

April 24, 2018

**Winning a bidding war is not always just a money game**

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Money is one thing that helps decide a bidding war, but it’s not the only thing. (iStock)*

Low inventory and the threat of rising interest rates have inflamed anxiety and desperation in buyers, while sellers are celebrating their good fortune. This high-anxiety environment spurred bidding wars across the county with homes escalating in price by $100,000 or more.

I am representing buyers targeting homes in Bethesda listed in the $900,000 range. What we believed to be a simple task has become an exercise of dying hope and heartache. We have lost two bidding wars and are holding onto fading hope that the third time’s a charm.

Real estate agents with whom I have commiserated on the difficulty of finding a home for their buyers are mostly holding their cards close to their chest. A few agents were willing to share with me their ever-changing strategies for winning the war.

“It’s crazy,” said Peter Ferguson, a real estate agent in Rockville. “I have clients searching for a home in Bethesda. We have written three offers, waived home inspection contingencies and escalated $100,000 over, and we are not getting it.”

My clients are probably bidding against his clients, I thought. Until now, my buyers were not willing to submit a bid without, at least, a financing and appraisal contingency. On one occasion, we conducted a pre-inspection to submit the offer without an inspection contingency. We did not win because we did not bid high enough.

In my clients’ best interest, I never suggest forgoing important contingencies in an offer. I explain the risks of buying a home without protecting themselves. Buying a home is not like buying shoes online. You can’t return it if it doesn’t fit. I also explain what other buyers are doing to secure a house, and if they don’t up the ante they will not win.

Most agents are sharing the bad news upfront to set expectations from the start.

“Multiple offer scenarios are now the rule, not the exception,” said Valerie Greene, a real estate agent based in Bethesda. “Because properties often sell in two to five days, you need to set expectations early in order to prepare them to compete and react quickly.”

Even when a buyer pushes their limits on price and other terms in the offer, often it is not enough. Another buyer is willing to do better.

“It hurts me,” Ferguson said. “I can only imagine what my clients are feeling. I keep telling them it’s going to work out.”

And on it goes. With each attempt, the anxiety and desperation builds, the offer price escalates, the tolerance for risk rises to dangerous levels. Where does it end?

“You should think about what this house is worth to me,” Ferguson has suggested to her clients. “If someone else wants to go over that, they can have it.”

What can buyers do to win bids without jeopardizing their financial future?

“Find out what the sellers want besides money,” said Lisa Garey, a real estate broker with CORE in New York. “A seller might choose an offer for other reasons.”

In some purchases in the New York market, buyers must be approved by the board of the building first before the deal can be settled.

“Sellers want to know if the buyer will get approved,” Garey said. “I suggest to my sellers to pick the buyer that can get the deal done.”

Garey advises her buyers to share as much information about themselves upfront, including proof of income, bank accounts, tax returns and references — the same items required for board approval. Garey also suggests writing a personal letter to the seller, with the hope that it will create a personal connection between the two parties.

“It makes some buyers uncomfortable,” Garey said. “But showing your hand to the seller sometimes ends up getting the deal done.”

Properties priced in the $2 million range in New York are getting multiple offers.  If you can afford a higher-priced property, say in the $10 million range, buyers can get a deal, perhaps with a $1 million discount.

In the Washington region, bidding wars are most often occurring with properties that are priced under $1 million, priced correctly and show well. But they are not perfect houses. Many still need updating or renovation.

Board approvals are not a concern in Washington. But sellers can still be swayed by submitting personal information along with the offer. My buyers submitted a letter and a family photo with an offer and received a gracious letter and family photo back from the sellers, with a counter offer. In the end, there was no meeting of the mind on price.

“Having the right team in place is also crucial,” Greene wrote in a recent email, regarding another important tactic for winning bids. “Having a well-known and reputable lender who can call the listing agent on weekends or after hours to licensed home inspectors who can jump in the next day to do a pre-home inspection. It also helps to go through the underwriting process with the lender ahead of time to show the seller that you are a serious buyer.”

Lenders are surprised that some buyers don’t do more preparation before submitting an offer.

“I am seeing more and more buyers who are ready to write an offer and are not prepared at all to buy a house,” Richard J. Moroscak Jr., a senior loan officer at PNC Bank in Dupont Circle, said in a recent email. “We have no application in hand, have not interviewed them, have not pulled their credit, they do not have their supporting documentation ready to go and thus are ill-prepared to make any kind of offer.”

So, does it make sense to get involved in a bidding war?

In my Bethesda buyers’ case, they are in a time crunch to move by the middle of June. They are moving from overseas and need a home in their preferred school district, with a specific number of bedrooms and baths, priced in the $900,000 range. Unfortunately, their specifications are similar to those of many buyers in the market, so bidding wars are unavoidable.

In addition, buyers who hope to lock into interest rates before they rise further are motivated to jump into a bidding war. Locking into a lower rate makes financial sense, although the benefits of a lower rate might be diminished by a higher purchase price. In the perfect scenario, the price you pay will be surpassed during the time you own the house.

There are a few options if you prefer to avoid a bidding war. I keep a close watch on homes that have been sitting on the market for a while. They may be overpriced or have issues with their condition, but you may have an upper hand in negotiating those issues. Also, I have purchased a number of homes myself by contacting homeowners who are not marketing their homes for sale, with the hope that an offer might persuade them to sell off the market.

My clients are now considering submitting their next offer with no contingencies and with a higher escalation price in the hope of securing a home by June. Desperation, however, is not the best mind-set to have when spending nearly a million dollars. My suggestion to them: Be sure to check your emotions at the door.

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