful Real Estate Negotiation

In any real estate transaction, successful negotiation comes down to mastering three essential elements:

Controlling your physical environment

Understanding human behavior patterns

Addressing human needs

INTRODUCTION

In any type of situation where you need to bring two parties to agreement, like you do in a real estate transaction, the ability to negotiate with both sides and get everyone on the same page is critical. You want both parties to reach a conclusion where everyone feels validated and believes they received the best deal possible.

But being a stellar negotiator isn't something that comes naturally for most people. In fact, the majority of people shy away from negotiating, believing it's too difficult, involves too much confrontation, and always entails someone "losing."

The reality is, however, that having strong negotiation skills whereby both parties have a positive experience is something anyone can learn. Therefore, in this guide you will find the core elements necessary for you to become an effective negotiator in a real estate transaction.

Let's face it…the real estate business is difficult, and when you finally get the deal on the table, you have to think quickly and negotiate well so the transaction processes to completion. **When you know exactly what to do and how to do it, you can negotiate any deal successfully.**

In any real estate transaction, successful negotiation comes down to mastering three essential elements:

1. Controlling your physical environment
2. Understanding human behavior patterns
3. Addressing human needs

Let's look at each in detail.



Part One:

CONTROLLING YOUR PHYSICAL ENVIRONMENT

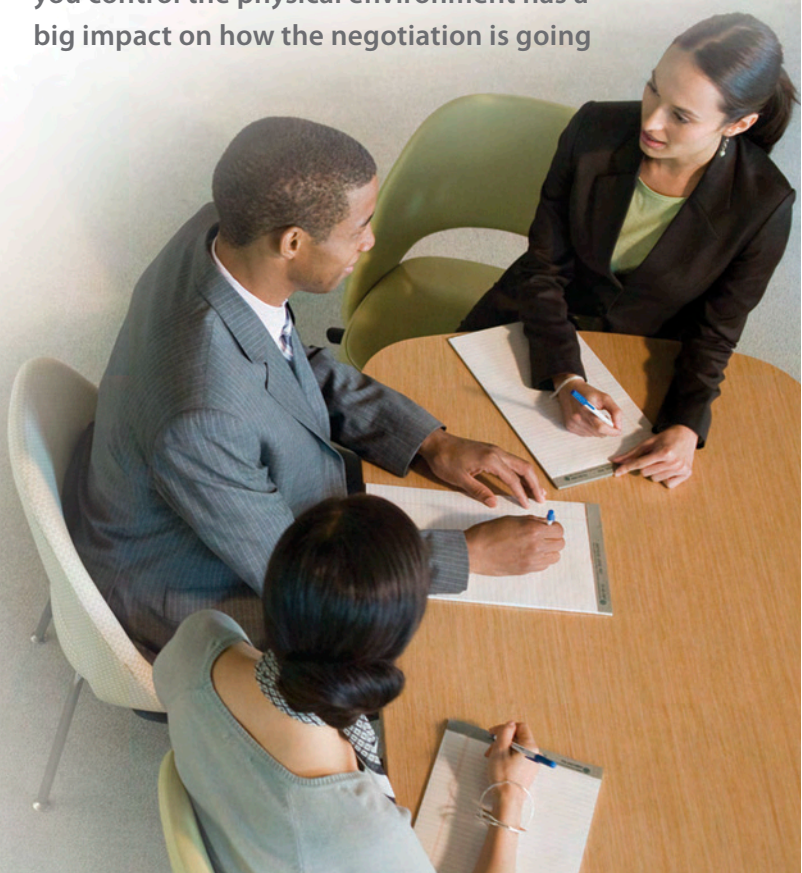
With real estate, you're selling a big-ticket item. For most people, buying a home is the most expensive thing they'll ever purchase. When that much money is involved, face-to-face negotiations are critical. Therefore, as often as possible, sit down with the people you're negotiating with.

