

# Becoming a Skilled Real Estate Negotiator

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To Better Protect and Negotiate for Your Clients & Customers



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## **Course Objectives:**

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**At the end of this course, the student will be able to:**

Upon completion of this course, the student will be able to:

- To provide approaches and techniques for negotiating successful outcomes/transactions for your clients.
- List the critical points behind the consumer's point of view.
- List the pros and cons of a decision based on the other person's point of reference.
- List the primary interests/concerns of a buyer.
- List the primary interests/concerns of a seller.
- Distinctly set forth the goals of each party and list the techniques necessary to achieve the multiple goals.
- Demonstrate increased negotiation skills to protect the client better in real estate negotiation situations.
- Utilize negotiation tools, approaches, and techniques for better outcomes for clients, agents, and broker/owners.
- Display higher level negotiation skills and professionalism.

## Timeline

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1. Negotiation Fundamentals:	(5 minutes)
a. Definitions	
b. Types of Negotiations	(10 minutes)
NAR Profile of Home Buyers and Sellers/What consumers want	(5 minutes)
c. Benefits of these acquired skills	(10 minutes)
d. The Complexities of Negotiation	(10 minutes)
1. Types of Negotiators	(10 minutes)
2. Avoiding Standoffs and Stalemates	(5 minutes)
3. Using Your Negotiation Skills	(10 minutes)
4. The Agent's/Broker's Due Diligence for Approaches and Foundation:	(20 minutes)
Case Studies activity	(15 minutes)
5. Negotiating Situations & Sample Scripts activity	(15 minutes)
6. Role Plays/Case Study activity	(15 minutes)
7. Agent Analogies	(10 minutes)
8. NAR 2016 Code of Ethics and Standards of Practice	(10 minutes)
<b>Total</b>	<b>150 Minutes (3 hours)</b>

# Introduction

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What Clients Value in Real Estate Agent Skills and Qualities

You should want to Pay Attention to What Your Clients Value in Your Personal and Business Qualities:

- Honesty and integrity
- Knowledge of purchase process
- Responsiveness
- Knowledge of real estate market
- Communication skills
- Negotiation skills

Any successful negotiating creates a 'win-win' for all the parties involved. Of course your primary goal in the transaction is to create a happy customer, a 'customer for life.' But, like any real estate agent, you want to get paid. It can be a challenging line to walk, especially in a state of presumptive Transaction Brokerage, and it can be difficult to get all parties to agree to a single outcome. But at the end of the day, when you put your **customer** first, you will end up ahead as well.

This course talks about understanding not only the basic negotiating principles, but understanding your customer, and where he/she is coming from. Once we define our customer(s)' needs/wants, it helps us reach a common goal – a closing!

## 1. Negotiation Fundamentals:

### a. Definitions

- i. 2 or more people interacting to reach agreement on 1 or more issues
- ii. Art of influence or Persuasion
- iii. Persuade & Trade

### b. Types of Negotiations

- i. Co Broker – Agent – Agent
- ii. With Sellers – Agent – Seller
- iii. With Buyers – Agent – Buyer
- iv. For Sellers – Co-Broker
- v. For Buyers – Co-Broker
- vi. With Your Broker – Broker/Owner – Agent

**According to the NAR 2015 Home Buyer and seller generational trends:**

HOME BUYING AND REAL ESTATE PROFESSIONALS

Exhibit 4-4

**WHAT BUYERS WANT MOST FROM REAL ESTATE AGENTS**

*(Percentage Distribution)*

	AGE OF HOME BUYER					
	All Buyers	34 and younger	35 to 49	50 to 59	60 to 68	69 to 89
Help find the right home to purchase	53%	53%	48%	53%	58%	59%
Help buyer negotiate the terms of sale	12	12	13	14	12	9
Help with the price negotiations	11	10	14	9	9	9
Determine what comparable homes were selling for	8	7	9	9	8	12
Help with paperwork	6	8	6	6	4	4
Help determining how much home buyer can afford	4	5	5	4	2	1
Help find and arrange financing	3	2	3	3	4	3
Help teach buyer more about neighborhood or area (restaurants, parks, public transportation)	2	2	2	2	2	1
Other	1	2	2	1	2	1

