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The Commercial Classroom: Negotiation basics and their outcomes

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This column is offered to help educate agents new to commercial and investment brokerage and serve as a review of basics for existing practitioners.

Negotiations only have three outcomes:

*Lose - Lose: here both sides reach impasse and the deal dies.

* Lose - Win: one side prevails in the negotiations, but will the loser continue with the deal? If one or both sides are adversarial and feel they must win this will be a tough negotiation.

* Win - Win: a negotiation goal is for each side to feel that they have obtained a fair deal; this usually is a result of compromise by both sides.

Preparing for successful negotiations requires a proper attitude, as agents we sometimes need to coach our clients and customers "as to how the game is played," that compromise is required. Meet ahead of time, create a strategy, determine what issues are most important, prioritize them and determine what can be compromised.

You and your client must present a united front; act on the wishes of your client even if you don't agree. In private you may try to change their mind. In the negotiations there should only be one spokesperson.

Set the "stage" to avoid distractions. Try not to hold the negotiations in either of the principal's private offices. Seek a conference room or better; meet in a neutral location, perhaps the real estate agents office. Ask everyone to turn off phones until the negotiations are completed.

Before starting the discussions make sure all the facts are available and have been verified. Postponements due to incorrect, or a lack of information, may cause the talks to bog down. Delays provide time for other parties to make offers.

Are the decision makers present? This is paramount; one negotiation tactic, The Higher Authority, is to negotiate the deal and then the opponent indicates this must now be approved by _____. You can be sure it will not be approved without additional changes being requested.

Listen more, talk less! Gather information from the other side. What is most important to them? What points do they repeat? Take written notes of what has been agreed upon, what concessions the other side made, and what concessions you make. Observe the opponents body language and be aware of your own gestures and expressions.

Deadlines help create decisive actions. Set a deadline for the meeting. Begin by saying I must leave in an hour. If the negotiations slow down remind them of your deadline.

Resolve the main issues first, smaller issues can be set aside until later. Never let a negotiation bog down over a minor point. Concentrate on getting agreement on the major points such as price and terms.

Set an insoluble problem aside. Make a note of the disagreement and come back to it at the end of

the negotiations. If you're very close to a deal, both parties will be motivated to find a solution to this last piece of the puzzle. Break these insoluble problems into several parts. Attach and solve each component separately.

If an impasse is reached take a break. This allows both sides to discuss the issue with their clients. When returning from a break recap (from your notes) what has been agreed upon so far; this "progress report" helps encourage the resolve of the remaining issues.

Next month: Negotiating Tactics

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