

How to buy a home: 7 tips for negotiating like a pro

June 11 2024, by Park Thaichon



Credit: Pixabay/CC0 Public Domain

The main purpose of negotiation is to find a mutually acceptable solution for buyers and sellers. Good negotiations greatly improve relationships

between buyers, sellers and agents. They also help avoid future problems and conflicts.

Negotiating skills become even more important for [home buyers](#) in a "seller's market," where demand from buyers exceeds supply from [sellers](#). That's [currently the case](#) in all Australian capital cities and major regional areas such as the Gold Coast, Sunshine Coast and others.

Many home buyers mistakenly believe negotiation only occurs during the signing of the sale contract. However, it involves distinct stages: pre-negotiation and during negotiation.

So how can people maximize their chances of successfully negotiating a purchase in a seller's market? I offer the following tips.

Be someone the seller's agent wants to do business with

Buyers often communicate solely with the seller's agent, rather than directly with the seller. It's crucial to ensure the agent views the buyer positively. Ultimately, it's the agent who presents offers to the seller for their decision.

It's important, then, to understand what might motivate the seller's agent to choose your offer. The key performance indicator for the agent often revolves around closing a property sale at a reasonable price within a certain time.

This means price is a crucial factor. However, other factors can influence the seller's agent and seller.

For example, having pre-approved finance can increase the agent's

confidence in the buyer. If the buyer appears serious, can make quick decisions and makes a good impression, the agent may be more motivated to push for them, even if their offer is slightly lower than others without pre-approved finance.

Be a big fish (for the seller's agent)

The next strategy is to give the seller's agent extra incentive to favor you and your offer. [Our research](#) on customer behavior suggests businesses value customers who make frequent purchases or engage them for long-term services.

For example, the agent would be pleased to learn that the buyer might be interested in buying another property in the near future or in using their rental service for the new property. You have an advantage if you can position yourself as someone who could provide them with extra business.

Point to competing options

In a positive manner, let the seller's agent know you are considering two or three properties, and this specific property is among those you are inclined to make an offer on.

In certain situations, it may stimulate competitive pricing when multiple properties of similar quality are available in the same area. Make it clear to the agent you will choose the property that offers you the best overall value.

While this strategy might not necessarily lower the price in a seller's market, it can prompt the agent to have a fuller discussion with you.

Think beyond price

The next set of tips focuses on the during negotiation stages. It can be challenging for buyers to negotiate a [lower price](#) in a market with low supply and high demand. You might have to "think outside the price box."

Buyers often have a specific price range or fixed budget in mind when they start discussions with a seller. However, other factors besides price can influence a property's overall value.

So if a seller won't adjust the price, consider negotiating for other concessions that could reduce your expenses.

These may include:

Settlement period

Consider the expenses associated with the settlement period. A shorter settlement period could enable buyers to move into the property sooner and save on rent. For example, if a buyer is paying \$600 per week in rent, an early settlement could save them around \$2,400 per month.

Insurance costs after contract signing

In many states, buyers' [home insurance coverage](#) is required to begin from the date of contract signing. It's reasonable for buyers to include a special condition requesting the seller to bear the insurance costs until settlement. On average, home insurance may amount to about \$140 per month.

Cleaning expenses

Consider negotiating a condition stipulating that the seller must ensure the property is professionally cleaned by settlement. Failure to do so could result in a \$500 adjustment in the buyer's favor at settlement.

In some states, like Queensland, sellers are not obligated to deliver a clean property. Based on typical end-of-lease cleaning charges, internal cleaning of a four-bedroom property could cost [\\$455 to \\$590](#).

Building and pest inspection costs

Buyers should always include a 14-day pre-purchase inspection clause for [building and pest inspections](#) in their offer. Although they may cost \$300 to \$600, these inspections provide a clear report that could lead to negotiations after contract signing if they find any issues with the property.

Be careful with your first offer

Don't present the first offer in writing. It can be challenging to negotiate down the price once it has been written in an offer document.

Instead, the buyer should begin by testing the expected price of the property. As well as obtaining property reports from multiple banks, the buyer could talk with the seller's agent in person about a price range that would be agreeable to the seller.

You could include phrases like "a price that will make the seller happy" or "a price that will make the seller accept the offer." While the agent might not provide a specific price, this talk can provide a guideline for the buyer. All properties up for auction or private sale should have an expected price set, which may or may not be discussed with potential buyers.

It's also advisable to consult a solicitor before submitting an offer or signing a contract. They can offer valuable suggestions to smooth the purchase process and identify any issues.

Use the power of 900

Buyers often submit offers with round numbers, such as \$700,000 or \$750,000. In a competitive seller's market, aim to submit an offer with a number that stands out from the rest, yet remains within your budget.

An example of such a number is \$900. For instance, comparing \$700,000 to \$700,900, the extra \$900 makes the offer feel closer to \$701,000.

Write a personalized letter

It's true the most important point of selling a house for many sellers is the price. But they are human and have emotions. Finishing a purchasing offer with a personal letter to the seller can make a difference.

Often that \$3,000 to \$20,000 could be a lot of money for a buyer, but it may not be as much for someone selling a house for \$700,000 or \$1,000,000. Write the letter to express your feelings about the property in a way that makes it clear you will care for it. Most people selling their home would prefer to have someone look after it well.

This article is republished from [The Conversation](#) under a Creative Commons license. Read the [original article](#).

Provided by The Conversation

Citation: How to buy a home: 7 tips for negotiating like a pro (2024, June 11) retrieved 26 June 2024 from <https://phys.org/news/2024-06-buy-home-pro.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.