

The **inman**
handbook

HOW TO WIN A BIDDING WAR

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From keeping a vigilant eye on your market to knowing when to opt out of a war altogether, here are the essential tips you need to conquer the bidding war.

Talk to any real estate agent today, and nearly all will tell you they've never been busier. Even with mortgage rates having gradually inched higher since the beginning of the year, and home prices continuing to climb as well, buyers have not been deterred. And now, the country seems to be itching with a spring homebuying fever.

[Unfortunately for buyers](#), that means the competition stands to get heated this year. Bidding wars have already surged in recent weeks, and don't show signs of slowing. During the month of February, nearly 70 percent of Redfin agents faced bidding wars, according to a recent [Redfin report](#). That's the 10th consecutive month in which more than half of Redfin agents writing offers on a home had to try and beat out some competition.

For now, increasing mortgage rates are actually likely driving buyers to the market, Redfin Chief Economist Daryl Fairweather said in Redfin's report, as they try to latch onto rates before they increase much more. The 30-year fixed-rate mortgage is now about 3.17 percent, according to [Freddie Mac](#), up from 2.67 percent at the end of 2020.

[Exceedingly low inventory](#), meanwhile, is also contributing to the market frenzy. At the end of February, inventory nationwide was at a record-low of 1.03 million units, down almost 30 percent from the previous year, [according to the National Association of Realtors \(NAR\)](#). That figure represents roughly a 2-month supply of inventory at the current sales pace.

For most agents, encountering some degree of bidding wars this spring and summer is inevitable. Here are some tips for success that Inman gathered from those who have battled in those wars firsthand.

Be realistic about market conditions and have a strategy

In today's rapid-fire market, it's absolutely crucial that agents stay on top of the pulse of their market and know what kinds of offers are working for each particular kind of property. With multiple offer situations now commonplace, agents don't have time to waste with offers that aren't at least moderately competitive.

Ellen Coleman, a RE/MAX Realty Centre Inc. agent operating in the greater Washington, D.C. metro area, recently represented a listing in the metro's Silver Spring neighborhood that received 88 offers, 76 of which were all-cash. But Coleman said some of those offers were almost laughable because they were clearly written by agents severely under-informed about the market's current level of competition.

“We still have people that wrote offers on that specific property below the list price and asked for closing and a home inspection,” Coleman told Inman. “So, you know, I was like, ‘where have you been?’”

For buyers to stand a chance, they’ll need a well-informed agent who’s really willing to bat for them.

Getting clients ready for potential bidding wars should also involve extensive discussions about what kinds of things they’re willing or able to give (or give up) to sellers. Don’t wait until after your client has already fallen in love with a home to have those talks, because it may be too late. At the start of your relationship, give clients a realistic picture of the market’s competitiveness and delineate what they’ll be willing to offer under which circumstances so that you’re both ready when the time comes.

Additional resources:

- [‘A superhot market’: Economists weight in on what to expect in 2021](#)
- [How to price a listing in a red-hot seller’s market](#)
- [2021 market will still be hot, but challenges lie ahead: HomeLight](#)
- [What this spring means for real estate: Buyers beware](#)

THE TAKEAWAY

Know the pulse of your market

Get buyers mentally prepared

Have conversations about what buyers are willing to give sellers in advance of looking at properties

Make sure your client’s financials are in order

In a multiple offer situation, sellers will almost always immediately rule out a potential buyer with anything less than solid financing in place. “Unfortunately when you have 5, 10, 15, 25 offers on a house, the only buyers that get homes are buyers that are extremely financially secure and buyers who are willing to say ‘I’ll pay almost anything,’” Liz Brent, broker and founder of GoBrent, told [CNN Business](#).

The best way to calm all those seller fears is to get ahead of them in advance, which agents can help their buyers do in a variety of ways. This should be a no-brainer, but make sure buyers get pre-qualified for a mortgage in advance. Then, take it one step further by asking lenders to call the listing agent on the buyer's behalf.

“Have a lender that will speak for you and contact the listing agent and sell you to the listing agent as the best option of the offers that are received,” Coleman said.