HOME SELLING AND REAL ESTATE PROFESSIONALS

Exhibit 7-9

**NEGOTIATING THE COMMISSION RATE OR FEE WITH THE REAL ESTATE AGENT**

*(Percentage Distribution)*

	AGE OF HOME SELLER					
	All Sellers	34 and younger	35 to 49	50 to 59	60 to 68	69 to 89
Real estate agent initiated discussion of compensation	46%	46%	46%	44%	48%	47%
Client brought up the topic and the real estate agent was able and willing to negotiate their commission or fee	21	14	23	25	21	22
Client brought up the topic and the real estate agent was unwilling or unable to negotiate their commission or fee	7	4	6	7	7	10
Client did know commissions and fees could be negotiated but did not bring up the topic	11	12	13	10	10	9
Client did not know commissions and fees could be negotiated	15	23	12	14	14	11

*So...What do consumers want?*

According to NAR surveys, clients expect their Realtor to be knowledgeable in negotiation approaches and techniques. The NAR Profile of Home Buyers and Sellers shows:



- 99% of buyers believe negotiation skills are ‘very important’ or ‘somewhat important’ in their real estate agent.
- Only 42% of all Buyers felt their agent ‘negotiated better sales contract terms.’
- Only 35% of all Buyers felt their agent ‘negotiated a better price.’
- Buyers give ‘negotiation skills’ the lowest satisfaction rating of all agent skills and qualities.
- Only 5% of Sellers want ‘help with negotiation and dealing with Buyers.’

So we must ask ourselves.....

Why aren’t Buyers satisfied with their agent’s negotiation outcomes?

Why do only 5% of Sellers look for negotiation skills in their agent?

**c. Benefits of these acquired skills**

- i. More Listings
- ii. Higher Commissions
- iii. Higher Total Compensation
- iv. More Referrals
- v. More Buyers
- vi. Higher Compensation
- vii. Higher Productivity
- viii. Greater Satisfaction – my story “Ruby”

**d. The Complexities of Negotiation**

- i. Client Attitudes – Buyer/Seller – typically competitive
  
- ii. Agent Attitudes – Agents – often competitive; collaborative better
  
- iii. Multiple Issues
  - 1. Price / Value
  - 2. Commission
  - 3. Allowances (carpet, paint)
  - 4. Personal Property
  - 5. Buyer’s Financing Costs
  - 6. Closing Costs
  - 7. Time/Dates
  - 8. Contingencies
  - 9. Home Warranty
  - 10. Appraisals \*
  - 11. Inspections / Repairs \*
  - 12. Prorations
  - 13. Assessments
  - 14. Earnest Money
  - 15. Referral Fees

iv. Multiple Negotiations – Renegotiate often:

1. Appraisal
2. Inspection / Repairs
3. Closing Times / Possession (Occupancy)

v. Emotions

1. Emotions are not creators buy are reactors thoughts are creators

- a. Know the difference & control both
- b. How do Buyers Buy? / How do Sellers Sell?
- c. Right Brain – Emotions / Feelings – Images, Pictures, Creative  
(Hobby, Loft, Workshop), Music, Patterns
- d. Left Brain – Logic – Data, Numbers, Details, Analyze, Objective
- e. Role of Emotions

i. Emotional Drivers – getting out of debt – good satisfaction of good investment avoid bankruptcy – pride – schools – neighborhoods – lifestyle – reward

ii. Logic – price – value – good investment – tax benefits – more space – less maintenance. Uniqueness (one of a kind) – only one meeting my needs

f. Role of Power

i. You've heard that Power is Knowledge – Knowledge is Power

1. Competitive

- a. No concern for other party
- b. Abusive
- c. Aggressive
- d. Withholds information
- e. No trust
- f. Hard ball tactics



2. Collaborative

- a. Concern for all needs
- b. A willingness to explore alternatives / all options  
problem transfer
- c. Willingness to exchange or trade – minor concessions
- d. Shares power and information
- e. Builds trust
- f. Collaborative tactics – Win/Win
- g. Manages emotions on both sides – skill of a good negotiator
  - i. Considerate
  - ii. Silent (not interrupt)
  - iii. Positive & Fair

**1. Types of Negotiators**

- i. Competitive – we win – you lose
- ii. Collaborative – win/win
- iii. Compliant – we lose – you win