Realize that communications tend to break down for numerous reasons, including misunderstandings, slow responsiveness, confrontational styles, etc. One key reason why real estate transactions fall apart during the negotiation stage has to do with the physical communication you have with the parties.

Physical communication includes all the verbal and non-verbal messages you and the other parties send. It's about the body language, facial expressions, and gestures and postures people use as they talk. For your negotiations to be successful, you want to be able to "read" these messages people give you.

As such, whether you're taking a listing or presenting an offer, it's vital that you're sitting with the homeowner, at the homeowner's kitchen table or in your office. But don't just sit anywhere; you want to ensure that you are sitting in the proper place so you can have complete control over the environment. Chances are you've seen agents sitting at different places at the table. They might sit across the table from the homeowners because they want to show respect. Or they might sit in between the two homeowners because they want to make both people feel included and comfortable. Or if they're in an area where the buyer's agent presents the offer personally, the seller's agent sits with the buyer's agent across the table from the homeowners. Perhaps you've sat in these various positions yourself.

Understand that where you sit and how you control the physical environment has a big impact on how the negotiation is going



Sitting directly across the table is an adversarial position to put yourself in.

figure a



figure b



to progress. Knowing this, it's imperative that you never sit directly across the table from the homeowners you represent. Sitting on the other side of the table is a hostile position, implying that sides are being drawn.
If you think back over your life, you can see how you often sat on the other side of the table from someone during confrontational or reprimanding situations, such as:

- When you were a child and had to go to the principal's office for misbehavior
- When you were at work and your boss reprimanded you
- When you were involved in a legal situation and you and your attorney faced the other party and his or her attorney
- When you were at the car dealership negotiating the price of a car and you sat across from the salesperson and his or her manager

Sitting directly across the table is an adversarial position to put yourself in. And in real estate, which is such a relationship-oriented business, the last thing you want to do is appear adversarial to your clients.

So what's the best position to be in? Here are our best practices.

When on a listing presentation...

When you're on a listing presentation, sit at the kitchen or dining room table. Politely direct Mr. and Mrs. Seller to sit on one side of the table together. Then, you sit at one of the smaller end positions. This way they can both see you and you can see them, but you're not sitting across the table from them. *(figure a)*

This is the only acceptable position that enables you to control the physical environment. Don't sit across from your clients, and don't sit between them. Make sure you are at one small end of the table and Mr. and Mrs. Seller are on one long side of the table together. This enables you to easily communicate with them and show them whatever papers you need to show them.

The only exception to this rule is when Mr. or Mrs. Seller has a particular chair he or she always sits in…no matter what. You've probably encountered people like this—usually the male party of the couple.

If you're in this situation, you certainly don't want to anger or annoy him by sitting in his chair. Therefore, give him that end spot and have his wife sit right next to him. You then sit on the other side of the table from the wife,

but bring your chair all the way over next to the husband at the end spot. This way you're only using one-half of the table. *(figure b)*

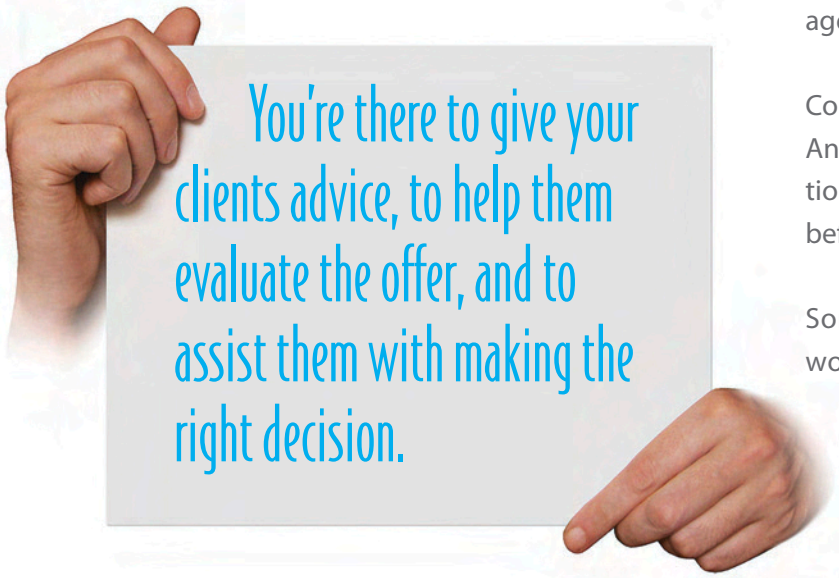
Remember, the key is to set up a non-confrontational position. You're there to help; your physical environment needs to convey that.