Another thing buyers can do to show financial security is to put down a really strong earnest money deposit.

“[We] offer — sometimes, not all the time, but sometimes — our entire down payment as earnest money to show the seller that we're really serious and we're willing to put the money where our mouth is, put it on the line,” Todd Tramonte, broker/owner of the Todd Tramonte Home Selling Team, told Inman.

Finally, offering to do things like pay closing costs for the seller, or providing the sellers with a free rent-back period demonstrate both financial stability and a willingness to try and make the transition easier on the seller.

Additional resources:

- [How financing can make or break a sale](#)
- [How to help cash-strapped buyers overcome financing hurdles](#)
- [7 realities your buyers and sellers should prepare for in 2021](#)

THE TAKEAWAY

Make sure you are fully aware of your buyer's financial situation

Have buyers get pre-approved for a mortgage ASAP

Demonstrate financial stability by offering to pay closing costs or putting the down payment down as earnest money

Consider a ‘walk and talk’ inspection

Buyers who fall hard for a property might be tempted to waive the home inspection. But most agents advise against that unless their client is financially secure enough to deal with the potential fall-outs.

An effective alternative is what some agents call a “walk and talk” or “walk-through” inspection, where an inspector comes with the potential buyer to a home showing in order to poke around for any glaring issues. This helps the buyer mentally prepare for unexpected costs, but also doesn’t take up more of the seller’s time.

“Gone are the days where you prepare a laundry list for the seller and ask to have all the door knobs aligned or something,” Coleman said. “Now you’re looking at the foundation, the roof and the mechanicals of the house and thinking if they’re going to be passable now or whether you’re going to have to budget in the future to make some corrections.”

“That’s a big thing I counsel my buyers to [do] ... I don’t want them purchasing without the benefit of knowing what they’re purchasing — but you can’t make it a contingency,” she added.

Additional resources:

- [What buyers should know before signing an inspection waiver](#)
- [Preparing for an inspection? 10 things sellers need to do](#)
- [Should buyer’s agents attend property inspections?](#)

THE TAKEAWAY

Under most conditions, don’t allow buyers to be tempted to waive the inspection

Offer buyers the option of a “walk and talk” inspection instead

In some hot markets, you should probably forget about making the inspection a contingency

Maintain good communication with the listing agent

Much like staying on top of the pulse of the market, keeping steady communication with the listing agent is imperative to making a competitive offer. Ultimately, the listing agent is the gatekeeper to the seller. So, naturally, the more you can develop a relationship with the listing agent, the better off your client will be.

“You really have to strategize and see,” Coleman said. “Work with the listing agent, what are [the sellers] really looking for? What are these people doing? Where are they going next? And then tailor your offer to what they’re looking for.”

In addition to probing the listing agent about the seller’s particular wants or needs, Nate Martinez, owner of the Nate Martinez Team at RE/MAX Professionals, said he makes an effort to make extra touches with the listing agent, to show respect at an agent-to-agent level.

After speaking on the phone with the agent about the seller’s wants, Martinez sends a quick video message of himself to the listing agent thanking them for their time. Then, he’ll post a thank-you message on the listing agent’s Facebook page that also compliments them on their work to show that he’s willing to put in the effort to create a good working relationship, and that helps set him and his client apart.

“I can put a post on [the listing agent’s] Facebook [page] and kind of give him or her some accolades — that they’re a professional, thank them for helping me, and again, so their customers or clients can see that,” Martinez told Inman. “Now I’ve done something different to stand out — I’m not just one of 30 offers or three offers or whatever. And trust me, nobody does that.”

“I had three agents send me a message that weekend that they got their offers accepted by doing that in multiple offer situations,” he added.

Additional resources:

- [7 buyer’s agent behaviors that need to stop](#)
- [7 essential tips for communicating with your sphere during crisis](#)
- [Nonverbal communication is how agents really win listing presentations](#)

THE TAKEAWAY

Before starting to write an offer, talk to the listing agent about what the seller really wants

Make multiple touches with the listing agent to show that the buyer is serious

Bonus: Compliment the listing agent on social media

Plan out escalation clauses and appraisals

A lot of agents Inman spoke with mentioned that they found escalation clauses helpful to get buyers to come out on top during bidding wars. With escalation clauses, buyers will offer to add a certain amount on top of other offers that come in, typically with a cap on how much they're willing to pay.

