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65 NEGOTIATION TACTICS EXPERTS USE TO SCORE THE BEST DEALS

65 NEGOTIATION TACTICS

**to help you score
the best property
for the best price**

It's a time-tested strategy to buy low and sell high. But how do you nab a good deal in a hot market like the one we're in now? *Miriam Bell* quizzed a panel of experts for their best negotiating tips

Before the negotiating starts

When embarking on a purchasing process – which will involve negotiation – investors need to make sure they have all the required ducks in a row before they get started.

This means they need to have:

- ☑ done comprehensive research and due diligence on the area where the property they are interested in is located, and its market
- ☑ arranged their finance and ensured they have pre-approval in place
- ☑ consulted their accountant or financial planner
- ☑ decided on the entity structure they want to purchase the property with (eg a trust, an SMSF, or their own name)

Once these elements are all in order, the negotiating fun can begin...

Getting to yes

Propertybuyer.com.au CEO Rich Harvey says all too often people forget that negotiating is actually about striking a deal. Both the buyer and the vendor want to achieve a mutually acceptable outcome.

The negotiation process should assist both parties to achieve this in a way that leaves everyone satisfied. Harvey, who describes negotiating as more of an art than a science, gives the following tips to help you through the process.

01 When researching, compare like with like

In order to establish what a property is truly worth – and what you are willing to pay – it is essential to undertake thorough research into the area's market. Understand that you have to compare like with like. Don't compare two-bedroom units with four-bedroom houses.



02 Don't rely on online research

Online research is very different to on-the-ground research. Get on to the street and visit a few properties. There are many elements (eg aspect, street appeal, elevation, finishes, quality of construction, position) that you can't find out about online which impact on the true value of a property. Having this information gives you bargaining power.



03 Negotiation starts the moment you open your mouth

An agent is sizing you up from the word go. They are qualifying you to ensure they don't waste time and effort on someone who is unlikely to make an offer. Bear this in mind when talking to agents.

04 If you are genuinely interested, show it
 Tell the agent you like the property, but don't make promises. Saying you are going to put in an offer and then not following through is like the boy who cries wolf. Always be open, honest and transparent about the extent of your interest.

05 Reaching agreement is the goal
 Ideally, negotiation should achieve a win-win outcome. To achieve that you need to reach an agreement with the vendor. Both you and the vendor will have certain expectations, so generally you will have to meet somewhere in the middle. But rejections and counter-offers will occur along the way. That's the way negotiation works.

06 Price is not the only negotiating factor
 Negotiate on terms and conditions, as well as price, to come to an agreement. For example, you might suggest a 30-day closing period and a 5% deposit as opposed to the standard 40 days settlement and 10% deposit. From a vendor's perspective, the offer with the least conditions attached to it (eg a 10% unconditional offer with no cooling-off period) is the most reasonable.

07 Use conditions strategically
 Waiving the cooling-off period entirely is always a strong tactic. In competitive situations, it can pay to make your offer with a signed contract and a 5% deposit cheque attached.

08 Look at the situation from the vendor's perspective
 Identify the vendor's motive for selling. Then appeal to the vendor's specific needs in order to negotiate a fair deal. For example, making an offer based on a timeframe suited to the vendor can secure a more affordable price tag.

09 Be prepared to meet the market if need be
 At the end of the day, if a property is an inherently valuable one, don't be afraid to pay a fair and reasonable price to secure it quickly. Making it clear you are willing to do so is also a good thing to do.

10 Conduct a mini auction with yourself
 Before an auction, establish the top price you are willing to pay. Then run through a 'mini auction' with yourself first. This means that, mentally, you should be more practised at sticking to your limit.

11 Understand the auction process
 Beware the emotional, pressure-cooker environment of auctions. It is easy to get caught up in the atmosphere. So understand how the auction process works, and also that auctions don't allow for cooling-off periods.

12 Agent communication is key
 While it is the vendor selling, it is the agent you deal with and who can give you feedback on what the vendor thinks about an offer. Therefore always be clear, concise and straightforward with the agent.



