

Here's how to negotiate when buying a home. (Spoiler alert: It's not like on HGTV.)



Homebuyers should be wary of what they say when speaking to an agent — if that individual isn't specifically representing them as a buyer's agent, any information they share could get back to the seller. (jacoblund / Getty Images)

By **Joanne Cleaver**

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“Don't try this at home” applies just as much to real estate reality shows as it does to daredevil stunts.

Viewers might think they're too savvy to take the shows seriously, but real estate and negotiation experts say that many do take their cues from [HGTV's "House Hunters,"](#) Bravo's "Million Dollar Listing," and other buy, sell and flip shows.

In the fourth quarter of 2017, according to the U.S. Census Bureau, the homeownership rate rose to 64.2 percent from 63.7 percent a year earlier — that represents the first increase in homeownership since 2004. If you're among first-time buyers looking to secure a home, rid yourself of ruinous negotiation strategies. Here

are five do's and don't's and two show strategies that actually do translate to real life.

1. Don't limit your options to just a few houses. Do review your options methodically so you know the right house when you see it.

"I can barely watch those shows," says Brad Farris, 51, a principal with small business consulting firm Anchor Advisors and a longtime Chicago homeowner. He coaches entrepreneurs in negotiation and other tactics and applied his own advice when looking for his current Jefferson Park house a decade ago.

Farris recommends scouting out neighborhoods and the kind of house you need well in advance. The better you understand your top priorities (Price? Condition of the house? Location? Size? School district? Commute?) the better equipped you are to mix and match those priorities when negotiating for any particular house, says Farris.

"Get yourself in a flexible situation so you can move fast when the right house comes on the market," he says. When he was looking for a house for his growing family, the father of five spent months going to open houses and tracking sale prices. When the right place came on the market, he identified it immediately, made a strong offer and got the house right away.

Part of Farris' aversion to realty reality shows is how the buyers often fixate on one property and decide they must have it, regardless of their previously stated budget.

"You have to have a Plan B for any property," he says. "Knowing what your Plan B is lets you negotiate. If your Plan B is significantly worse than the house you are considering, you're at a negotiating disadvantage."

And, he adds, don't complicate things by inflicting false deadlines on yourself, as the homebuyers in the shows often do by claiming they want to move before they get married, have a baby or start a new job.

2. Don't negotiate on the basis of asking price. Do negotiate on the basis of total cost of the transaction and total cost of owning the house.

Realty reality shows spotlight two numbers: what the sellers want and what the buyers pay. But those aren't the numbers that matter, says Richard Harty, 52, a Highland Park-based agent who is on the board of the National Association of Exclusive Buyer Agents, which works only with homebuyers.

Getting the house for less than the asking price — considered a win by TV home shoppers — might be a false victory if the house is expensive to fix or maintain, Harty points out. For buyers, the initial most important number is how much they'll have to pay to buy the house, including fees, points (upfront fees paid to the lender to lower the mortgage interest rate) and closing costs. The other equally important number is how much it will cost monthly to own that house, he says.

Sellers need to concentrate not on the gross sale price but on both how much they will capture after selling fees and commissions are deducted, and how much net equity they'll have once they sell, Harty says.

3. Don't focus on the house that fits just right, right now. Do focus on a home that can grow with you.

Maurice Hampton, 35, who runs Chicago agency Centered International Realty and who trains other agents in negotiation skills in conjunction with the Chicago Association of Realtors, says he went through the same HGTV shock cycle that most realty-TV fans do when they take the show literally.

"Before we bought our first home we were HGTV junkies," he says. "Then we did our first transaction and it was nothing like what we saw on TV."

With more first-time buyers expecting to stay in their houses longer, Hampton recommends adding "room to grow" as a key negotiating factor. That means, for instance, that a house in the right neighborhood might be worth more to you in the long run if you can update its finished basement, thus avoiding the costs of moving to a bigger house. That also means that buyers need to understand the short- and long-term equation of improvements.

4. Don't negotiate just about money. Do negotiate with an array of terms.

The more you know about what is important to the other party, the better you can offer terms that will win the deal, says Mike Walker, 37, New York-based president of the Real Estate Negotiation Institute.

All-cash deals often trump other offers in television show negotiations, but in real life, most buyers rely on a mortgage lender. That doesn't have to be a barrier to winning a deal, says Walker, if you understand nonfinancial factors that are also important to the seller.

For instance, you can underscore your intent by having more of the earnest money become nonrefundable as the deal survives critical phases, such as the appraisal and the home inspection. That gives the seller more incentive to be patient with your lender's process, says Walker.

And if you're the seller, don't spurn any offer, even if your first reaction to a low offer is indignation. "Find out what the buyer's rationale is. Maybe they're seeing something in the market or house that you're not," he says.

Use the long process of negotiating to understand the other side's priorities and point of view and the negotiation should get easier as you come closer to agreement, he says.

5. Don't spill your budget and priorities to every agent you meet. Do contract with an agent to

represent you and you alone.

When it comes to real estate reality TV, “I watch it because my clients do,” says Andi DeFelice, a Savannah, Ga., agent and president of the National Association of Exclusive Buyer Agents.

“I do tell people to not get too excited,” she says. On the shows, buyers eagerly react to everything from asking price to stainless steel kitchen appliances, but endless chatting can undermine your negotiating power, especially if you’re chatting to the wrong agent.

The shows don’t include disclaimers about who the agents really represent, points out DeFelice: Are the same agents who listed the houses showing the houses, or are the buyers working with agents who represent their own interests?

First-time buyers, especially, don’t realize that any agent who isn’t specifically representing them as a buyer’s agent actually represents the seller — and in fact, is obligated to tell the seller anything that the buyer shares.

Having a buyer’s agent who is responsible only to you, the buyer, is especially important as you work through price adjustments to offset flaws discovered in the home inspection, and other complications, says DeFelice, 57.

“I’ve had listing agents say in the first negotiation that they’ll just take care of any flaws as a credit,” she says. “That’s what they do on the high-dollar shows. But that’s not automatic and you might not want that house if there are too many flaws and too many credits.”

What you can learn from the small screen

Realty reality TV does offer two strong strategies for house hunters.

The first: Expect to compromise, especially on easily addressed finishes.

“I’m always amazed when people walk through a house and say, ‘This will never work because of the paint color,’ says self-described HGTV addict Shawn McCormick, 56, of Chicago. A serial homebuyer and flipper, he zeroes in on the fundamentals of a house — the foundation, roof and mechanical aspects — as the most important features and most expensive to correct.

“When I look at a house, I’m crawling around under it to see if anything’s leaky,” he says. “But that would make for a boring TV show.”

A second strategy from television: Just like those folks on TV, you should remember you’re on the record as you tour properties. In fact, you may be on the seller’s private television channel, whether you know it or not. DeFelice recently learned that every word of her three tours through a house last fall with a client was

recorded surreptitiously — and without permission — by the seller.

After the client bought the house, neighbors informed him that the seller was listening to every reaction and comment. “Now I tell clients that if we’re in the house we’re on the record,” says DeFelice. “We take private conversations to a private office.”

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