

# INTERNATIONAL ETIQUETTE

Foreign buyers are playing a significant role in new-home sales, and understanding the nuances of international negotiating can help close a deal

By Mike Beirne, Senior Editor

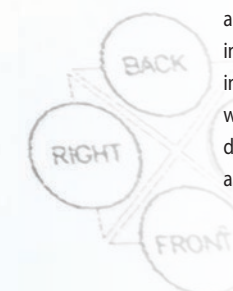
**W**ayne Visbeen allows some flexibility with his fee. The founder of Visbeen Architects in Chicago and Grand Rapids, Mich., has designed 1,000 custom homes, and he'll negotiate with clients over how large the house will be, what to charge for details, and which services are included. But Visbeen won't waver much on his standard percentage for designing and providing construction services. Yet, recently a prospect from the Far East who was looking to build in Texas tried persuading Visbeen to budge significantly on that figure during their first encounter.

Visbeen didn't take offense at the lowball tactic. He understood that negotiating is an accepted practice in his client's home country, where buyers begin transactions by trying to discover the lowest price the seller will accept. After listening to his client's offer, Visbeen stood his ground by explaining again all of the value the client would receive from Visbeen Architects' services.

## BARGAINING AS ACCEPTED PRACTICE

Visbeen points out that negotiating is the norm in many countries, and understanding that can help prevent you from taking offense at what happens in a client meeting. "The sticker price is not the price they're going to pay, so I can't be offended because negotiating the price, even in a retail store, is part of their culture," he says.

However, the negotiating style of some international buyers can turn off a custom builder or architect unaccustomed to dealing with this type of approach. After multiple sessions negotiating a proposed contract down to the very last detail, there is the expectation that you will walk into a meeting that's presumed to be the closing and will walk out with a signed agreement. But when the client presents another offer instead, the resulting frustration could lead to a lost deal—unless the builder or architect recognizes the cultural backdrop to the negotiating tactic and has a strategy.



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Don't get flustered by the negotiation restart, advises Mar'Sue Haffner, a national sales trainer and partner at Sales Solve Everything, a new-home sales consultancy and training company in Plano, Texas. Instead, she suggests that you respond by saying thank you. Show gratitude—because that buyer probably spent time researching and looking at the portfolios of other builders and architects and picked your services as the ones he or she wants to buy.

"Negotiating doesn't mean we have to lower our price. It doesn't mean we have to give more away or give up our profits. It doesn't mean any of that," says Haffner, who adds that first comes understanding the client mindset, then training sales teams to offer international clients the experience they seek.

Architect Kurt Donnelly has had many international clients both abroad and stateside and says that every South Asian client he has encountered has sought to renegotiate at the verge of closing. Everything is negotiable, says the principal and senior designer for Dahlin Group Architecture | Planning, in Pleasanton, Calif. "If you've ever gone to a silk market or bazaar there, bartering is part of the culture," Donnelly says. While tourists may get annoyed or even angry when merchants tug at their shirt insisting they buy, the practice is to "hear them out," Donnelly observes. "It's fun. It's part of the deal. Just know that, in the end, that's also part of the negotiation. So, [in your project negotiations,] plan ahead for it and maybe pad that contract just a little bit with something you can give up."

## THE MEANING OF HOME ACROSS CULTURES

Not all foreign buyers deal directly with builders and architects. Some hire a representative to walk them through the process of financing, designing, construction, and handling the contract. Still, international clients have played a significant role in new-home buying nationwide. According to the latest figures from the National Association of Realtors, international buyers purchased \$153 billion of residential property between April 2016 and March 2017, up 49 percent from the comparable period the previous year. Chinese buyers exceeded all countries, buying \$31.7 billion, followed by buyers from Canada at \$19 billion, the United Kingdom at \$9.5 billion, Mexico at \$9.3 billion, and India at \$7.8 billion.

Most of the buying activity occurred in Florida, California, and Texas, followed by New Jersey and Arizona. Florida was most popular with Canadians, California was a favorite destination for Chinese home shoppers, and Texas was the preferred state for buyers from



Mexico and India. As real estate becomes more expensive in the coastal and major metro markets for those states, international buyers are clustering in other locations such as New York, the Carolinas, Illinois, and various college towns. Currency valuation is one driver because property in the U.S. can be cheaper than in the buyer's home country. The rule of law here also offers more security, as property rights in many places abroad aren't guaranteed. Also, owning a house in the U.S. is an insurance policy of sorts for the buyer's wealth, in case there is unrest in their homeland.

"The intention to buy a home is pretty important, as there are restrictions on what real estate can be purchased in China," says Chris Porter, VP and chief demographer for John Burns Real Estate Consulting, in Irvine, Calif. "We've seen a lot of buyers who view the U.S. as a safe haven for their money. In China, there is no guarantee that you can pass along your home to your children, because you don't own the land and, for some, buying here is seen as a way to provide for their children in the future."

