

How Much Do I Offer a Seller?

Buying and selling Real Estate is like playing poker: you may not know what the other person is thinking and you have to start the process to see *how* they play their “*cards*”. A seller can pick any asking price and respond to an offer however they wish, if at all. They pick their price but the market, meaning buyers, determines the “*value*” by comparing houses based on a variety of criteria. The most common are the location, the features of a house and its overall condition. In multiple-offer situations, meaning there is more than one buyer interested in buying the same house, the offers may be quite different depending on what is motivating each buyer.

The negotiation process can be very frustrating for one or both parties. One of the parties will typically be *happier* with the signed offer than the other and that may determine how the process plays out. Will both parties work well together? Some details may be known about the house such as whether it is an estate, if it is a short-sale or foreclosure, if it is vacant and if it needs work. The listing history may be helpful: how long has the house been on the market, have there been price adjustments, and has it been under contract? A buyer’s financial disclosure and the structure of their initial offer may provide useful information to a seller. Then the fun starts!

A buyer may want to consider several perspectives when formulating their initial offer. They need to understand that **they may only get one chance** to impress the seller. There may be little to guide them other than knowing their own financials and what is motivating them.

Here are a few things to consider:

- What is the buyer’s *motivation*? How much do they *really* want or like the house? Perhaps they have their present home on the market or “under contract” or their lease is expiring. How long have they been looking? Have they had other agreements fall through? What are the alternatives if they do not get this house? Their attitude may affect the process, putting undue stress on them. If they offer too little a seller may refuse to listen to another offer; if they offer too much a seller may fear an appraisal issue;
- Is it a buyer’s market or a seller’s market? A market analysis will provide some guidance;
- How does the house *compare* to others on the market and recently sold? Some buyers get overly analytical when deciding how much to offer a seller. This may cost them time and opportunity. Buying a house is an emotional decision justified with logic. Until the appraisal, the numbers are just *opinions*;
- Is there any *competition* for this house? You may not know. An experienced buyer’s agent will ask but a listing agent may not be allowed to answer the question. Competition, real or not, can scare a buyer;
- How realistic are the *contingencies*? The amount of an offer generally has some bearing on what a seller is willing to deal with when deciding how to respond to an offer, whether to accept an offer and how to respond to whatever comes up later. Money is important but how does the rest of the offer sound? Is the buyer well “qualified” to complete the sale? How likely is the sale to get to settlement?;
- **Know your limits.** Whether you are willing to go as high as what a lender tells you or what a seller is asking (or higher), a buyer needs to know their comfort level and plan accordingly. The dollar amount on the pre-qualification paperwork is important: do you show your maximum or not? Different agents and buyers have different opinions. I have mine: sellers prefer buyers with better financials.

Two thoughts. First, the buyer’s goal is to get a house under contract and off the market. A signed offer is only the *first* step of many. Both parties will likely have opportunities to re-evaluate the process and decide how or whether to keep moving forward. Second, the process will have peaks and valleys. Both parties need to remain patient as each side does what it needs to do as the process unfolds. An experienced, trained and educated agent will provide the knowledge, insight, guidance and advice necessary to keep their client focused and engaged.

There is no time for inexperience, empty promises *or* false expectations!

HIRE WISELY: We are not “*all the same*”!