When presenting an offer

Now let's assume you're the listing agent and you're presenting an offer to your clients. In some parts of the country, the buyer's representative does not go to present the offer. Each state has different guidelines that agents must adhere to.

If you are in a marketplace where the buyer's agent does not present the offer but simply presents the offer to the listing agent, who then presents it to the sellers, then you'd sit at the table with your clients in the same way described for listing presentations.

If you are in a marketplace where the buyer's agent does come to the table and present the offer, you have some key things to keep in mind.



First, as a listing agent, you never want to sit next to the buyer's agent, across the table from the sellers. If you do, you're sending the message that "it's you against us—the sellers versus the listing agent and the buyer's agent."
In order to make sure you keep the helper role you have established with your clients, you want to sit on the same side of the table with Mr. and Mrs. Seller, right on the corner. Ask the buyer's agent to sit on the other side of the table, opposite the sellers.

Then, the first words out of your mouth as everyone sits down, spoken to the buyer's agent, should be, *"What do you have for us?"*

That question—"What do you have for us?"—is key, because with your wording you're setting up immediately that you are working for Mr. and Mrs. Seller only. There's no confrontation; you're there to give your clients advice, to help them evaluate the offer, and to assist them with making the right decision. Making sure everyone knows this is vital.

Handling the meeting in this manner may confuse some buyer's agents, as it breaks away from what normally occurs where the agents sit together on one side of the table.

Confusion never helps in any communication. And it sure won't help in a real estate negotiation, so make sure you tell the buyer's agent beforehand what you intend to do.

Some buyer's agents may say, "No. I think it would be better if you sat next to me."

If you're presented with that answer or any variation, here's the only reply you need to give: *"What's the goal tonight? If the goal tonight is to present your offer in such a way that gives you the best opportunity to have our sellers accept it, then the best thing to do is make our sellers comfortable, not you. In order for me to accomplish that, let me sit with them, let me give guidance to them, and let me let them know, not just in my words, but in my actions, that I'm on their side."*

Those short sentences will help get you and the buyer's agent on the same page.

How important is the physical environment to your negotiations? Consider this: Toward the end of the Vietnam War, when the Paris Peace Talks were taking place, the leaders spent a lot of time figuring out what shape the negotiation table should be. That was the physical environment. They wanted to make sure they didn't set up a confrontational situation. This planning took time, and lives were lost during this planning phase. But the leaders knew they'd get the best and quickest results once everyone was at the "right" table. They knew they had to control how everyone sat at the table. That's how important the physical environment is to any negotiation.



The five major human behavior patterns that are important in real estate are:

Self-image

Rationalization

Reaction Formation

Projection

Displacement



Part Two:

UNDERSTANDING HUMAN BEHAVIOR PATTERNS

All people operate from certain behavior patterns. To be a skilled real estate negotiator, you need to be able to work within those behavior patterns effectively.

The five major human behavior patterns that are important in real estate are:

1. Self-image
2. Rationalization
3. Reaction Formation
4. Projection
5. Displacement

Let's go over each one.

Self-Image

Most real estate agents have a tendency to talk to the client sitting in front of them based on how they see that person. A better approach is to talk to that person based on in his or her own self-image—in other words, talk to the client as he or she views him or herself.

Remember this: **Never sell to the person in front of you; sell to that person's self- image.**

Here's an example of how this plays out in real estate. Suppose your client works at a bank and just got promoted from bank teller to a junior vice president. That person feels super excited. He goes home and tells the family the great news, and the family is now super excited too.