## Which type are you?

## Which type do you want to be?

### 2. Avoiding Standoffs and Stalemates

#### i. Understanding Sellers self-interests

1. Time deadlines
2. Money
3. Family Needs – Space, potential
4. Lifestyle – Status
5. Relief (Burdens, etc)

#### ii. Understanding Buyers self-interests

1. Time deadlines – domino closings, relocation, employment
2. Money
3. Family needs
4. Lifestyle / Status
5. Relief (Burdens)

#### iii. Understanding your customer's personality type

##### According to Wikipedia:

The assessments classify four aspects of behavior by testing a person's preferences in word associations (compare with [Myers-Briggs Type Indicator](#)). DISC is an acronym for:

- **Dominance** – relating to control, power and assertiveness
- **Influence** – relating to social situations and communication
- **Steadiness** (submission in Marston's time) – relating to patience, persistence, and thoughtfulness
- **Conscientiousness** (or caution, compliance in Marston's time) – relating to structure and organization

These four dimensions can be grouped in a grid with D and I sharing the top row and representing extroverted aspects of the personality, and C and S below representing introverted aspects. D and C then share the left column and represent task-focused aspects, and I and S share the right column and represent social

aspects. In this [matrix](#), the vertical dimension represents a factor of "Assertive" or "Passive", while the [horizontal](#) represents "Open" vs. "Guarded". <sup>[2]</sup>

- **Dominance:** People who score high in the intensity of the "D" styles factor are very active in dealing with problems and challenges, while low "D" scores are people who want to do more research before committing to a decision. High "D" people are described as demanding, forceful, egocentric, strong willed, driving, determined, ambitious, aggressive, and pioneering. Low D scores describe those who are conservative, low keyed, cooperative, calculating, undemanding, cautious, mild, agreeable, modest and peaceful.
- **Influence:** People with high "I" scores influence others through talking and activity and tend to be emotional. They are described as convincing, magnetic, political, enthusiastic, persuasive, warm, demonstrative, trusting, and optimistic. Those with low "I" scores influence more by data and facts, and not with feelings. They are described as reflective, factual, calculating, skeptical, logical, suspicious, matter of fact, pessimistic, and critical.
- **Steadiness:** People with high "S" styles scores want a steady pace, security, and do not like sudden change. High "S" individuals are calm, relaxed, patient, possessive, predictable, deliberate, stable, consistent, and tend to be unemotional and poker faced. Low "S" intensity scores are those who like change and variety. People with low "S" scores are described as restless, demonstrative, impatient, eager, or even impulsive.
- **Conscientious:** People with high "C" styles adhere to rules, regulations, and structure. They like to do quality work and do it right the first time. High "C" people are careful, cautious, exacting, neat, systematic, diplomatic, accurate, and tactful. Those with low "C" scores challenge the rules and want independence and are described as self-willed, stubborn,

opinionated, unsystematic, arbitrary, and unconcerned with details.

So what's the bottom line?

**D = "A" type Personality:**

- Likes to be the "boss"
- Driven
- Straight to the point
- Doesn't like to waste time
- Likes order
- Quick to make decisions
- You must not make them wait!



**I = Life of the party:**

- High social
- Like being in spot light
- Good communicator
- Enjoys latest fashion
- Likes bright colors
- Loves to party & entertain
- Great at social events



**S = Best friend type:**

- Helpful attitude
- Puts others first
- Will do anything for you
- Likes to volunteer
- Homeroom Mother/Father
- Enjoys home being a place for kids family to come over
- All about family



**C = Analytical**

- Engineer type
- Deals in world of black & white
- Very Detailed
- Slow to make decisions
- Usually quiet
- Nothing out of place
- Wants things in writing



**3. Using Your Negotiation Skills**

a. Communication (Face to Face, actions, words, charm, body language)

- Your customer wants BOTH sides of the discussion to understand his/her point of view and needs. Whether or not your side is willing to comply with a request, you will go a long way toward each party feeling like it's a 'win-win' if you take the time to understand.
- As open-ended questions

**Focus on Motivation, not Position**

- When Realtors take the time to communicate with both sides of the transaction, asking the open-ended questions, they can learn the buyers or sellers TRUE motivations for their position.

