

## “You Can’t Always Get What You Want”

From *Tales From the Trenches: Advice For New Real Estate Agents* by Bill Giannini

### YOU CAN’T ALWAYS GET WHAT YOU WANT

Everybody wants a deal.

Whether you’re shopping for groceries or clothes, appliances or electronics, holiday decorations or medical insurance, it’s always the same: what’s the best price?

The prices on those things are non-negotiable. They’re set, take-it-or-leave-it. Of course there are a few exceptions. In my eighteen total years of retail, I actually did have a handful customers ask if we could give them a lower price on certain items due to damage or shelf wear. Sometimes it worked, sometimes it didn’t, yet those folks were smart enough to know that if you don’t ask for it, you won’t get it.

In real estate the prices are indeed negotiable. You can ask for anything. Just remember, it’s up to the market whether you get it or not.

I was taught that a house is worth what a buyer is willing to pay for it and what a seller is willing to take for it.

This is the essence of cash transactions, where no appraisal is required. Throw an appraiser in the mix and things may change a bit, but still the seller may decide to sell at the appraised value even if it’s less than the agreed-upon purchase price. Buyers so love when this happens!

To get to that point, though, they still have to work to reach a purchase price acceptable to both parties.

This process can be very straightforward and easy:

“We love it! We’ll offer full price!”

Or it can be difficult:

“Yeah, we like it, but we wanna start low and see what they say.”

It’s up to the two agents to craft the deal, based on what the local market’s doing. If it’s hot with low inventory, sellers have the advantage. If it’s slow with a lot of houses sitting around, buyers have the edge. And despite what their agent tells them, clients don’t always listen.

They’re looking for a deal and they will get it!

A “deal” means different things to different people. The full-price offer lady – call her Betty – has a young family, is moving from Florida, and needs to find a home, like, yesterday.

Real estate is crazy in her new city. Her price range is tight with very few properties for sale. Buyers are bidding them up. Her agent shows Betty and her hubby a dozen homes and they fall for a heavily-dated dollhouse with a large lot. It just hit the market but needs lots of work. I mean, lots. The price reflects that. The lot is superb, with extra parking and room for their kids and dogs to play. There’s even space for a pool if they wanted that down the line.

They’re up for the work inside. The husband has done some contracting and plumbing during the past few years, so he’s ready. They’ve found their place.

They don’t blink at the price. They don’t even try to knock it down because they know that wasting time could cost them the house. They understand. They go in full price on the first day and get the property. They’re thrilled. Then their agent so keenly reminds them that once the house is fixed up and remodeled, it could be the jewel of the block.

“What a deal you guys got!”

On the other hand, you’ve got a buyer, Zach. He will only buy at his price. Warnings of a sellers’ market don’t faze him. In his mind, the buyer’s always in control.

He locates a home he likes and checks it out with his agent. Again, the property is fresh, just listed. The yard features a spectacular pebble-tech waterfall pool -- he loves those -- plus an additional garage out back for extra cars and toys. Loves that too. He’s just divorced and needs an awesome bachelor pad of his own. Inside there’s a full bar and a theater room, plus a game room upstairs with a pool table that’s included in the sale. The balcony off the master overlooks that awesome backyard and the northern mountains in the distance. Downstairs there’s a chef’s kitchen with top-of-the-line appliances and a flashy backsplash.

This place would work just fine.

“Overpriced,” he mutters.

Prepared for this very moment, you whip out a list of sold comps. “Actually, for what you get here, it’s right in line.”

Zach studies the data a minute. He knows they’re just numbers. He can beat them. Surely the seller must be desperate to sell.

He spits out an offer.

“That’s pretty low,” you reply.

He knows the house will most likely sell for list price or very close to it. “Well, let’s give it a try.”

He’s got nothing to lose.

Later in the day you get the offer signed and submitted to the listing agent.

Two days later: rejected.

Zach is astounded. “They didn’t even counter?”

“Wanna try higher?”

“Nah, never mind. Too much.”

So goes buyer Zach.