There is the risk of stereotyping people by painting the preferences of an ethnic group with too broad a brush. But the meaning of "home" differs for different cultures, and being aware of some of those differences can provide insight into what a culture cares about and how you can help in the buying process, Haffner says. For example, homeownership is part of the American Dream and, for North Americans, signifies a certain level of success. For a Hispanic buyer, the home is, more importantly, a legacy to be passed on to one's children. So sales presentations, whether new construction or resale, that position the house simply as an investment that appreciates, will miss the mark with this consumer because that's not their primary reason for buying. However, the family pride that

comes from owning property that can be passed to the next generation is more on-target.

For many Chinese, a home is an investment. Price appreciation and making money on that investment are often more important to them than how they will live in the house. For buyers from India, housing is an investment, too, but it's more of a sanctuary that they are building for their children who are in the U.S. to take advantage of an English-speaking education.

## WITH A BIT OF KNOWLEDGE, CULTURAL PREFERENCES DON'T POSE A HURDLE

### CUSTOMS AND TACTICS 101

When Haffner started as a new-home sales agent, she says she encountered many international buyers who would make a lower offer after her presentation and hard work to get to the day she thought would be the contract signing. In 2011, those frustrating experiences motivated her to research global sales strategies by taking a cruise with her then 10-year-old daughter. They made 43 stops during the journey of almost five months. Each time, before passengers disembarked, cruise activity directors would assemble passengers in the ship's theater to teach them some essentials about their destination country's culture and how to negotiate at the markets.

What Haffner discovered is that even an 11-year-old boy in Egypt knows more about negotiating strategies than do new-home sales agents in the U.S. who offer incentives at the first sign of buyer resistance. The boy Haffner encountered was trying to peddle a plaster head of King Tut, initially for \$25. Haffner declined. After more back and forth, he eventually dropped the price to \$5, but Haffner

still wouldn't budge—"I was too caught up in the negotiating," she says. Finally, he asked, "Hey lady, how about a kiss?" It was a classic pattern-interrupt negotiating tactic. In the heat of negotiating, when one or both parties are holding firm, someone needs to change the energy by doing something out of the ordinary.

While visiting New Zealand's Stewart Island, Haffner tried talking a merchant into giving her a discount on a chess set on which the island's indigenous birds were represented by the hand-carved pieces. The merchant instead emphasized the set's value, explaining that a local artist had created it and that there is no other like it anywhere in the world. She calmly yielded to Haffner's appeal to a higher authority and phoned the shop's owner, who also declined to offer a discount. Haffner saw firsthand the strategy these merchants use to fend off lowball offers.

Often, Haffner says, "When an international buyer comes in to finally purchase that home, they are going to make you a low offer. I talk to custom builders in Dallas about this, and it freaks them out. But they have to understand what is happening. It's just a game, and we have to be willing to play it and have fun with it. Builders have to include an incentive so there is room to negotiate. It's part of the homebuying experience."

A client from India isn't necessarily seeking to get the best possible deal, Haffner adds. But they probably do want a better deal than anyone in their circle of friends and acquaintances is getting. The first thing they may ask is, What is your bottom price? By asking that, they are testing you to see if their price will work. Some salespeople would call their manager—the higher authority—at this point, which is a mistake. Never give the client that bottom number. If you do, that bottom number will be the starting point, and they'll try to wear your price down from there.

Taxes motivate many Indian buyers. Property taxes in India are so high that real estate deals there involve paying the seller some



money under the table rather than rolling the full price into the official transaction. Showing the property tax bill on a U.S. home, even in high-tax states such as California and New York, will be a favorable comparison point for these clients. Such buyers also are skeptical about their homeland's legal system, which could explain why they don't perceive a sales contract as being set in stone. So don't get legalistic with buyers from India by protesting that they need to stick with the written agreement. Persistent negotiating, even when a contract appears to be near the finish line, is an accepted tactic.

Chinese buyers also will test the seller by offering a low price. Haffner's general experience with Chinese buyers is that initially a contract may look lucrative because the buyer asks for a lot of options and agrees on a price. But later, they may try to pull out the options and back out of those extras. And, for Chinese buyers, superstition sometimes plays a role. So when the seller counters their offer, don't use a figure with the number 4. In both Cantonese and Mandarin, the word for four, *sì*, sounds similar to *sei*, the word for death, and is therefore considered an unlucky number. Instead, use good-luck figures such as 8 and 6, which represent prosperity and good fortune.

Some Chinese buyers also won't buy on an inauspicious day. If the client is wary of buying on a particular day because that date is deemed unlucky, instead propose that you prepare

## ANCIENT TENETS: FENG SHUI AND VAASTU SHASTRA

Connecting indoor to outdoor living spaces is a design principle championed by the late Jack Bloodgood, residential architectural icon and legendary building editor for Better Homes & Gardens. His ideal floor plan would have the lush patio and landscaping just outside the back of the house visible to anyone stepping through the front door. But if that plan has a back door straight across from the front entrance, a Chinese client may not buy the home because that alignment allows the good qi (pronounced "chee" in English), or energy, to leave the house.