Questions to ask agents

- Why is the vendor selling?**
 Knowing the specific reason can help. For example, if a vendor is selling but hasn't bought their next home yet, you might offer them longer terms so they have the flexibility of staying in their home while they find their next one.
- How long has the property been on the market?**
 The longer a property has been on the market, the more willing a vendor should be to negotiate an asking price.
- How did the vendor decide on the asking price?**
 This is particularly important if the price is not realistic or reflective of market conditions.
- What do you have to substantiate that price?**
 If the information you are given is not comparable to the market research you have done, you can use that in negotiation.
- Have there been any other offers?**
- What do you think it is going to need to get the deal done?**
 Selling agents want to complete deals. Asking this shows that you are serious about the deal.
- You can also ask what you can do to beat an existing offer.**

13 Don't be negative
 Avoid trying to put a negative spin on the property. Likewise, don't act disinterested if you are interested. An agent won't take you seriously if they don't think you like the property.

14 Pitch your offer at the right level
 In private treaty sales, when there is a closed tender or a 'best offer by 5pm Friday' situation, put in your best and final offer as you won't get a second bite at the cherry. These scenarios are a balancing act, so try to pitch your offer at the right level, taking into account your market and vendor knowledge.

15 Always submit your offers in writing
 It might seem to be stating the obvious, but ensuring that you put an offer in writing formalises the offer and creates a valuable hard copy record of the negotiation.

Think like a buyer's agent

Coming to a win-win outcome is the goal of any negotiation as no one likes to feel they have been done over, agrees Property Mavens director Miriam Sandkuhler. However, to ensure they get such an outcome, she suggests investors should adopt the mindset of a buyer's agent.

16 Be honest about your skill set
 A realistic assessment of your negotiation skill set is crucial. If it's lacking, then make the effort to study some techniques or skills you can use, and practise on someone else. This might include assertiveness training, learning about auction rules, and/or talking to your conveyancer about contracts.

17 Quiz the agent about the vendor
 Question the selling agent to help you find out as much as possible about the vendor, their needs and their circumstances. Asking the agent what an ideal offer would look like to the vendor, while keeping the price as a side issue, can often give you a good indication of what terms it might take to get the deal over the line.

18 Make use of building and pest inspections
 Getting building and pest inspections done before formal negotiations begin gives you additional information. The more you know about a property and its condition, the better a negotiating position you are in. Any issues with the property can be used to leverage a better deal.

19 Watch out for underquoting
 Underquoting is when an agent advertises, or advises a buyer of, a price that is less than the vendor is willing to consider a genuine offer. The tactic is sometimes used to get more buyers interested in the property. If you have done solid homework of your own, you should be able to avoid falling for it. But it pays to be aware of the practice.

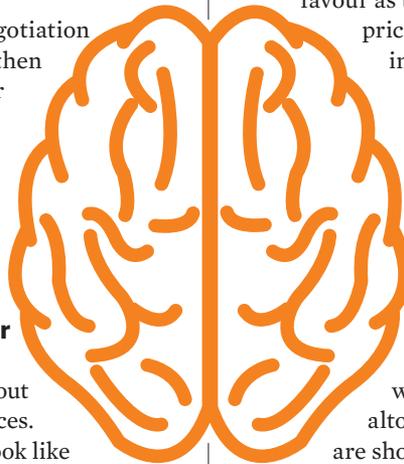
20 Don't get sucked down the rabbit hole
 When bidding at auction, set your price limit and stick to it. Auctioneers have a knack for making each bid sound like it is only a few extra dollars more, and that paying extra will be worth it in the future. However, the bank may not agree, which means you might have to find an extra \$50,000 yourself, or even default on the contract. So don't allow yourself to get sucked down the auction rabbit hole.

21 Contain your emotions
 Auctions are designed to whip up as much emotion among buyers as possible. It is easy to get carried away in such an environment. Therefore ensure you remain unemotional and detached when bidding at auction.

22 Give the vendor a choice
 In a private treaty sale, you might want to present two offers. The first would be the price the vendor is seeking, but with stringent terms and conditions in your favour as the buyer. The second would be a lower price, but with few to no terms and conditions in your favour. Vendors often like having a choice, so if it's feasible give them one.

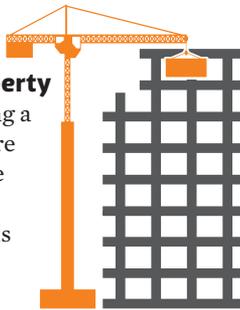
23 Timing your offer
 Always consider the timing of your offer when it comes to private treaty negotiations. Time pressure can be a powerful tool. You might want to time-stamp an offer. This lets the vendor know they need to make a decision within that timeframe or risk losing the offer altogether. However, it is a risky tactic as a) you are showing your hand, and b) if there is a high level of interest in the property the vendor may not care if the time lapses.