Eventually he'll get a house. He'll get his price. That's what getting a deal means to him. His price, his terms. The only thing is, how many agents will he burn through to get there? And how much will prices rise in the meantime?

Sellers want deals too. They want the most money for their homes.

“My house sold for above appraisal! What a deal!”

If pricing a home is left up to me, I like to list it just a hair above the latest comps. That way there's room for negotiation and ideally the seller won't feel undersold and the buyer won't feel oversold.

Negotiations can be difficult. They teach whole classes on the subject. Books have been written on it. There's nothing like the psychological heat of a fiery negotiation. Two sides, buyer and seller, pulling in opposite directions, both looking to one-up the other, with their two agents as mediators.

As an agent, you have to be careful not to get emotionally involved. You have to stay coolly detached. Easy to say, hard to do.

You want to get that offer accepted for your buyer. He'll be happy and if all goes well, you'll get paid. And you want to get paid for all the trouble and hard work you've been putting in with him. The other agent probably feels the same way. Maybe she wants to get that house sold so she can help her seller buy another -- and get paid twice.

What's the motivation?

Your buyer could be a cold cash investor. They only look at numbers. They don't get caught up in sentimental things such having enough room to grow with their family. They're going to rent the place out for income. One deal doesn't work, they go on to the next one, because there's always another house or building. They have a max they can spend on a given property and that's it. They're emotionally detached, so why shouldn't you be?

Investors don't fall prey to the pleasure and pain method, which every good agent should use. Take Zach from above. Sooner or later he's going to find a place he just can't pass up and he'll actually make an offer high enough to be entertained and countered.

The negotiation begins. He doesn't like the counter. Still too high. He's in control. That seller needs to see things from his (Zach's) view.

You're his agent. You resist getting heated over this.

“Do you really like the house?” you ask. “Do you really want it? I mean, we can go look at these others.”

You're sort of taking it away from him. It's like the house is on a boat drifting away from the shore, leaving Zach to watch helplessly. Unless, that is, he's willing to raise his offer and go try to catch it.

His love of the property is the pleasure; his risk of losing it is the pain.

It's his decision. What's more important? Paying a bit more to secure the home of his dreams? Or standing firm and letting it go because he didn't think it was a good enough deal?

It's maddening to see what people put themselves through over money.

Some sellers feel their homes are made of gold. These gilded palaces can't be compared to anything else, especially to the comp down the street, that exact model-match that sold three weeks ago. No way. Roger the seller doesn't want to hear that. His is special. And he'll list it alright, he'll put it out there.

"But I'm not taking any less than...."

Okay, step back.

You're the agent. Do you want this listing?

How bad does Roger really want to sell his house? What are his motivations and goals?

A lot of agents will take a listing they know won't sell as long as they can place a For Sale sign out front.

At any given time the MLS is crowded with overpriced listings 100, 200 days old. Or more.

The agents would like to sell them, for sure, but since folks like Roger won't budge on their unrealistic prices, they'll be content with letting their signs do some self-marketing for them. They get calls and collect new buyers and sellers that way.

I've had clients ask me about certain properties they see while driving around.

"That one's under contract," I report.

"Then how come they still have the sign out there?"

"They keep it up till the house closes. In case it comes back on the market."

"Well, that's deceiving!"

Or this:

"That house has had a sign on it for over a year."

I reply, "Looks like it's priced too high for the area."

"If they can't sell it, why do they keep the sign up?"

Again, it's just marketing. If you have a stubborn seller and you can't sell the house, you may as well sell yourself.

Ask a hundred agents and see who'd rather have five \$200K listings than one \$1M listing. The commission to sell either would be the same. More would go with the five. Cheaper homes sell faster. There are more buyers for them. Plus often the more expensive homes are in exclusive neighborhoods that place limitations on sale signs or even open houses, eliminating some of your marketing power.

The big fancy listing is nice to have. It may give your brand an air of elegance. But it's not worth anything to you until you close it.

Big or small, a house is a house, and a paycheck is a paycheck.

In the end, stubborn Roger may not really want to sell. He's reaching for something that's not there. Buyers aren't suckers. Usually.

