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A screenshot of a CNBC article page. At the top, the CNBC logo is on the left, and navigation links for "HOME U.S.", "NEWS", "MARKETS", "INVESTING", "TECH", and "SMALL" are on the right. Below the navigation is a section for "REALTY CHECK" edited by DIANA OLICK, with a small profile picture of Diana Olick. A horizontal menu lists categories: "REAL ESTATE", "HOUSING", "MORTGAGES", "CONSTRUCTION", and "COMMERCIAL REAL ESTATE". The main headline is "In hot housing, 6 ways to win a bidding war" by Diana Olick (@DianaOlick), posted 26 minutes ago. The article text begins with "The housing market is still in the early spring of recovery, but if you're a buyer, you know it's already hot out there." and continues with "Very tight supply in markets across the nation is leading to bidding wars. Half the homes sold by real estate brokerage Redfin in the past three months had multiple offers. One-third of all U.S. properties sold in March went at or above asking price, according to the National Association of Realtors. That's hot. So how do you emerge the winner in a bidding battle?". Below the text is a photograph of a red "FOR SALE" sign in the foreground, with a house in the background.

In hot housing, 6 ways to win a bidding war

The housing market is still in the early spring of recovery, but if you're a buyer, you know it's already hot out there.

Very tight supply in markets across the nation is leading to bidding wars. Half the homes sold by real estate brokerage Redfin in the past three months had multiple offers. One-third of all U.S. properties sold in March went at or above asking price, according to the National Association of Realtors. That's hot. So how do you emerge the winner in a bidding battle?

### 1. Get your financial house in order—and get as much cash as you can carry

Get preapproved for a loan. Now. Today's mortgage market is still relatively tight, and home sellers are leery of loans that might not be set in stone. If you can, bring cash to the table. Sellers are worried about appraisals coming in low and loans not closing, so be ready to cover the difference with cash. Note to Manhattan co-op buyers: Get your references written and ready to go, and have a strong cover letter set.

"Price is certainly not the only factor sellers are evaluating. They're also weighing the 'risk' of any particular buyer if they require a loan."—Avi Galanti, real estate agent, Fairweather Group

### 2. Come in fast and strong

Be the first offer, and don't insult. This is not the time to lowball, not with the lack of listings out there. Nothing turns a seller off more than someone undervaluing their prized possession. Come in either at or just slightly below asking, so they know you're serious.

"The first bid has more success. The seller already starts to visualize you occupying the house ... that person is the first artist on their blank slate."—Melanie Siben, real estate agent with Rutenberg Realty, certified negotiation expert

### 3. Escalation clause

This is an amount of money the buyer agrees to increase his/her offer, if there are other bids. So let's say the purchase price of the home is \$400,000, but you expect it could go as high as \$450,000. Put in an escalation clause saying you are willing to go as high as \$460,000 (if you are). Make sure, however, that the clause also says the seller can only take the winning bid up to a level just above competing offers. In other words, if your competitors only go as high as \$430,000, the seller can't expect you to pay \$460,000, only, say, \$431,000.

"The market will tell the seller what the home is worth, by way of no offers if they're overpriced, or multiple offers with escalations, if they're underpriced."—Avi Galanti

#### 4. Pre Inspection

Yes, this will cost you a few hundred dollars that may not come back to you, but yes, it can help in a super tight market. Ask to do a pre inspection before submitting an offer.

"It'll be a cleaner offer and won't include a contingency that allows you (the buyer) to walk away. Sellers react very positively to offers that are non contingent on home inspections."—Avi Galanti

#### 5. Show the love

If you love, love, love the house, then let the seller know that, either directly or through your real estate agent. Don't be afraid to write a letter, send a picture of your kids and be specific.

"Let the seller know how much you feel connected to the home, more than being lovable yourself, show the spiritual connection—a favorite room and why that is a favorite room. The molding, the ceiling, the floor choice—why you belong there."—Melanie Siben

#### 6. Be smart, not sappy

Buying a home is one of the most emotional things you will ever do. That said, keep it to yourself. Make sure you've fully researched the market: Look at the most recent comparable sales ("comps") and compare prices to a year ago, visit the local school,

have coffee at the closest Starbucks and chat with the neighbors. See if there is a local listing service and scroll through recent posts. Then don't let your emotions steal your wallet. Don't overpay because you get all wrapped up in the heat of the competition. I don't care what house you're looking at, it's not the only house you can ever be happy in.

"I once fell in love with a gorgeous Tudor that was out of our price range. It was 2003, and banks were giving away money. There was heavy competition, so we bid ever higher, and I wrote a letter, telling the seller how much we adored the home and could picture our toddler twins growing up in the sun-filled family room and swinging in the stunning backyard. We won the bid, but then got cold feet on whether we could really afford the 'no-down payment, adjustable rate loan.' So we bailed and bought a cheaper home with a fixed-rate loan. Twelve years and a financial crisis later, who's the winner now?"—Diana Olick, CNBC real estate correspondent