

Negotiating buyer offers

by *Phil Mitsch*

Each year in this country thousands of offers made by buyers that should result in a real estate transaction going together do not because the listing and selling agents involved do not have the knowledge of how to handle the offer negotiation process properly. Learning how to handle the offer negotiation process properly can unquestionably mean the difference between a sale and no sale. There are steps that can be taken in order to ensure that the offer negotiation process between buyers and sellers is handled proficiently, professionally and productively. Now let's briefly analyze some of the steps in this selling procedure.

Selling agent and buyer should determine on which home to make an offer

If selling agents have qualified their buyers properly "prior to" showing them homes, then they should only be showing homes that statistically meet their buyers' financial and psychological needs. Doing so will save a tremendous amount of time, energy and money. Selling agents (whether sub-agents or buyer agents), after showing only a predetermined and qualified inventory of homes, should be in a very strong position to help their buyers decide on which home they should make an offer. By reviewing the checklist of their most desired features (e.g. , location, floor plan, room sizes, lot size, color schemes, proximity to schools, shopping, churches, transportation, etc.) that were determined during the buyer qualification session, this can be accomplished.

Selling agent should contact listing agent "prior to" submitting offer

I found during my career as a selling agent that by contacting a listing agent both "prior to" showing a home and "prior to" submitting an offer I was not only able to eliminate a lot of wasted time, energy and money, but I was also able to sell more homes. Selling agents who discuss specific types of information with listing agents prior to" showing homes and submitting offers, will definitely see their overall proficiency, professionalism and productivity increase dramatically. Examples of some of the types of information I am referring to are as follows: 1) what type of agents are permitted to show the seller's home, 2) is the asking price realistic and/or negotiable, 3) are the sellers willing to offer all types of financing, 4) will the sellers pay any buyers' points, settlement costs and other acceptable incentives, 5) will the sellers entertain a sale of home contingency offer with a right of first refusal, 6) are the sellers receptive to the buyers obtaining a home inspection, 7) what items are extras, negotiables, removables, replaceables, to be repaired if deficient, 8) what is the township lot and block number, 9) what is the deed book and page number, 10) what is the seller's desired final settlement date. The time for selling agents to determine this type of information, if at all humanly possible, is "prior to" showing homes to their buyers and presenting their offers, not afterwards.

Selling agents should potentially do a competitive market analysis (CMA) for buyers

Selling agents who represent sellers in a "seller agency" or "sub-agency" capacity and who are working with buyers as (customers) must remember that they should only do a competitive market

analysis (CMA) upon request from the prospective buyers. They should not interpret the analysis for the prospective buyers relative to how it relates to the value of the seller's home and should not suggest a starting and ending point of negotiations. Why? Because they do not owe the buyers fiduciary duties due to the fact that an agency relationship with them does not exist. Selling agents who are working with buyers as (clients), on the other hand, must remember that they should do a competitive market analysis (CMA) whether the prospective buyers request one or not. They should also interpret the analysis for the prospective buyers relative to how it relates to the value of the sellers' home and suggest a starting and ending point of negotiations. Why? Because they do owe the buyers fiduciary duties due to the fact that an agency relationship with them does exist.

All parties should use an offer negotiation track sheet

I always found that by designing and using an offer negotiation track sheet form, I (whether a listing or selling agent) was able to significantly increase my listing and sale productivity because my offers received and offers presented resulted in more fully executed agreements of sale (contracts). The form I designed and used allowed for the following information to be accurately recorded at each stage of the offer negotiation process: 1) terms and conditions of the offer, 2) what the sellers' settlement costs and net proceeds would be and 3) what the buyers' settlement costs, monies needed at final settlement and total monthly mortgage payment would be. Whether an agreement of sale (contract) or some type of an offer to purchase form is used to start and continue the offer negotiation process having buyers, sellers, listing and selling agents and attorneys use an Offer Negotiation Track Sheet to record the entire offer negotiation process is not only the right thing to do, but it is also the legal thing to do as well. Every listing and selling agent in this country should be accurately recording in writing the entire offer negotiation process.

Final comments

Learning to negotiate buyer and seller offers the right way is an absolute must if real estate agents expect to have long, healthy and successful careers. When selling agents learn the steps that potentially can be implemented or taken in order to perform this selling procedure properly, they will truly see a significant increase in the amount of homes they sell.

Phil Mitsch is one of the nation's all time top producing REALTORS® with over \$253 million in personal career production. He is now one of the highest-rated real estate educators in the country. For further information on how to secure him as a speaker, his articles or his educational materials, please contact Phil Mitsch Enterprises at (800) 484-7761, ext. 1212.

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