Now, in the real world, maybe there are a lot of junior vice presidents in that bank. Maybe it wasn't that big of a promotion. But to that

Never sell to the person in front of you; sell to that person's self- image.



person, this promotion is his first couple of steps up the corporate ladder—a ladder that, in the client's mind, leads to being bank president.

Some agents will have a client in this situation and will say to the client, "I'm glad you got promoted, but let's not get crazy here. There wasn't that much additional money in the promotion. We have to really make sure you settle for a house that can fit your budget. You're moving out of an apartment right now, so let's just get you into a house that makes sense for you. Let's not get carried away."

What did the agent really do by saying that? He or she completely deflated the client's ego. The agent basically said, "Your promotion isn't that big a deal." And if the agent said that in front of the client's spouse or family, he or she embarrassed the client.

Here's a better way to handle the situation—and a way that boosts the client's self-image. After the client tells you the news of the promotion, you say, "Congratulations. This is your first step on the ladder to whatever level you hope to obtain at the bank. I'm excited about this for you, and after each level, after each time you get promoted, you might start thinking about moving up. I'd like to be with you through that process, even the day you buy that mansion—when you're president of the bank. Let's get started now. Let's take a look at your income. Let's figure out what's the best first house you can get as you start on that journey to the big mansion."

Notice the difference? Now you're boosting your client's self-image, which makes him feel good about working with you. You're jumping in with him, relaying that, "You know what? You're on your way! And I'm going to help you along that way with your real estate needs." So always communicate in the way the client views him or herself.

Rationalization

Most people believe the theory that "It wasn't meant to be." This is called rationalization. It's a skill everyone develops so they're okay with disappointment and don't get overly depressed when things don't go their way.

We all rationalize things every day. For example, when there's a breakup in a relationship, you might hear someone say, "My boyfriend and I broke up. I didn't really like him that much anyway." Or if a friend gets

fired, you might hear him say, "Yeah, I got fired. But you know what? I didn't like that job anyway. There was too much traveling involved. It's better that I don't have to deal with it anymore."

Rationalization happens every time someone gets disappointed; it's an automatic response. **As a real estate agent, you can't get caught up in the rationalization the buyer and seller will invariably go through.**

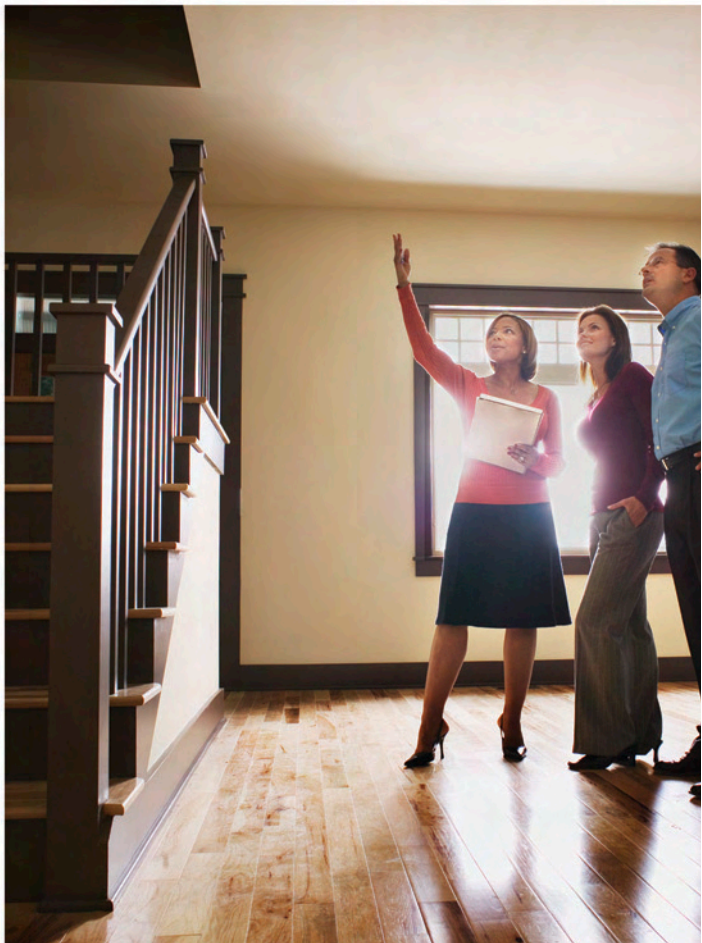
Here's an example. Suppose you show your buyers a house. They really like the house and they put an offer on it. You then find out there are multiple offers on the house, and you're in a competition with other buyers to see which offer the sellers will accept.

