

21 Tips to Help You Win Bidding Wars



By Brian Madigan LL.B.

Everyone wants to win the bidding war, but just how do you go about it.

So, here are some of the **Tips**:

1) **do your homework**

You have to know the property and the neighbourhood ahead of time. Trying to find this information out at the last moment can be both risky and fatal. In most cases, you might have put in another offer on another property in neighbourhood earlier. At least, this way you will have had some experience.

2) **eliminate conditions**

These are the particular matters that the vendor doesn't want to see. So, conditions such as home inspection, financing and lawyer's approval will just have to go.

3) **inspect the property**

The mere fact that you can't place a condition in an offer that you want to have a home inspector look at the property, doesn't mean that you simply have to accept this risk. Take him with you! I appreciate that you will have to pay for the inspection, whether you are successful or not, but it's well-worthwhile. If you don't have a qualified inspector, then at the very least take a contractor with you. You need to know the condition of the building ahead of time. And, so what if somebody else decides to overpay.

4) **get pre-approved for financing**

Actually, this is the easiest step. Get your financing in order. Make sure that you have the money available. Rarely, if ever, will a financing condition be accepted in the context of a bidding war. So, attend to this issue now, while you still have plenty of time.

5) get your lawyer's advice in advance

Go over to your lawyer's office and explain what you need. If there are some particular clauses that need to go into the agreement, then, let's know about them now. The next step will be to run those clauses by your realtor. Will they "fly" or will your offer just be laughed out of the room? There's really not much point going to all this trouble to enter a bidding war with a one-sided contract in your favour. So, let's figure out the legal wording in advance.

6) make your price better

This is crucial. Frequently, this is the only determinant of the successful bidder. So, spend some time here, figuring out your price to submit. Sometimes, just a few hundred dollars more is all that's necessary. Pick a figure that is just a little more than the competition.

7) make your conditions fewer

There are also some usual conditions contained in a standard form offer. You might be able to eliminate some of these as well. This involves issues relating to zoning, present use, legal non-conforming uses, title related problems, covenants, easements and insurance.

8) increase your deposit

All things being equal, the bigger the deposit, the more serious the buyer looks. This is particularly true, if there had been a previously defaulted transaction. This simple gesture (assuming you are truly serious) can frequently make the difference. And, a lower bid with a \$50,000 deposit looks a whole lot better than the high bid only a few hundred dollars more with a \$25,000 deposit.

9) make your closing sooner

Remember, of course, that time is money. So, if you offer to close at the beginning of May rather than the end of June, the vendor will have about two month's worth of interest on the closing funds in your deal compared with someone else.

10) market yourself

It's not the stock market; vendors actually care who they sell their properties to. Make sure that your agent knows all about you, your family, who will be living there and how much you like the property. All these things are appealing to the vendor. All things being equal, the vendor will prefer to sell to the buyer who loves the decorating and the landscaping rather than the one who says that there's a lot of work to be done.

11) accept some risks

This isn't just straight gambling, but you have to generally be in a mindset that allows you to accept the reasonable risks of the business. This means price increases and decreases, mortgage rate fluctuations and so on. Think of yourself, already as the owner of this property!

12) solve some problems

The vendor may have some issues related to the sale. Try to find out about as many of them as possible. This will give you an edge. For example, the vendor's new house is closing on the 15th of June, but the children are in school until June 30th. Why not consider a closing on the 15th and permit the vendor to occupy the premises rent free until the end of the month. That provision will save the vendor a lot of money and distinguish your offer from the rest.

13) be flexible

You might include a provision which will permit the vendor either to advance or delay the closing. Let's say the vendor is buying a new house. Will it be ready in time? Your clause permits the vendor to stay in charge and arrange one simple move from their present house to the new one. Sure, you're inconvenienced a bit, but you got the deal.

14) know your limit

This is not the time to get swept up with emotion. Determine the value, estimate a logical and appropriate premium, and that's it. It is still only worth its true value. That will form the basis for mortgage financing. You're on your own when it comes to the "premium". So, be careful.

15) know the competition

This is often a question of "same-old, same-old". You are facing the same competition as the last offer on the place around the corner. The high bidder's out of the picture. Where were you last time; the low bidder or the one in the middle? As each deal gets done, that drops somebody out from the top. They already bought their house. Now, maybe you don't have to stretch quite so much.

16) know the agent

The listing agent will be in control of the process. Try to obtain as much information as you can. This person will be the primary source of information about the vendor and your competition. So, stay alert and pay attention. Even if they don't say anything, that may mean something.

17) **be present**

This is not the time to fax in your offer. You want to be closeby, if any changes are immediately required. Faxes are fine, if there's no competition. Being close proves you are a serious buyer to the vendor.

18) **watch the changing market**

Maybe the market starts to tip over. Will you be aware of this? Don't just assume that everything is always going up and up. The market might start to drag a bit, and you need to know this. Will there be as many bids, this time? Have interest rates constrained some of your competitors?

19) **consider an escalation clause**

This is a clause that moves the price up to match another bidder's offer, and outbid it by perhaps \$500. However, any type of clause such as this needs to be very carefully worded. Also, it needs to include a limit on the upside.

20) **consider a pre-emptive attack**

If this is truly war, then why not consider the "bully offer", this is the one that is so good, that the vendor thinks it will be the best, however, it expires before the bidding war begins. It might just work.

21) **pick a good agent**

You want to have the best person representing you at the table. This means someone who is professional and well-respected. The agent's conduct will reflect upon you.

Strategy:

- 1) get the signback,
- 2) secure control

This is the basic strategy that you want to implement. You want to be in a position to make the decisions. So, you are really just looking for a signback. Then, you can make your decision.

Also, you should bear in mind that even if you did not have the successful bid, maybe you won the war anyway! A terribly overpriced property just isn't worth it.

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