

buyer's guide

HOW TO: NEGOTIATE THE BEST PRICE ON YOUR NEW HOME

"YOU CAN NEGOTIATE ANYTHING"

So you've been told.

This is true, especially in real estate, but whether you walk away *feeling* good about the purchase is an entirely different story. Price isn't always the only factor in decision making.

When it comes to negotiating the best price for your new construction home, many different factors come into play. I'll go into detail regarding 3 specifics below:

1. PRICE vs. VALUE

Value means a lot more than price. Price is arbitrary. What you're getting for a particular price speaks volumes.

Some builders are more flexible than others; they may be willing to reduce their bottom line price or offer concessions on options, or even pay certain closing costs. In our experience, differences vary across the board. When comparing builders, it's best to look at overall value and compare apples to apples without simply focusing on how much they're willing to negotiate on price. The need for price negotiations may not even be necessary when it comes to overall value, so working with us to help compare valuations between builders is key.

Overall, we've found that external factors contribute to a builders' willingness to provide the lowest price more than individual reputations; as outlined below.

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2. THE MARKET

Today is January 22, 2018. As of today, the market in metro Detroit is hot. Builders are having a hard time keeping up with production and they're dealing with rising lumber and materials prices. Also, demand is high and inventory is very low for both new and used homes (not to mention new land for development). This creates a healthy environment for home builders.

That said, this makes it challenging for buyers to feel good about negotiating the best deal.

We have good news. Even in a "sellers" market, builders WILL and DO negotiate. Just don't expect circa 2006-style price reductions like \$30k off the bottom line. The best way to approach this market is to go in armed with the best information, a fully underwritten bank loan approval (or cash), and be indifferent regarding timing. Again, good idea to start with us on your side...

3. TIMING

Timing is perhaps the most important factor when it comes to getting the best value for your investment.

When timing is on your side, you often get more of what you want. When your back is against a wall and you need to make a decision fast, you don't.

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Example:

A good example of how to time a negotiation is being in a situation where you don't have to move (but want to), have the necessary funds in the bank and full approval to close on the new home, and approach a builder for a spec home (already built) at the end of a month, quarter, or fiscal year.

Spec homes can almost always be purchased at a better value than building from scratch.

At the end of the day, every single situation is unique. Every buyer, builder, community, lot, spec, and time of the year is unique and has an effect on getting the best value for your money. Walking into a situation with qualified, experienced professionals who have been through hundreds of negotiations before is the best strategy for getting the best value - especially when it doesn't cost you anything!