Your clients are excited. They get all worked up about house and say things like, "I hope our offer gets accepted. That was really the right house for us."

You call them later and say that the sellers went with another offer. Immediately, your clients will start rationalizing and say, "Well, to be honest with you, we were talking about it after we got off the phone with you…and that master bedroom was a little small; it would be tight with our furniture. And we weren't really comfortable with the foyer just outside the kitchen."

To make them feel better (and to make yourself feel better), you may even run down that road with them and say, "You're right. I wasn't really keen on that master bedroom either. And I didn't even think about it, but that little foyer area off the kitchen going into the laundry room *was* a bit tight. I agree with you; it could have been better planned."

Now you're jumping in with them on that whole rationalization bandwagon. You might even end the call by saying, "You know what? I'm glad you didn't get that house. We're going to find you something better."



Rationalization happens every time someone gets disappointed; it's an automatic response.



You hang up and everyone feels good. But then the listing agent calls you and says, "The first buyers backed out. Are your buyers still interested?"

You know your clients wanted that house. They were so excited about the house that they put an offer on it. But in that phone call you just had with them you killed the desire. How do you rekindle it? Do you call them back and say, "I was only fibbing when I said it was a good thing you didn't get the house"? Of course not. And this is precisely why you can't help people rationalize.

As your client goes through that rationalization process, make sure you don't run down that road with them. Instead, say something like: "I understand the way you feel. And you're right that the house wasn't perfect; nothing ever is. But we have to realize we looked at a lot of houses, and that was the best house we've found. Our goal now is to find another house like that, and that might take us a little bit of time."

Then you go to work looking for another house. And if the first house comes back (which happens quite often), you don't have to swallow the words you previously said. It will be perfect for you to call and say, "You're never going to believe this, but it worked out. The first buyer backed out; the house is yours."

Reaction Formation

Realize that what you see in your client's reactions could be the exact opposite of what the client is feeling. Here's a prime example. Suppose a close friend's father dies. You know your friend well, and you know this hurts her a lot. She's devastated, but she also

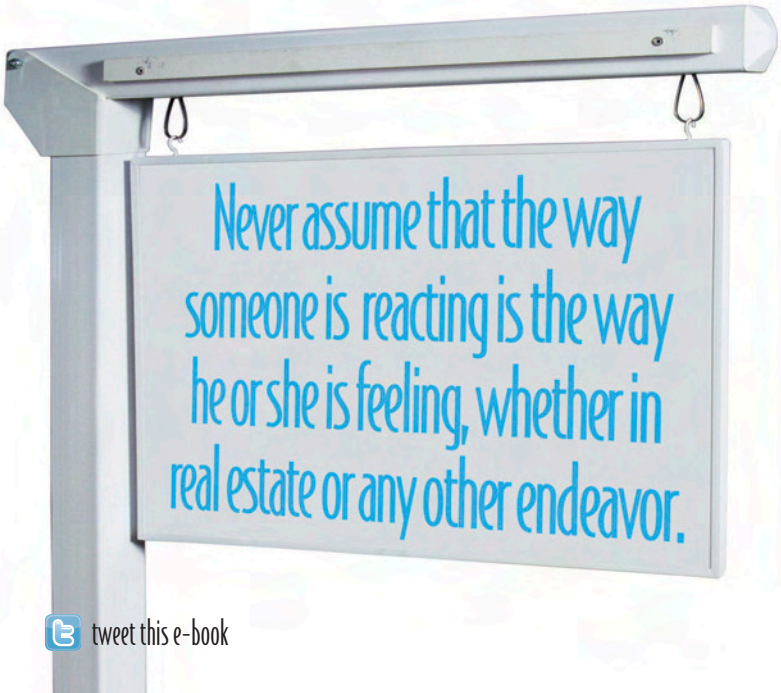
wants to be strong for her mother. So during her father's wake, she's cracking some jokes and really trying to hold on.