24 Include clauses in your favour in a contract
 Give a copy of any contract to your conveyancer to review and suggest any changes that you should negotiate into an offer or pre-auction. When negotiating via private treaty, include clauses in your favour (eg subject to finance; ability to access the property before settlement to obtain quotes for building works).



25 **There is always more property**

Should you miss out on buying a property, remember that there is always more property coming onto the market. So you never have to negotiate from a position of desperation. That leads to mistakes that can cost buyers tens of thousands of dollars.



26 **Seek professional assistance**

If you are at your wits end and/or finding it hard to stay emotionally uninvolved, then engage a licensed buyer's agent to work for you. Their role is to take away the stress and frustration that comes with buying property, and to get you a result. They also help level the playing field against professional selling agents who are experienced negotiators.

Information is key

In essence, negotiation is all about research and rapport, B Invested Group co-founder Nathan Birch says. Along with avoiding emotion and remaining humble, he recommends the following tactics.

27 **Build a relationship**

Try to build a good relationship with the selling agent. Always pay attention to details (like first names) when it comes to agents, and personalise any communication.

28 **Leave your ego at the door**

Always leave your ego as well as your emotions out of the equation. The better a negotiator you are, the less emotion you will show. Using humour is a great way of disarming the other party. It also hides what you are really thinking.

29 **The art of listening**

Negotiation isn't about telling; it's about listening well. Not listening is a sign of disrespect, and listening carefully gives you little clues that provide an insight into the other person. If you have poor listening skills, ultimately you will also have poor negotiation skills.

30 **Rigorous pre-planning**

Identify your desired outcome(s) and prepare your arguments before you walk through the door to negotiations. Then maintain confidence in your pre-planning: ask for what you want and be assertive about your expectations. If you don't ask for a certain price, term or inclusion, you're not even trying.

» Negotiation isn't about telling; it's about listening well. Listening carefully gives you little clues that provide an insight into the other person

31 **Keep information at hand**

Having all the facts and figures from your research at hand during negotiation is key to being proactive and authoritative in your approach. It also gives you more confidence to call the shots.



32 **Be flexible and realistic**

If you have been negotiating more aggressively than you need to, don't suddenly get greedy and renege or stall. You also don't want to take a first counter-offer; rather, present another opportunity to the other party that's closer to their response. Timing is of the essence and more important than screwing another \$5 out of someone. If you get too greedy, you might lose the deal.

33 **Don't be a commitment-phobe**

It is not uncommon for people go through the thrill of the negotiations and then get cold feet at the end. If you cannot commit, it is a sign of disrespect, and you will lose credibility. If the other party you are dealing with shows no level of commitment, then perhaps you are being too generous.

34 **Work on numbers and logic**

If the numbers work, and the property makes sense, then what's stopping you from closing the deal? Too many investors will take the emotional decision over the logical decision. However, it is the numbers that lead the way and never lie. That is why knowing how to accurately assess what is happening in the market and the value of a property is essential.

35 **Close on a positive note**

Always end negotiations with a reassuring close. For example: "OK, great. Please keep me posted so I can organise a time to come over and sign the contract", or "OK, great. Can you please give me your details so I can put the deposit into your account?" This indicates you are serious, committed and the easy option. It also shows that you assume the deal will take place.

Taking care of business

When it comes to investment properties, keeping a clear and businesslike head on your shoulders is crucial in negotiations. Property Wizards director Liz Sterzel offers up some of her favourite negotiating tips to help achieve this.

36 Get the nitty-gritty on other offers

If you have built some rapport with an agent, find out all you can about the other offers expected or already made. If there are many other offers, make sure to put your best offer forward first. This is because often an agent is unlikely to come back to you but will recommend the highest offer of many.

37 Dawdling can be fatal

When there are no other offers you may gain the leeway to negotiate longer for a better price. But never dawdle, as another buyer could turn up at any time and whisk the property out from under your feet.

