

## Preparing for Negotiation



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***Q: Once we have found the building we want to purchase, what is the best way to start negotiations?***

A: Entire books have been written about the art of negotiating, so I can share only a few of the strategies that have helped me negotiate advantageous transactions for our clients. Fundamental to any successful negotiation is thorough preparation – this is the work that needs to be done before a single offer is made.

First, any negotiation has to be kept in the context of your needs. Let's suppose we have two alternatives for warehouse space. We know we will save at least \$1.50 a square foot in real estate taxes with one of them, but that alternative will increase our shipping costs significantly. Which is the better deal? Don't run roughshod over your needs in your zeal to make a real estate deal! In other words, a bargain is not a bargain if you cannot use it.

So research is elemental. I like to gather as many facts as I can about an impending negotiation such as building particulars, cost of repair or renovation, zoning, taxes, tax assessment, and ownership

history. I question how the ownership of this property will impact my client. What kind of savings can be achieved, or costs mitigated? And what is going on in the marketplace? Where are similar deals being made? I like to find out, if possible, what offers have already been rejected, and why.

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It is also important to be considering, and negotiating on more than one site. This is known as a "Best Alternative to a Negotiated Agreement" (BATNA) in negotiating parlance. If the property under consideration is our only alternative, we

are at a disadvantage in negotiating terms with the seller. If, on the other hand, we have several alternative sites, we can negotiate all the deals simultaneously. When we are ready to make offers, the key to this strategy is to make sure that each seller is aware that we are making offers on alternative sites.

Next, I always look to the needs of the other side. It often seems like price is the only or major component of a real estate transaction, but I often find that the opposite is true. Perhaps timing, terms, or some other issue is more important to the seller. As an example, I recently negotiated a deal for a buyer in which the sale price was not the highest bid on the property. What we were able to offer the seller, however, was a deal that was not contingent on financing. In investigating the needs of the seller, it was clear that it was more important to the seller to know that they had a non-contingent deal than a higher sale price. This is a good example of how we were able to provide a negotiating "chip" at little or no cost to ourselves.

Probably nothing is more predictive of a successful negotiation than preparation, knowledge and analysis. The time required in this phase of negotiations will be well spent, and is always the place to start.

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