

How to Win a Bidding War

(If You're Not an All-Cash Buyer)

Write an offer a seller can't refuse with these insider tips.





So you wanna buy a house? Great. But you live in an uber-popular city with few houses for sale and everybody in town after them? Not so great.

Welcome to house hunting in a hot market, where buyers outnumber sellers and bidding wars, last seen during the housing bubble of 2006 and 2007, are back. Many of today's buyers, veterans of price wars and failed bids, know well the death march of multiple-offer competition and the agony of defeat. Worse, buyers lose out to deep pockets making all-cash offers. What's a would-be homeowner to do?

First, keep cool. Like that lid for every pot your mother swore you'd find, there's a house out there with your name on it and at a price you can afford. Yes, it's possible to win a bidding war without having a spare \$500,000+ sitting in your bank account. You just have to have a few tricks up your sleeve.



Get pre-approved.

Don't put the cart before the horse. Too many house hunters find the right property and then look for financing. Wrong! Even in a normal real estate market your financing should be buttoned up before you shop; in a hot market it's a must. There's no time to search for a lender when 20 other people want the same house you do and you need to write an offer NOW. Sellers like buyers who can prove they have the goods to close a deal. So work with your lender and get pre-approved first.



Bring your A-team.

To win a bidding war you need a winning team:

- Your broker. A frenzied seller's market is not the time to rely on your BFF from college, the best man at your wedding or your second cousin Edith, unless said BFF/best man/cousin Edith are experts in multiple-offer negotiations. You need a broker who's got game!
- Your lender. Work with a lender who's local, or, at best, is easily accessible. Why? Because more than anything, sellers like to close. On time. Even early. Sellers prefer buyers whose lenders can speed the process along and communication is key.
- Your inspector. Buyers in hot markets increasingly waive a home inspection in favor of doing a pre-inspection after their initial visit. A pre-inspection allows buyers to write a clean offer without the risk of buying a pig in a poke. Keep your inspector on speed-dial.

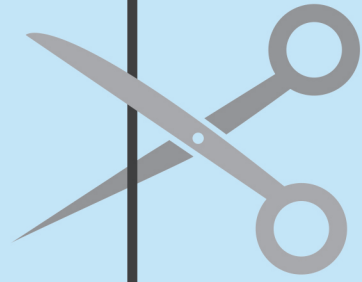


Escalate...with caution.

Have you ever won an eBay auction by automatically raising your bid in 50-cent increments, up to a maximum amount? That's exactly how an escalator clause works in real estate, and it's a popular bidding war tactic. Using an escalator to boost your offer by X-dollars over the highest bid, up to a max cap, keeps your offer alive and limits how much you spend. It's an effective strategy, but escalate wisely: Know the comps for your area so you don't overpay. And be sure you can live with the sale price if it maxes out.

Show 'em the money.

You don't need scads of cash to land a house, but be strategic with the cash you do have. Make a hefty down payment (at least 20%) or beef up your earnest money deposit to show a seller just how serious you are.



Cut out contingencies.

Contingencies allow buyers to back out of a purchase agreement and get their earnest money back. In hot markets, buyers may waive some or all contingencies to write an offer a seller can't refuse.

- Many buyers now waive a home inspection as a condition of sale, or agree to buy a house “as is,” relieving the seller of having to make any repairs, major or minor, before closing.
- A **financing contingency** protects buyers if they can't get a loan to close the deal. Buyers confident about their financing may opt to waive this condition, but it's risky: you could lose your earnest money, be on the hook to buy the house anyway, or even be sued.
- An **appraisal contingency** allows buyers to walk away if the house appraises for less than the sale price and the seller won't budge on the price. If you waive this safeguard, be sure to have enough cash on hand to cover the difference.



**MAKE
IT EASY
FOR THE
SELLER**

Make it easy for the seller.

If you want to win a bidding war, find out what your seller wants ... and give it to him/her. Obviously a seller wants money, and lots of it. But factors other than money often motivate a sale. For example:

- **Quick close.** If a seller's in a hurry, a buyer who can get to the closing table first could win the day. All-cash buyers generally have the advantage here, but if you can close quickly, write that into your offer.
- **Closing costs.** In a hot market there's no incentive for a seller to pay a buyer's closing costs, so don't even ask. But here's a twist: Offer to pick up all or part of your **seller's closing costs**. If you can handle all of the settlement fees, your offer might just move to the head of the pack.



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Make it easy for the seller. (continued)

- **Rent back.** A seller may want to close by a certain date but need extra time to move out. Sweeten your bid by agreeing to close on your seller's timetable and offer a rent-back after closing. Even sweeter: offer to cover the rent yourself.
- **Furniture.** Longtime homeowners may have furniture they no longer want, need or can accommodate in their next home. Solve their problem by offering to buy some or all of this furniture. You don't have to spend a lot, and you don't even have to keep the furniture you buy, but a couple hundred bucks may be all it takes to make you the home's new owner.
- **Adopt a pet.** Like the furniture above, a seller may have a pet that can't move with the seller. Offer to adopt Spot or Fluffy and the house could be yours.



Write a letter.

Selling a home is emotional, and many sellers like to know that the folks who buy their house will love it and care for it as they did. A “love letter” that taps into that emotion and makes a personal connection between the seller and you – along with photos of your family if you’re OK with that – could strike just the right note. On the other hand, because selling a home is a business proposition, a love letter, no matter how sincere and heartfelt, may not be enough to win the day.

Move on.

Sometimes what we want is just not meant to be. If you wind up on the losing end of a bidding war, don’t get discouraged. There is a lid for every pot. Your new home could be just around the corner.



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