38 Make a cash offer if you can

If you are in a position to make a cash offer, do so. This can often sway negotiations your way when

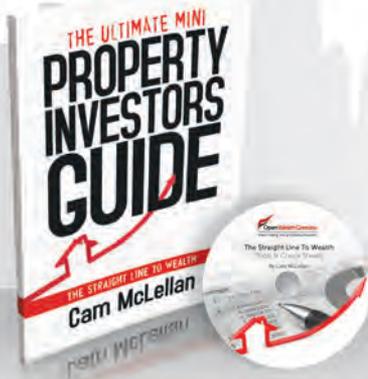
you are up against other offers. However, ensure that the price you offer is not substantially below other offers. Also, make sure you read the situation correctly: if the sellers are not in a hurry, they are less likely to be swayed by cash offers.

39 Size up the competition

Before an auction, take note of other potential buyers at the open home. Try to size them up in terms of what they might offer. Do they look like developers or mums and dads? Your offer will need to be the most attractive to win. Therefore, if you can estimate where the other buyers are likely to place their bids, you stand a better chance of arriving at the right number.

40 Focus on other bidders

Once you're a bidder at an auction, the selling agent's team will often target you to urge you to go up. Don't pay attention to them. Before the auction, discuss as much as you like with the agent and consider their advice and information. But during the auction all you have to do is beat the other bidders, so that is where you need to focus, not on the agent.



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Cam McLellan
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41 Factor in additional purchasing costs
 Make sure you have factored in all additional purchase costs (eg settlement costs, mortgage insurance, stamp duty) when preparing to make an offer. A clear idea of the extra costs that come with the purchase will ensure that you know how much you can afford to negotiate without getting yourself into trouble later on.

42 It's not just about dollars and cents
 Remember that negotiating the right purchase conditions could get the seller to rectify any problems at their cost prior to settlement. Careful wording of conditions may also allow you to abandon the deal should issues come to light that detract from the investment potential of the property.

43 Be prepared to walk away
 Always be prepared to walk away so that you don't overpay. A realistic sense of the value of the property ensures you have the confidence to walk away from hysterical overbidding situations, especially in an auction environment.



Traps to watch out for

- ✗ Underquoting
- ✗ Dummy bidders
- ✗ Collusive bidding
- ✗ Vendor bids
- ✗ Auctioneer encouragement of overpaying
- ✗ Properties listed at inflated prices, which are not reflective of market value
- ✗ Insufficient research (which can lead to inaccurate information and limited knowledge)

Gaining control

Metropole Property Strategists director Michael Yardney is an old hand at auctions, yet he still gets the butterflies and adrenalin surge that are a part of the process. This means he understands the nerves that come with negotiating. He has the following advice for less experienced negotiators.

44 Ignore pre-auction antics
 Don't get spooked by the pre-auction antics of selling agents and auctioneers. These include saying a property is going to be worth less than the reserve,



or not stating a price. Ignore them and instead focus on what you expect based on your research and your budget.

45 Become an auction-goer
 Attend as many auctions as possible to get comfortable with the process and understand the rules involved. It also gives you the chance to observe and learn about different bidding strategies.

46 Identify the auctioneer
 Ask the selling agent who the auctioneer is – the person, not the company. Then go and observe them in action at other auctions to familiarise yourself with their style and the techniques they use. When it comes to your auction, call the auctioneer by name. It is disconcerting for other bidders.

47 Play your cards close to your chest
 Prior to the auction, don't tell the selling agent your limit or budget. If you do, they will go back to the vendor with the information (to help them formulate their reserve price). However, do tell them that you are interested in the property. If you do, they should keep you in the loop if it becomes available for sale before auction.

48 Psychology is key
 Arrive early, survey the landscape and size up the other buyers. Psychology is key, so make sure you dress well and ooze confidence. This will lead the other bidders to think you have no limits.

49 Challenge the competition
 Don't be confrontational or overly aggressive. But size up the other buyers. Look them in the eye when you are bidding, as well as when they are. Don't procrastinate or agonise over your bids.

50 Be loud and proud
 Make your bids fast and assertively. This shows confidence. Also, say the full figure you are bidding each time, rather than the increment you are bidding. This makes each of your bids sound more impressive.



