

GUIDE FOR BUYERS

# 5 SURVIVAL TIPS FOR MULTIPLE OFFERS

SMART STRATEGIES FOR SUCCESS



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# 5 SURVIVAL TIPS

## FOR MULTIPLE OFFER SITUATIONS

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When you learn that the home you want is getting more than one offer, it's instinctual to have one of a few knee-jerk reactions:

- fail to take the situation seriously and go in low
- blindly throw money at the sellers
- panic/flail your arms/cry

However, none of these reactions will get you the ultimate result you're looking for: the house you want at a price you can afford.

Making a victorious offer is more art than science. Here are a few strategies for surviving a multiple offer situation - without getting into financial trouble.



### 1. Work from a foundation of sound info

To be successful and win the home, you need to amass an arsenal of information and use that as the basis for your negotiation.

#### The market's needs

You are in no position to negotiate, aggressively or otherwise, until you are well acquainted with the real estate market immediately surrounding your home. Some key questions you'll need to ask your agent include:

- what have similar homes recently sold for?
- how much above or below asking price do homes sell?
- how long do homes stay on the market, on average, compared with the home you're buying or selling?

Your agent can help you understand these numbers and how they should relate to your own offer or response.

#### The seller's needs

In addition, many times your agent can collect valuable information about what's important to the other party, like do they care more about moving quickly, getting top dollar, or certainty that you can close the deal?

The other agent isn't obligated to divulge any information, but often will in the interest of facilitating a deal that addresses their client's priorities.

#### Your needs

Finally, it's uber-critical to know what your own priorities are. Ultimately, the bar for whether your negotiation for your home is successful is based on what the home and the terms of the contract are worth to you. Know your own bottom and top line for price and what your own priorities are before the negotiation begins.

#### Transaction Tip:

Ask your mortgage broker to provide a set of loan scenarios at the outset of your house hunt. These scenarios should include the principal, interest, taxes, insurance and total monthly obligation for 3 or even 4 different price points. This will help you decide on your price range(s) when it's time to negotiate.

## 2. Start your house hunt lower than your top dollar.

Ask any buyer who has ever fallen in love with a home and then had to compete for it: the temptation to blow your budget to win a bidding war for your “dream home” is extremely tough to resist.

One way to set yourself up for success is to house hunt in lower price ranges from the get go. This gives you the freedom to aggressively bid if you find a home you love - and even counteroffer - without overextending yourself.

This might seem like obvious advice, but it's advice many a buyer resists.

### **Avoid negotiation disappointment – Get expert help**

Some think they should get as much house as they can possibly shell out the dollars to afford. And most buyers overestimate their negotiation skills, pinning their hopes on the idea that they'll be able to bargain the home's owner way down.

Your agent can help reality-check you on this and help set up a smart starting price range for your house hunt by showing you the data on list price-to-sale price ratios in your area.

If homes generally sell for 15 or 25% over the asking price, you can use that information to back into a price range that will allow you to be a successful buyer/bidder without breaking your bank.

“for success, lower the price range from the get go...”



## 3. Save by offering more than asking.

Offering more money \*seems\* like a super obvious way to beat out other offers, but you would be amazed at how many bargain-seeking, recession-trained, and novice buyers simply don't do it. Many think they're scoring a deal by making low offers, even in the face of competition.

However, if you lose out on five homes before the market educates out of your lowball offer strategy, you might end up facing

- even more competition for fewer homes
- higher prices
- the enormous cost of hunting for other properties

In addition, in a serious seller's market, the end result will often be you spending more to finally score a property.

### **The key to success: Get market smart**

If you find the mere thought of offering more than the list price exasperating, keep things in perspective. Know that today's smart sellers are being very strategic and assertive, listing low to create an auction atmosphere and churn up multiple offers.

Don't be duped into thinking you can get away with a low offer because the asking price seems like such a bargain. (And by the same token, don't throw money at a place that is overpriced compared with the rest of the market.)

The victorious buyers are those who are offering amounts backed up by the home's fair market value, as determined by the very, very most recent sales - not sales from six months or a year ago.



#### 4. It's not all about the Benjamins: Closing-ability is key.

Sellers care - a lot - about how likely the offer they accept is to close escrow. When multiple offers get so numerous and so frenzied that buyers seem to be throwing money at a home, smart sellers pay attention to their home's real value.

The fact that their home might not appraise at a crazy high price will motivate smart sellers to focus not only on offers that are lucrative, but also those that seem realistic and close-able, which sometimes means an offer below the highest bid.

##### How to show you can really close

There are many ways to show off your ability to close during the offer process including

- approval letters,
- proof of cash to close
- the professionalism with which the offer is prepared and presented
- evidence of your credit score
- choice of mortgage broker/professional
- and more

All these things contribute to or detract from a seller's estimation of how close-able your offer is. If you're competing against other offers, you should be maxing out both your price and your offer's close-ability, as evidenced by these characteristics.

Ask your agent about documentation you can provide to prove your ability to close and do it on time.

#### 5. Minimize time pressures.

Because shelter is a basic human need, the prospect of having to move out, relocating to a new job, or moving to a new town without having housing in place can cause even the most nimble among us to feel ungrounded.

Problem is, in the context of buying a home, moving

deadlines can cost you thousands and thousands of dollars. It can even cause you to make needless compromises in terms of the actual property itself: compromises you might later (deeply) regret. If you are approaching a deadline for moving out or relocating, you'd do better to find a rental housing situation that will work for a while or will work as a Plan B than to try to hurry or force your home's purchase or sale to meet the deadline.

##### Get expert help

Whether you're embarking upon your first home purchase or moving up and adding another property to your portfolio, multiple offer scenarios can be daunting.

Seek out the help of a proven local market expert early on. It pays to work with a professional, local expert. Your agent can help you save valuable time and money during the house hunt, offer process, and in the many years that follow.

##### TIPS FOR SURVIVING MULTIPLE OFFER SITUATIONS

- **Get sound info before you decide**
- **Hunt for homes under your limit**
- **Offer more than asking price**
- **Prove your closing-ability**
- **Minimize time pressures**