As his agent, at least you won't have to parade him around to a stream of houses he has no intention of buying. You can carry on with your other work while he sits in his family room with no offers to entertain. If the sign is working and you're getting calls, you're doing OK. If, however, he won't allow the sign and wants way too much price-wise, maybe a different seller, with a different property, will be more worth your time.

Another example would be seller Seth, who's facing more pressure but can't see beyond dollar signs.

Seth's got a place he's remodeled in a popular area of the city. He'd intended to stay there, but something life-changing has occurred. His girlfriend Heather, who's in the military, has been transferred out of state.

He feared this would happen. He obviously wants to stay with her. She's quickly lined up an agent in the new city and is checking out homes there, sending him photos and videos. He's even visited once to look too. He's not crazy about the architecture there or even the city itself, and if not for Heather – maybe someday his wife – he'd never move there. But this is his situation.

The couple's agent has informed them that no serious seller will entertain an offer from them if Seth hasn't already accepted an offer on his property back home.

A few weeks go by. He gets lots of showings, even a few offers, which he rejects as too low. He's put too much cash into the house to let it go like that, he says. Plus he and Heather don't have anywhere to go yet after selling, so there's no real pressure yet.

Yet.

You want Seth to get the most for his house. You see him sweating over it. You know the house is priced a little high. You hear it from buyers and other agents. The sold comps can barely reach it. It's a very popular area, though. Given time, this place will sell.

Then Seth gets the call from Heather. She's found the ultimate home for them. She has to have this house. It's got everything she's always wanted. Etc, etc, etc.

On the same day, an offer on Seth's house comes rolling in. The best one yet. Cash too.

Now, you wanna talk about pressure?

You'd think that Seth would be ready to work a deal at this point.

"Still too low," he complains.

"Let's counter it."

He agrees, reluctantly.

As you send it over to the buyer's agent, you don't feel good about it. Still too high.

You get a call from the agent. She explains that the buyer feels his original offer is more than generous and won't be budging.

You think to yourself, does Heather know any of this is going on?

You get back to Seth and give him the news.

It's doesn't go well.

"Screw 'em then!" he reacts.

You try to talk reason. The offer is cash and can close quickly. A similar financed offer probably wouldn't appraise. A new house, a new life, is waiting. Heather is waiting.

And there's Seth, torn between reuniting with his girlfriend and getting the maximum dollar for his old house.

He won't give in, so the offer expires.

Two days later you get a call. It's Seth. He sounds a bit more reasonable. He gives you a lowered figure and asks if you think the buyer will go for it. You turn around and run it by the buyer's agent.

Nope. He's already out looking at other homes. The opportunity is slipping away. You knew it would.

Pleasure and pain for Seth.

Another two days pass. Seth again:

"Ok, I'll take the offer. I'll take it. Let them know."

You do your thing and talk to the agent. Uh oh -- her buyer's moved on to another house. They don't want Seth's anymore.

Got a better deal elsewhere.

You know what's coming next.

Heather's dream house? Gone in a week.

Who knows if the buyer got a deal, but it doesn't matter. Seth and Heather are back where they were a week before. No offer, nowhere to go.

Which leaves you stranded too.

No deal.

Somehow you knew it was going to end up this way with Seth. Same with Zach.

Roger too. No sale.

It seems that the same people who practically wretch at the idea of paying full price when they're buying something are the same ones who insist on full price when selling something!

And they're so driven by the idea of the deal, they quite often miss out on it.

Back when the housing market crashed, fantastic properties could be had for fantastic prices, especially in Las Vegas. Certain buyers I met back then hesitated to make a move. They expected prices to keep dropping further.

Eventually a slow recovery began. Values started to increase.

They hesitated still.

Every month, the health of real estate improved just a little more.

They ignored it. Wouldn't believe it.

Today, with the market on fire both locally and nationally, some of those individuals remain on the sidelines.

Prices are too high for them now!

You, the agent, can only shake your head and laugh.

The deal of a lifetime was right in front of them.