**Solutions Oriented**

- Don't assume that there is only one solution to the impasse. The best win-win solution could be something that neither party had even thought about up until this point.

**Flexible and open**

- Encourage your customer to look at the situation from the other side's perspective, and continue to work toward a solution that will make both parties happy.

b. Internet Issues (Emails, texts, scans, faxes)

c. Contrasts – comparing to make your offer look better

- i. Lower interest now
- ii. Lower monthly payment
- iii. More inventory now
- iv. Bottom out now

d. Concessions, Exchanges or Trades

- i. Closing costs
- ii. Pre-occupancy, Post-occupancy
- iii. Reduce Price
- iv. Painting allowance, Carpet Allowance

e. Connecting and Forming a Relationship

- i. Gather information – “Tell me” “Describe” “Help me understand”
- ii. Ask open-ended questions
- iii. Ask speculative questions

f. Fairness

g. Logic

h. Reality

**4. The Agent's/Broker's Due Diligence for Approaches and Foundation:**

- a. The Importance of Planning
- b. The Gathering of Information/Knowledge-know your market, asking questions of client
  - i. CMA / Appraisal
  - ii. Inflation
  - iii. Economy
  - iv. Unemployment
  - v. Interest Rates
  - vi. Supply
    - 1. Actives
    - 2. Absorption Rate
  - vii. Demand
    - 1. Solds
    - 2. Pendings
    - 3. Days on Market
  - viii. Trends
    - 1. Values up or down – appreciation or depreciation
- c. Client Needs & Desires
- d. Knowledge/interpretation of information
- e. Identifying Options
  - i. Aggressive
  - ii. Fair
  - iii. Low Ball
  - iv. Feeler

f. Selecting Options

g. Planning the Strategy-----Collaboration (Win-Win)- vs. Competition (Win-Lose)

- i. Latest Story on negotiation week of August 3rd, 2009
- ii. Low Ball offer / acceptance below appraisal / inspection repairs / bullying for deed lines



**Role Play—Listing Agent**

*Scenario-Listing agent and seller negotiating listing agreement.*

Listing Agent Background:

~You are a very successful and collaborative agent with many years experience. You are a polished presenter and very persuasive with your clients.

~You just met the sellers at an organization you both belong to. It is a casual relationship; however, you would like to do a great job, so that you will get additional referrals from this new group.

~The market has moved quickly from a strong sellers market to a buyers market. The seller is interviewing 4 agents total and you know many of these agents are desperate and willing to charge a lower listing fee. While you are not willing to go below 5%, you are willing to negotiate your fee if necessary.

~You have done your CMA and have identified the sellers likely selling range from \$300,000-\$350,000. The seller's home is in excellent condition and has many upgrades and extra features. The sellers are retiring. The husband has been a pilot with Delta. It is early March, and the sellers would like to move this spring.

~*Your goals as their listing agent are:*

1. Clearly understand their needs and desires.
2. Get a \$350 retainer fee for upfront advertising and marketing expenses.
3. Take the listing a no less than 5%.
4. Get a listing agreement signed at an appropriate time period given the market conditions and the seller's desires.

STRATEGIES:

## **Role Play—Sellers**

*Scenario-Listing agent and seller negotiating listing agreement.*

### Sellers Background:

~Sellers are entering full time retirement and moving out of state to a warmer climate. Husband is a retired Delta pilot, and the wife is a school teacher.

~Sellers have a beautiful home in a nice neighborhood, on the southeast side of town. Sellers think that from talking with their neighbor that their house should sell around \$350,000. Home has a great backyard and all the upgrades to justify an aggressive listing price.

~It is early March, and the sellers would like to close in June after school is out. However, the sellers would consider 2 moves, and an earlier move for the right offer.

~Sellers are interviewing 4 agents, and the most important factor to the sellers is commission. They have already interviewed 3 other agents, and one is their neighbor's son who is new to Real Estate, who will list their home for 4% commission. They really don't want to pay more than they have to, but they know this last agent has more experience, and an impressive background and track record.

### Guidelines for the sellers:

~Friendly and cooperative.

~Want to get to the commission issue as quickly as possible. If the agent tries to charge more than 4%, they will say, "Why should we pay more than 4%?"

~Open to a variable fee arrangement if suggested by the listing agent.

