



Dealing With Multiple Offers



By Michael Fenner ^[1], Wednesday, 15 January 2014 - 10:40am

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By Emma Beck

The all-cash offer came through an hour and a half after the listing went live. But David Sprindzunas, CRS, with Central Properties in Washington, D.C., waved it off temporarily. "Wait," he advised his seller. He was pretty sure they would get other bids for the property in the trendy 14th Street area.

He was right. After eight showings in the first 48 hours, his seller had four offers by the end of the week. The winning bid was that first all-cash offer, but it's always good to compare and contrast with what else comes along.

The housing market is heading into recovery, and many areas across the country have high demand and low inventory: these are the basic ingredients for multiple-offer situations. Agents with a strong sense of the market can guide their sellers on how to get the best bid - and their buyers on how to ensure they make the right offer.

Similar Story, Different Time

Sprindzunas ticks off what encourages multiple offers: an appealing location (in a good school district and/or a trendy area); the seller's asking price (not underpriced, nor overpriced); a good presentation; and low interest rates. While interest rates have ticked up over the last few months, a Freddie Mac, 30-year fixed mortgage was 4.49 percent in September 2013. That's down from 5.06 percent in September 2009, according to *Mortgage News Daily*.

In D.C., the market is reminiscent of the last housing boom - save for one notable difference: "Lenders," Sprindzunas says. Financing was dished out "like it was candy" between 2004 and 2006, he says.

Lenders have since tightened their grip. "Now the lending industry is much tighter, so you don't have unqualified people able to get loans," he says. "This competitive offer situation is not as frenzied as before."

In Atlanta's hot neighborhoods, homes may receive anywhere from two to 20 offers, according to Bruce Ailion, CRS, with RE/MAX Greater Atlanta. He recalls a recent property priced at \$75,000, "a realistic number based on its condition." The house closed for \$83,000 after two weeks; there were 11 offers.

But 30 percent of the time, the person who offers the highest bid doesn't submit complete forms, Ailion says. They realize they've offered to pay too much, he says, and there are typically no consequences to backing out of the deal until the seller signs and the document review period (subject to state and contract specifications) closes. Being the backup buyer might be more fruitful this time around. "Being second or third in a multiple-offer circumstance is not a bad place to be," Ailion says.

Seller Side

In the heat of a multiple-offer market, the key for the seller's agent is to expose a property for just enough time to weigh offers before accepting a bid. Sprindzunas' advice: Like in the last housing boom, give the listed property roughly a week on the market before hearing offers. This allows enough time to host events, coordinate showings and have sellers out of the house without too much hassle on their part.

Buyers shouldn't feel rushed nor should sellers feel that they "have to be staying with friends" while their house is being shown, Sprindzunas says. Sprindzunas lists properties early in the week before setting an offer deadline. He hosts late morning to early afternoon open-house events - for brokers and the public - as well as a weekend open house that he markets to more than 600 agents in the Washington area.

With tighter lending practices, Sprindzunas says that this multiple-offer environment, on the whole, is a bit less crazy than in 2006, but it's always a house-by-house situation.

Rules that Rule

The REALTOR® Code of Ethics is clear: Listing agents need a seller's written consent to disclose that there are multiple bids. If not, mum's the word.

That's what Marcie Roggow, CRS, a Sioux Falls, S.D.-based real estate consultant and trainer, stresses in her classes, which she holds across the country. Each offer must be documented and timestamped. Sellers who agree to share that there are multiple bids have to disclose the information to all who have submitted an offer. But be careful about disclosing this: You risk having a buyer pull out to avoid getting tangled in the competition, Roggow says.

If a seller authorizes disclosure, a buyer's agent can wait until the deadline to find out how many offers the property has received before submitting a bid. After all, four offers is a different game than eight, Sprindzunas says.

As a buyer's agent in a multiple-offer situation, ask the agent what the seller values the most, Roggow says. The highest price may not always be the priority. Sellers might prefer a cash sale, a waived inspection or appraisal, or a seller-specified move-in date.

Market Future

Today's market isn't a replay of the 2006 boom, but with interest rates low and inventory tight in many areas, Roggow predicts multiple-offer situations will continue. Most important, agents need to educate their buyers about the market they are entering so no one "wastes a lot of time," Roggow says. If your experience and research tells you a house will be in a multiple-offer situation, give your clients those facts so they can determine their best offer."

We tell buyers, if you woke up in the morning and you lost the house because of \$5,000, would you say it wasn't meant to be?" Roggow asks. "Or would you just be madder?"

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