You've known her for years, so you understand what she's doing. You put your arm around her and make sure she's okay. But the people present who don't know her that well think she's a heartless idiot. They're wondering how she could crack jokes at a time like this.

The way your friend feels is much different than the way she acts. Her "joking demeanor" is the reaction formation she created so she could be strong for her mother during this difficult time.

When you're selling real estate, the same thing happens. For example, suppose you're walking a couple through a house. They're excited about the house. You even hear the husband say, "Wow! This might be the perfect house for us!" And then you hear him say, "Ow!"

That's right, "Ow!" His wife just jabbed him in the side.



She believes that even though they are excited about the house, they shouldn't let you know that right away. So she creates a reaction formation to hide the fact that she's interested in the home.

This is an important concept, because if someone says, "I really, really like this house, but I'm a little concerned about the caulking around the windows," chances are it's a reaction formation. If they didn't like the house, if they had no intention of going forward, they wouldn't simply say that they don't like the caulking. Instead, they'd say, "Do you have any other houses to show me?"

So if someone is nitpicking a house, understand that the person is likely interested in that house but is showing you a reaction formation. It's their way of starting the negotiation so they can get the price where they want it.

Never assume that the way someone is reacting is the way he or she is feeling, whether in real estate or any other endeavor.

Projection

John Milton, author of the epic poem *Paradise Lost*, said, "The greatest punishment a liar suffers is going through his whole life never being able to believe anyone."

Projection is when we look at another person and project our beliefs, our feelings, or our thoughts onto that person. In other words, if you're always honest with people,

it's natural that you assume those you are dealing with are honest too. Conversely, if you tend to lie to people, you may often assume that those you are dealing with are lying too. That's why a con artist usually targets nice people, because nice people don't think others are dishonest. They assume that if someone promises something, they're telling the truth.

So if you're working with someone and you know he is "fibbing" to you, realize that he assumes you are fibbing as well. Therefore, you need to prove every single thing you say to that person. You can't just tell them the truth—you need to provide evidence proving your statements. Be sure to have charts, graphs, third-party endorsements and other powerful visuals to support your points.

Projection is powerful. **Make sure you understand who the other person really is, and then realize they're projecting some of themselves onto you.** React accordingly to keep the negotiations favorable.

Projection is when we look at another person and project our beliefs, our feelings, or our thoughts onto that person.

Displacement

People sometimes get angry at one situation and let it out in a different situation. For example:

- the boss screams at the worker
- the worker yells at the spouse
- the spouse yells at the kid
- the kid kicks the dog
- the dog bites the cat
- and the cat eats the goldfish.

That's displacement.

In real estate, when there's a lot of money on the table and when people are doing transactions around their home (a very personal possession), disagreements are bound to happen. And because you are the professional in the transaction, people will sometimes take their frustrations out on you. In other words, sometimes you're the goldfish!

Even though the client may be upset with the buyer, the seller, the attorney, the home inspector, the title company, or someone else in the transaction, they often take it out on their agent. Displacement is simply part of the job in real estate.

Everyone falls victim to displacement at some point. For example, suppose you come home from work and see your kids playing hockey in the living room. You have a lot of family heirlooms in the living room that are important to you. If you were coming home in a bad mood, you'd likely get upset and say rather sternly, "What are you

How people feel often determines how they react to situations.



doing? You shouldn't be playing hockey in the house and definitely not in the living room." And then you'd take away their hockey sticks and tell them they couldn't use them for a week.

