

# NEGOTIATING YOUR PROPERTY PURCHASE

## TOP 10 TIPS



**NATIONAL**  
PROPERTY BUYERS



# #01

## ASSESS THE PROPERTY FIRST

No matter what type of sale, no matter what the selling agent is quoting or saying, you must assess carefully the property you are interested in before purchasing it. This may sound obvious, but it is a common mistake many people make when buying property. You really won't know if you are getting a good deal if you don't do some homework. Assess the property first before getting serious.

Do as much research as possible and find comparable sales that are similar in age, size, condition and position. Make sure you compare 'apples with apples' as this is imperative to determining the 'ceiling price' of the property. You will need to find at least three or four comparable property sales and they need to be as recent as possible. Buyer Advocates/Agents have access to the latest sales information and can provide a thorough price analysis.

# #02

## TALK WITH THE AGENT

Ensure you communicate clearly with the selling agent. This can be a delicate balance to strike as you need to let the selling agent know you are interested while still keeping your cards close to your chest. However if you don't indicate your interest you risk the property being sold to another party and not being given an opportunity to submit an offer.

Your discussions with the agent need to discreetly source as much information as possible about the vendors and your competition. At a bare minimum, you should be able to determine how much competition is expected, or an approximation of the vendors reserve if the property is likely to pass in. This information is paramount to increase your chance of success as it will determine how and when you bid/offer.



# #03

## PRE-AUCTION OFFERS SHOULD BE UNCONDITIONAL

Offers submitted prior to an auction need to be completely unconditional in order to improve your chance of success. Agents will not shut down an auction campaign with a conditional contract (unless of course you are paying far and beyond what the property is worth).

You will need to make sure you are safe guarded from any future problems before submitting an unconditional offer. Get a solicitor to check over the contract and Section 32, make sure your finances are in order and organise building and/or pest and any other inspections before you make your offer.

# #04

## HAVE A GOOD REASON FOR SUBMITTING THE OFFER

Even if the agent wants the offer, think of a good reason for making it. You need to establish some 'fear of loss' into the selling agent's thinking.

For example, search for another property on the internet, one that is cheaper than the one you are about to make an offer for (although not too much cheaper) and use this property as leverage to significantly improve your negotiating power. It would be a good idea to even inspect the property to familiarise yourself with it; it will help a great deal when having your discussions with the agent. This also creates some time limits which will work in your favour.

# #05

## TIMING IS CRUCIAL FOR A SUCCESSFUL OUTCOME

Timing is crucial in order to maximise your chances of your offer being accepted by the vendor. Ensure you place your offer on the right day with a stipulated lapse time to eliminate as much of your competition as possible.

Most contracts of sale automatically provide for a three business day lapse time, unless otherwise stated. Make sure your offer lapses before any subsequent open for inspections that are scheduled. Even more importantly, ensure your offer lapses before the auction day if you are submitting an offer from the Tuesday to Friday just before auction (or you may end up paying more for the property than you need to).

# #06

## DON'T GET ANGRY WITH SELLING AGENTS

In most cases, getting aggressive with selling agents will be counterproductive. You need to understand that they are required by law to act in the best interests of the vendor, to achieve the best possible result for them.

While there are times when getting a little aggressive can work in your favour, you need to know when the time is right to do so and how far you go (not easy when you are emotionally involved). In the end, the selling agent is the one person standing between you and the vendor, and the majority of the time a successful result is more likely without any aggression required.



# #07

## HAVE A CEILING PRICE AND STICK TO IT

Remember Tip 1, which discussed how you must assess the property before you start getting serious. If you have done your research, you will have a clear indication of the anticipated price point of the property and will subsequently be able to set a 'ceiling price' for the purchase. Do not go over your ceiling price.

If you are bidding at auction you shouldn't end your bidding on a round number if possible. Go for an uneven number. For example, if you have a budget of \$450,000, you will have a much better chance of securing the property if you were able to increase your budget to \$455,000, providing of course that the amount is not above your ceiling price. Having a little more than the 'round' number, even as little as \$500, will assist you in beating other buyers with an identical budget.

# #08

## CONTROL THE TEMPO AND INCREMENTS OF YOUR BIDS WHEN YOU ARE BIDDING

When you are bidding at auction, make sure you are in control of the tempo of the auction and the increments of your bids. Don't let the auctioneer pressure you into making quick bids, unless placing a quick bid is the right thing to do.

If the property has not been announced 'on the market', break down the bidding increments (for example, if it is going in \$10,000's, break it down to \$5,000's) as this will provide you with some protection and more negotiation power if the property passes in. When the property has been announced as having reached the reserve, your bidding should be strong and that may involve increasing the increment of your bids. At this point, you are playing for keeps - there are no second chances. Show some strength in your bidding to improve your chances of success.

# #09

## TAKE SOMEONE WITH YOU TO THE AUCTION

Take someone with you when you attend and are intending to bid for a property at auction. That may be your partner/spouse, relative or friend. Having someone there with you will allow you to discuss your strategy and more importantly, improve your negotiation power if the property passes in.

If the property passes in, one party should remain outside, out of sight of the agents. The better negotiator should be the one heading inside for discussions with the selling agents. At the very least, having someone there will buy you some thinking time. Make sure you wait for the reserve and under no circumstances should you increase your offer/bid until the agent has provided you with the reserve price.

# #10

## GET LEGAL ADVICE

Prior to signing a Contract of Sale, you should get independent legal advice from your legal representative to ascertain whether they have any concerns. While you are entitled to a three day cooling off period, exercising your right to cool off and rescind the contract will cost you money. Typically, this is either \$100 or 0.2% of the purchase price.

Your legal representative will also be able to provide you with the correct wording for any special conditions that may need to be changed or added to the contract. They may also recommend you delete certain special conditions if they believe your position as the purchaser is compromised. This is very important as contracts that are prepared by the vendor's legal representative usually favour the vendor. For a monetary transaction of this size, purchasers need legal advice to confirm and understand their position.

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