- Low Appraisal
- Desperate Seller vs. Competitive Buyer
- Commission Reduction (NAR Code of Ethics)

**5. Negotiating Situations & Sample Scripts**

- a. With Sellers
- b. With Buyers
- c. With Co-brokering Agents
- d. For Sellers
- e. For Buyers

**6. Role Plays/Case Study (see following pages)**

**Case Study**  
**Co-Broke Negotiation**

Background

The Listing Agent, with the seller's agreement, was offering a 4% co-broke to the buyer's broker on a \$650,000 listing (total 7% listing fee with the listing agent receiving a 3% commission on the sale). The seller is in bankruptcy (no foreclosure yet) and needed to sell the home quickly and at the highest possible price. An interested Buyer (after 3 private showings) made an offer of \$550,000. The seller would only agree to the price if the listing commission was reduced from a total of 7% to 6%. Unless the Buyer's Broker agreed to share the 1% reduction (.5% each for the Listing broker and buyer's broker) the listing broker would end up with a 2% commission while the Buyer's Broker would end up with 4%.

The listing agent did not attempt to negotiate the co-broke with the buyer's agent until after the seller and buyer had agreed to a contract in writing. When the Listing Agent initially brought up the subject of the co-broke, the buyer's agent quickly stated that her broker had already informed her that it was against the code of ethics for the Listing broker to change the co-broke after an offer had been submitted by the buyer's broker. She stated very strongly that her broker would not agree to a change in the co-broke.

The listing agent decided to appeal in writing to the buyer's broker. After receiving the written proposal, the buyer's broker agreed to share the 1% commission reduction. (see next page)

Discussion questions:

1. What reason did the listing agent give to the buyer's broker/agent for splitting the commission reduction? Why was this such a powerful reason?
  
2. What difference did submitting the request in writing make?

**Co-Broke Negotiation**  
**(sent from listing agent to buyer's agent)**

Date: January 8, 2009

Pages: 1

To: Buyer's Agent

Sender: Listing Agent

RE: Buyer Broker Commission

Comments:

Dear Buyer's Agent,

I'd like to ensure you and your broker understand our position on the co-broke fee. You are of course correct that it is a violation of Standard of Practice 3-2 in our Code of Ethics to change the co-broke after an offer has been submitted by the Buyer's agent/Broker. It is also inappropriate to include any terms regarding the fees between brokers in the purchase agreement between the seller and the buyer. However, Standard of Practice 3-3 in our Code of Ethics states "Standard of Practice 3-2 does not preclude the listing broker and cooperating broker from entering into an agreement to change cooperative compensation." It is in the spirit that we ask you to share the 1% reduction in commission that was necessary to get the seller to move forward. We both have put a lot of effort into this negotiation and the cooperation has been exemplary to this point. We have a philosophy of "win-win" and of doing what is right in every situation. We believe it was right on our end to make the 1% fee reduction with the seller in order to get your buyer's counter offer signed. We also knew it was right not to hold up the buyer-seller negotiations to conduct of commission negotiation. We simply ask that (name of buyers brokerage), in the spirit of professional collaboration and doing what is right, agree to share in this 1% fee reduction by accepting a 3.5% co-broke (this still gives you a 40% higher fee than our 2.5% fee). From our perspective, that is the right thing to do and is consistent with a win-win philosophy.

Regards,

Listing Agent

Listing Agent Brokerage

(This simple letter saved the Listing Agent Brokerage \$2750.00!)

## 7. Agent Analogies

- a. Sports
- b. Mountain Guide
- c. Servant / Leader

## 8. Copy of Code of Ethics and Standards of Practice of NAR

### a. Standard of practice 3-2

- Standard of Practice 3-2

Any change in compensation offered for cooperative services must be communicated to the other REALTOR® prior to the time that REALTOR® submits an offer to purchase/lease the property. After a REALTOR® has submitted an offer to purchase or lease property, the listing broker may not attempt to unilaterally modify the offered compensation with respect to that cooperative transaction.

*(Amended 1/14)*

### b. Standard of practice 3-3

- Standard of Practice 3-3

Standard of Practice 3-2 does not preclude the listing broker and cooperating broker from entering into an agreement to change cooperative compensation.*(Adopted 1/94)*

### c. Today's market using these standard's of practice