However, if you had a great day at work, if you just sold a couple of houses and are happy, perhaps you'd see your kids playing hockey in the living room and pick up a stick and join in.

How people feel often determines how they react to situations.

In real estate, especially during a down cycle, people are going to displace. They're going to get annoyed and they're going to let it out on the wrong people—sometimes you.

Here's an example to put this in perspective so you can understand the best way to handle displacement when it happens. Suppose someone you know got into a bad car accident and had both his legs crushed. After some lengthy surgeries, he has to work with a physical therapist to re-learn how to walk and get his legs working again. While he is going through that process, he has to use something that looks like a parallel bar to learn how to take one step after another. During those sessions, especially at the beginning, he falls, and when he does, he's embarrassed and upset. His physical therapist comes to his side and says, "Come on. Let's get back up. Let's keep on going." To which your friend yells, "No! I'm not." He even says a few nasty words to make his point.
If that therapist put her hands on her hips and said, "You're not going to speak to me like that" and stormed out of the room, how good a therapist would she be?

This is not to say that anyone should have to stand there and take abusive language. That shouldn't be part of anyone's job description. But is walking away the right thing to do?

Now let's assume there's another physical therapist in the room. And even though your friend was yelling, his words didn't bother this therapist. This therapist knew the most important thing to do at that moment was to help your friend regain his self-respect, help him back up on the bar, and help him learn how to walk again. The physical therapist's ego wasn't the most important thing; the pride of the person on the floor was. So despite what your friend just yelled, this therapist helps him up and gets him going on the bars again.

Which therapist would you want helping you if you were in that situation? Which therapist is really the better therapist? Which therapist is going to build the best relationship with the patient?

In real estate, the same kind of thing happens. You might get a phone call, and because the client is upset he or she might yell at you on the phone. When confronted with that, some agents slam the phone down and say, "I'm not going to let anybody talk to me like that." And while they're right to feel that way, their reaction may not be the best approach.

Should that happen to you, it's better to help the client through the frustration. Help the client regain control of the situation. That's your job. And if you do that job well, you can build a great relationship with that client, who will refer you to others.



It's the social needs that often cause people to move.







Part Three:

ADDRESSING HUMAN NEEDS

When you're negotiating anything, it's important to understand Maslow's Hierarchy of Needs. The basis of Maslow's theory of motivation is that human beings are motivated by unsatisfied needs, and that certain lower needs must be satisfied before higher needs can be addressed. He represented it with the following diagram.



The needs start at the base of the triangle with physiological needs. This includes things like food, water, and sleep.

The next set is safety needs. This includes living in a safe place, having a secure job, and generally not having to worry about supporting the family.

The next is social needs. This includes friendship, belonging to a group, and giving and receiving love.

The next is esteem needs. This includes recognition, attention, social status, accomplishment, and self-respect—ego based needs.

Only when those four levels of needs are met can people attain self-actualization, which is the summit of Maslow's motivation theory. This is when people feel as though they've reached their full potential. It includes such things as truth, justice, wisdom, and meaning.

When you meet clients, the first two needs are usually already met. Most of your clients don't have to worry about their physical needs. They have food and water in the refrigerator. They also have safety and security taken care of. They have a roof over their head and a job. Some might be struggling with their monthly housing payment, but for the most part they have safety and security.

It's the social needs that often cause people to move. For example, suppose your client is in New York and all their family has moved to Florida. They're the last one in New York and they have decided to make the move to Florida too. They're not moving because they dislike the snow or their neighborhood; rather, they miss their family. They need that sense of belonging. They want the love that only a family can give.

People's social needs also kick in when it involves friends. For example, it's common for volunteer firefighters to move when the city redistricts the areas, causing them to have to transfer to a different firehouse. The firefighters want to stay in the same firehouse they've always worked at. That's where all their friends are—where all the people that they went through training with are. They are brothers and sisters in arms and want to stay together. So instead of leaving the firehouse, they often opt to move to another home that's within the redistricted lines. That sense of love, affection, and belonging is crucial.

