

Negotiating the offer: Information is POWER

Before hearing an offer you will need to know whether the selling agent is representing *your* interests or is a “buyer-broker,” taking the side of the buyer. The popularity of buyer-brokerage in the Washington, D.C. metropolitan area has grown since its introduction in 1991. Buyer-brokers now account for nearly *all* home sales in our area. The buyer-broker's demeanor, and tone might be indistinguishable from those of a seller's agent. On the other hand, the buyer-broker has the charter to be downright adversarial if the need arises. Nevertheless, there are ways to handle any eventuality and still emerge with a satisfactory contract. But the advent of buyer-brokerage makes your listing agent's superior negotiating skill and experience, critical commodities to have on your side. Chances are good that you will be shielded from any direct abrasiveness since selling agents rarely present their buyer's offer in person nowadays.

When considering the offer, you and your agent should consider what type of buyer you are dealing with. A few examples:

- ◆ A first-time buyer is apt to be cautious, if not downright scared, and might withdraw the offer without warning, never to return.
- ◆ An incoming transferee on a five-day house hunting trip will buy for sure, and usually has no home to sell. Don't delay and do not let him or her get away.
- ◆ A serious local buyer might have a home to sell. Is it on the market? Is it reasonably priced? Has he or she seen many homes or made other offers? What happened? Is there any urgency?
- ◆ A bargain hunter or “bottom fisher” is willing to live in a cave as long as the price is discounted by 30%. Your offer is likely to be but one of many similar offers he or she has made. This type of buyer is more prevalent in a buyers' market.

Each type of buyer needs special handling. Has the buyer seen enough homes to be satisfied that yours is *the one*? How long has he or she been looking for a home? What features did he or she especially like? Were these features present in any other home?

You will know that you are in big trouble if a host of new considerations crops up during your consideration of an offer. A few of the many examples, all designed to implore you to accept the offer, are:

- ◆ The market has suddenly worsened.
- ◆ The buyer can afford no more.
- ◆ Interest rates are about to rise.
- ◆ A similar home just sold for 25% less.
- ◆ Your home will not appraise for the contract price.
- ◆ The buyer allegedly likes another home, a close second, and that offer is already written and waiting.

- ◆ Some New York-based investment folks (WSJ? CNBC?) are predicting gloom and doom.
- ◆ The price offered is even greater than your real estate tax assessment.

You might hear these things as well as others. But this is not the time to make your important decision based on brand new, alarming, unverified, or irrelevant information. In any event, do not yield to any pressure to accept an offer that is unsatisfactory to you.

Some initial offers are ridiculous, designed to determine how desperate you are or to shock you into lowering your expectations. This is no time to become insulted and scuttle the proceedings. An emotional response is your biggest enemy. It will always turn down-to-earth issues and quantitative differences into an ill-defined mishmash that will be impossible to deal with. Although this offer might make you mad enough to expectorate, try to remember that it is the very best offer you have today. Deal with it. Use your judgment. If an offer is too low, you must either reject it or counteroffer. Review the information at your disposal, make your decision, and give your rationale.

The initial offer defines the minimum outcome of negotiations, your asking price defines the maximum. The final outcome will usually be somewhere between the two. Your objective is to convince the buyer to see things your way and to agree on a price very near what you are asking.

Remind yourself that your position is justifiable. You are on firm ground. You have an unbeatable team, you have done your homework, and you have much more ammunition (information) than the buyer has. Approach the problem carefully and logically. What information formed the basis of the buyer's offer? Do you need to rebut the tax assessment myth? ([click here](#)) What information is the buyer lacking? How can you impart the understanding required to bring the buyer's view into line with yours? Can you offer information on comparable sales, a recent appraisal, or perhaps your original market value analysis?

Be ever-mindful of whether market conditions favor buyers or sellers, and remember that delays in negotiating *usually* favor the seller. Work with your listing agent and through the selling agent, who will be your messenger. Convince the selling agent and you will be at least halfway there. By the way, the selling agent wants this to work because if it does not, he or she will be back on the road showing properties instead of setting up your home inspection, and trying to figure out which bank account can take the commission deposit without exceeding the FDIC insurance limit.

*This series is excerpted from David Rathgeber's SELLING YOUR HOME in the Washington, DC Metropolitan Area
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