



## Let's Make a Deal

By doing your homework and brushing up on negotiating skills, you can get a good deal on a new home right now. **BY MIKE BUTLER**

**a** couple of years ago, Valencia Harrison despaired whether she'd ever be able to buy her first home. Valencia, a staff sergeant in the Air Force, watched home prices soar while renting a townhouse in northern Virginia outside Washington, D.C.

Opportunity knocked late last year after she transferred back to her native San Antonio, where the real estate market pendulum had swung decidedly in favor of the new-home buyer. Builders in Texas who couldn't keep up with demand in 2004 and 2005 suddenly had costly excess inventory on their hands. When Valencia expressed interest in a \$130,000 spec home, her buyer's agent was able to pass along

to her a \$3,000 incentive that the builder was offering to brokers. The builder-recommended mortgage lender offered better financing than Valencia could find, saving her thousands of dollars in interest over the life of the loan. And the contractor agreed to provide \$1,000 worth of extra landscaping.

"This is a really, really good time to buy," says Jerry Howard, CEO of the National Association of Home Builders, especially in once red-hot markets such as Florida and the greater Las Vegas and Phoenix areas. Why? There are too many new homes for sale and not enough families to buy them—a dramatic turnabout from just a couple of years ago. At the feverish peak of that seller's market—fueled

by too many buyers, not enough homes, and speculative investing—some builders raised prices almost weekly and instituted lotteries to select who would get the next house.

To entice buyers now, many builders are offering upgrades such as sunrooms, decks, finished basements, media rooms, custom kitchen cabinets, fireplaces, or improved landscaping.

The trick, says Jim Thomas, an attorney and author of *Negotiate to Win*, is to say “I’ll take it!” only when you’re certain that you’ve achieved the best deal possible. He recommends following these steps for house-buying success.

**GET READY** Learn as much as you can about the local real estate market, including the prices of comparable homes. With existing homes, buyers can get leverage by looking for things in disrepair, then asking for a lower price. With a new home, there could be street noise or a potential privacy issue, for example, that might net you extra landscaping.

Figure out your bottom line, the highest price you’re willing to pay. Make an assertive first offer that gives you room to negotiate, and settle on a price that’s reasonable to you.

**NEGOTIATE CREATIVELY** A builder might not have much wiggle room with sticker price. His own construction loan may preclude it. Also, if a builder makes a major sales-price concession to you, he must give it to everyone who follows. That’s why he’s more willing to bargain on in-kind concessions. If money is most important to you, lobby for a cash credit at closing in lieu of upgrades. You get what you want. The builder keeps his optimum sale price. Win-win.

**RECOGNIZE THE END** Negotiators on both sides concede less and less as they near their bottom lines. When you sense the deal is nearly done, ask for a nibble—a concession that’s of value to you but too small to be controversial to the builder. You might say: “I’ll tell you what. You have a deal if you throw in a Japanese maple to go with the new patio.”

Throughout negotiations, try to keep your sense of humor and a positive climate. Don’t risk losing a home you love over a few hundred dollars. “There’s a certain amount of romance and emotion involved with buying a house,” Thomas says. “You’re not buying a widget.”

## HIRING AN AGENT

Buyer’s agents have become increasingly popular across the country. Although they usually get paid by splitting the commission with the listing agent in the end, they contractually agree to represent you exclusively. In the absence of such an agreement, “your” agent could be legally and financially obligated to work for the seller’s best advantage. An exclusive buyer’s agent will uncover builder-to-broker incentives that could be advantageous to you and save you time sizing up a market, especially if you’re a first-time buyer or new to an area. Contact the National Association of Exclusive Buyer Agents ([naeba.org](http://naeba.org)) for information and help in finding an agent.