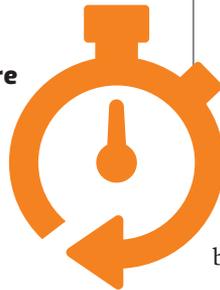
51 Open the bidding high
 It can be a good tactic to open the bidding high, close to where you think the reserve might be. (Remember the property is not going to sell unless it reaches the reserve anyway.) Many people start low because they think they will get a bargain. Realistically, this is not going to happen, so grab the chance to scare bargain-seekers off.



52 Level the playing field
 Try to wrest control of proceedings as much as possible. It is the person with the most confidence and perceived power that wins. Being well informed, having some experience and not getting emotional all help. But if you feel you will struggle, get someone more experienced to bid on your behalf. It doesn't have to be a buyer's agent; it might be a friend.

53 Anticipate passing in
 If the property is going to pass in, always make sure you're the highest bidder at the end of the auction. This gives you first right to negotiate with the vendor post-auction.

54 Don't succumb to time pressure
 If you feel under time pressure, you won't negotiate as well. It is easy to feel that pressure. But for investors it's really just a perception. You don't have to buy right away, yet the vendor usually does have to sell within a certain timeframe.



55 Losing is not the end
 Remember that it doesn't matter if you miss out. There are plenty more fish in the sea. Investors usually have more options than vendors, so don't give in to the idea that losing out on a particular deal will be devastating for you.

56 Don't spoil your relationship with the agent
 Agents are only interested in making a sale, so don't waste time trying to befriend an agent. But don't spoil your relationship with them either, because only they have access to both the buyer and the vendor. Don't be crude, rude, or arrogant. Be respectful and courteous.



57 Deal with the listing agent
 Find out who the listing agent is and deal with them, as opposed to one of the other agents in the company. Firstly, it is the listing agent who actually deals with the seller. And if the lister sells the property, they also get the whole commission rather than having to share it. This means the lister will favour buyers who approach them.

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Enjoy the process

Negotiation can be good fun, says Open Wealth Creation CEO Cameron McLellan. Those wanting to make a deal should keep that in mind and also take note of the following hard-earned negotiating suggestions.

58 Keeping up appearances

The outcome of a negotiation must seem worthwhile to the seller. Therefore, offer a price that appears to be above market value, even if it is perhaps not. Present sales data that allows you to say, "Here's what some similar properties in your area have sold for, but yours is nicer and that is why I want it from you for XX amount more." That XX amount more will obviously be under your budget cap. It's all about the perception of getting a good deal.

59 Never put a stop to communication



Don't try the 'that's my last offer and I'm not talking about it anymore' tactic. It's a matter of being firm but never closing the door. When you say it is your final offer, a vendor will believe you and move on to the next buyer. Always have a reason to keep communicating, because once communication breaks down the deal will fall over.

60 Play the middle man

Employing 'the mumble' can be a very effective negotiating tactic. It involves pretending you are the middle man between the vendor and your partner. You then literally mutter under your breath about what they might want. Essentially, it is about positioning yourself as the middle man. This makes it seem as though you are on the vendor's side of the fence and not yours.



61 Educate the vendor

Vendors often don't know what their property is really worth. To get the listing, agents tend to tell them it is worth more than it is. And it is only when they go through the selling process that the vendors realise this. As a result, it's the buyers who have to educate them. This means you need to chip away at them until you get a deal where they feel like they are getting a win at a reasonable price.

62 Negotiation is a process

It pays to remember that negotiating is an incremental process. It is about offering a bit more, then discussing the settlement terms, then maybe offering a bit more while pointing out comparable sales, and so on, until you get to a point where the vendor really believes they have got the win.

63 Stonewall, don't crumble

Never give away your intentions and/or your limits to anyone else at an auction. There is a real danger of losing if you do. You simply can't be transparent, because winning at auction ultimately comes down to intimidation.

64 Employ the Cobra Kai strategy

To win at auction, you need to think like the Cobra Kai from the *Karate Kid* movies. They had a saying, "Strike fast, strike hard, show no mercy". So when the bidding starts, come out of the gates hard and fast. The second someone else bids, smash them back as hard and as fast as possible. Then bow out if the bidding goes even a dollar past your limit.

65 Avoid auctions if possible

To win at auction means you have to pay more than everyone else. Therefore, buying at auction (although often difficult to avoid) is not a smart negotiation – or investment – strategy. Instead try to seek out off-market options where possible. The negotiating process won't become a frenzy, and you will have more room to move. 🏠

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