As a real estate agent, you have to take all the human needs into consideration and know the power of them.

Here's an example of how all these needs can play out in a real estate transaction. Suppose you have a couple who has to sell their home. The wife is the vice president of a large corporation. The husband is retired, and he's ill. He has to move from the location he's at to a different climate to accommodate his health challenges. Unfortunately, the wife's employer does not have a branch or office in the new location where they'll be moving to.

The wife is moving because of love (social needs). The husband is moving because of his health (physiological needs). Both these needs are important.

During real estate negotiations, what gets in the way of these two needs is ego (esteem needs). You've probably seen this happen. A buyer makes an offer and the seller thinks it's a lowball offer. The seller says things like, "They'll take me out of here feet first before I take that offer," or "I'll burn this house down before I take that offer."

They don't mean those things; that's just their ego speaking.

Alternately, if a seller just rejects the offer of a buyer, the buyer might respond, "What? My money's not good enough for them?"

As a real estate agent, you have to take all the human needs into consideration and know the power of them.



It's important to remind your clients why they are moving–remind them of their original need.

When the negotiations get to this point, it's important to remind your clients why they are moving—remind them of their original need.

Going back to the original scenario…if you're taking an offer on the couple's home (where the husband is moving for health reasons and the wife is giving up her career because she loves him so much), and that offer is $10,000 less than what they wanted, their ego is going to rear its ugly head.

This is when you need to remind them that there are needs more important than ego. They have their house on the market. They might decide to reject that offer based on ego, but they have to realize that the reason they're moving is for health reasons—the husband is sick. And because the wife loves her husband, she's not going to say, "No, I'm not moving. I'm choosing my job over my husband."

Whether someone is buying or selling, always remind them why they're moving. When their ego comes into play, that's your cue to turn it around and say, "Let's look at the real reasons you're moving. Let's look at the real reasons you're buying a house and let's bring it back to that." When it gets to money or it gets to who won the negotiation, ego can destroy it.

On the other hand, sometimes a client's needs can help you put a deal together. Suppose your client is an accountant, and on the weekends he plays in a band. He has played in the band since he was 17 years old. But he's not good enough to be a professional performer, so he went to college and got his accounting degree. The piece of paper on the wall says Accountant, but in his heart he's a drummer.

When he's looking at a house, if there is a detached garage on the property where he

Everyone has a need they are trying to satisfy. Know what those needs are so you can fulfill them during the negotiation process.

and his band can get together to practice, he'll be excited about that. Remember the self-actualization: he really wants to be the drummer even though he's an accountant.

Or it could be that the wife is a partner in a law firm, but her hobby is painting beautiful watercolors. In fact, she loves painting more than law, but she needs the attorney salary to support the family. If she sees a house that has a loft apartment overlooking a pond or something else scenic, she might decide that's the house for her. In her mind, she's buying the loft, and the house just happens to come along with it.

Knowing these human needs is essential. When you're negotiating you have to figure out which one of those needs is being satisfied for either the buyer or seller, and you have to keep bringing the negotiation back to that point. No one buys or sells a house just for the fun of it. Everyone has a need they are trying to satisfy. Know what those needs are so you can fulfill them during the negotiation process.

CONCLUSION

Anyone can learn to be a successful negotiator. Ultimately, it comes down to controlling your environment, being aware of human behavior patterns, and understanding human needs. If you do these three things well, you can negotiate any real estate transaction and bring it to a close where both sides hug you at the end and thank you for helping them accomplish their dreams. That's what real estate is all about—you're negotiating the best scenarios for all parties involved.



Learning to negotiate helps you master how to deliver your message, but...

What do you tell a prospect about the current market?

How do you move them to action?



***"No agent in your office should be doing listing presentations without using KCM** information to educate their sellers."* - *Ray Seffer, Chicago, IL*

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