"You can have a window in the back, but don't put a door there," says Kurt Donnelly, principal and senior designer for Dahlin Group Architecture | Planning, in Pleasanton, Calif. "Put a door on the side because you want the good qi to come in and stay and the bad qi to leave."

Donnelly has worked in nearly all of China's 22 provinces and four municipalities, as well as designing for Chinese buyers there. Even though his stateside clients have chosen Western architecture for their home style, he must still be aware of feng shui, numerology, color palettes, and how a plan flows to appeal to his clients' sensibilities. "[East Asian clients] live much more formally than we do. They sometimes expect that formal living room, and they don't understand how a great room off the family living room works with the open-flow concept. It's a tough nut to crack, and you work around it," Donnelly says.

Feng shui addresses the interaction and movement of qi, or invisible energy, in the home. Feng is the wind and shui is the underground water that moves beneath the earth, both transporting qi. The goal is to enable qi to flow freely in a positive direction by way of site planning and furniture placement. The Chinese philosophy of harmony is an important consideration for Chinese buyers. In a 2015 survey of 500 Chinese Americans by Better Homes and Gardens Real Estate and the Asian Real Estate Association of America, 69 percent of respondents say they practice feng shui, 87 percent envision feng shui design elements for their kitchen, and 72 percent have desired design elements in mind for their bedrooms.

International buyers are more likely than North American clients to have children and grandparents living under the same roof, so designing a multigenerational home also poses cultural challenges.

Wayne Visbeen of Visbeen Architects, in Chicago and Grand Rapids, Mich., worked with a South-Asian American couple who were not practicing Hindus, but the husband's mother from India, who would live with them, was. So Visbeen took vaastu shastra design principles into account when choosing where to place the prayer room or pooja or puja room. The ideal location for worship is the northeast part of the house, but not adjacent to a plumbing wall, as the bathroom should be in the northwest part of the building with drains flowing northeast, sinks mounted in the southeast part of the room, and the water closet facing east.

Vaastu shastra is the traditional Hindu system of designing and building a place to ensure the harmonious balance between man, dwellings, and nature. Buildings designed using vaastu principles are believed to vibrate with universal positive energy. Visbeen is not a vaastu expert, but he says that being able to "draw in every language" has enabled him to sit with clients and overcome language barriers by sketching live for them as they point out where the wind and fire come from and how they dictate where bedrooms and other living spaces need to be. One project Visbeen completed in India was a 35,000-square-foot custom home to accommodate three families. After he finished the preliminary design, the clients had the drawings reviewed by a vaastu priest for corrections and a blessing.

"It's a tremendously different set of circumstances, which makes designing more difficult," Visbeen says. "But for me, it's fun. The more difficult, the more surprising ... the more innovative I get to become. You have to think fast on your feet to work internationally."



the paperwork anyway but make the agreement effective on a date that falls on an auspicious day. Otherwise, if the client leaves your office without that arrangement, they may buy from someone else.

## UNFAMILIAR NEGOTIATING MANNERS CAN STRESS SALESPEOPLE OUT IF THEY DON'T UNDERSTAND WHAT'S HAPPENING

### KEY RULES OF NEGOTIATING

No matter the buyer's country of origin, Haffner preaches that there are three important steps to get a buyer to come up in price. First, show a visible physical reaction, such as flinching, to indicate to the buyer that their offer is way out of line. "You have to say, 'There is no way I could possibly do anything like that,'" she says.

Next, say no and hold firm. "You can't break down at this point," Haffner stresses. "Don't say you're going to call your manager, your partner, the owner. Forget that. You've got to stay strong. They're testing you to see if their price will work."

Third, Haffner says, resell the value. "You should then say, 'Let me show you why I can't sell it to you at that price.' Then show them the value of all or many of the components of the house. Go back and keep reselling everything because the goal is to get them to jump in price. Stay firm, resell the value, and wait for them to jump up on their own price, essentially countering on their own offer."

Also, don't counter their first offer until they've moved up. When that happens, they just signaled that their first price is not their real price, and you can work to get that figure higher.

At some point, however, the seller needs to signal that the negotiation must end. That can mean the current meeting will conclude with the understanding that subsequent sessions can be scheduled later. "We teach new-home sales reps that you don't have to stay late expecting the sale to happen," Haffner says. "If we understand that wearing out the sales team is part of the strategy, we don't get stressed out. Sales teams get stressed because they don't [understand] what's happening to them."

Haffner suggests one tactic for moving the negotiation to a conclusion—particularly after the seller gives in to the international buyer over and above what was initially negotiated—is to ask them for something in return, such as a bigger deposit or an earlier closing date. "You have to get something in return and make it painful, otherwise the negotiation doesn't stop," Haffner points out.

Builders have tried winning client referrals from international buyers by focusing on the back end of the homebuying process, such as ensuring the move-in experience is smooth and performing well with warranty issues. But that emphasis alone isn't going to win over the customer. "What they haven't realized is that the experience for multicultural buyers happens when they're buying," Haffner says. "It's in the negotiation process [itself], and if we say we don't [negotiate], then we're not giving them the experience that they need [in order to close]." **CB**