But, agents also expressed caution in creating such clauses because, particularly as bidding wars get more and more heated across the country, those escalation clauses can potentially run into issues with the home making appraisal.

“The bank has to make sure that the property is worth what the buyer is paying and if the bank's assessment falls short, the buyer is saying that they'll pay the difference,” Alka Aneja, a broker at On Track Realty, told Inman. “And that's fine to know that, but the seller has to see that there's enough money in the bank account to do it. So a lot of us are sending the bank statements to make sure that the seller is okay with that.”

Still, in some markets, an official home appraisal seems to be less imperative during these times. Coleman said that in the D.C. area, it's become pretty common to entirely or partially waive the appraisal because the market conditions are already dictating a property's value.

“[If] you make an offer on a \$500,000 house and you're putting down say \$75,000, it's not necessary to have the appraisal to say that the house is worth \$500,000,” Coleman said. “If they're getting 10 offers, it's [clear that the] market value is more than \$500,000. Appraisal is a lending institution's opinion of value to see that they're making a good lending decision. But if you have the cash, and you can pay to put more cash down if it doesn't appraise, then waiving the appraisal is something that's very attractive to the seller and might be the difference in you getting the property.”

Additional resources:

- [Appraisal coming up? 4 things you should tell buyers](#)
- [4 myth-busting facts about appraisals](#)
- [6 tips for crafting stronger buyer offers](#)

THE TAKEAWAY

Write escalation clauses with caution

Be very clear and upfront with buyers about what's at stake with escalation clauses and appraisals

Consider whether or not an appraisal is necessary for each case

Don't neglect the back-up offer

Martinez said he encourages his buyers to consider standing in as a back-up offer, even if they lose a bidding war. With buyers having to make decisions about properties so quickly, it's not out of the question for a winning bidder to have second thoughts. Being a back-up allows those potential buyers to avoid the hassle of having to duke it out with other buyers again if the deal falls through and the property is put back on the active market.

On a recent property he listed, Martinez said the winning bidder offered \$94,000 above asking. The second top bidder offered \$90,000 above asking, and Martinez convinced him to be a back-up offer, knowing how these deals can sometimes go.

"Well, the next morning, once the ether wore away, buyer A decided, 'you know what, I'm not paying that much,' and he cancels the deal," Martinez told Inman. "But because the back up offer was in place, the back up offer did not have to go back into competition, they went right into first position."

Aneja also told Inman that she and other members of her brokerage are seeing a decent portion of homes come back on the market after inspections because a buyer has regrets about how far they allowed bidding to go. "The buyers are realizing 'Oh my god, we paid too much' or 'We hiked this up too much,'" she said.

"And a lot of people are afraid to be a backup," Martinez added. "They think it's a waste of time, or they've never done it before, the Realtor never had experience with it. I'm a big proponent of doing backup offers for my buyers, because that's, if something falls apart, and sometimes it does ..."

Additional resources:

- [What you should know about backup real estate offers](#)
- [The win-win real estate back-up offer](#)
- [The art of home-sale back-up offers](#)

THE TAKEAWAY

Don't forget that some quickly made offers may fall through

Brief your buyer on what it's like to be a back-up offer

Weigh the pros and cons of waiting it out, rather than immediately shifting to a new property, given the situation

Encourage your clients

“There are still buying opportunities for people out there now. There are,” Coleman said. “But you just, like I said, have to have your game on so that you're prepared to go in strong and meet the seller's expectations, but still make a good buying decision on your part.”

Other agents Inman spoke with also talked about clients having big concerns about being successful in finding and buying a home right now, with the market as competitive as it is and inventory being so low.

It's certainly important for agents to paint a realistic picture of the current state of the market for clients. But, it's also important to remember to balance that realism with a bit of reassurance.

“I think people, right or wrong, have unbelievable confidence that they can sell their home right now, but I think that there's legitimate fear that then 'I'm not going to be able to buy' or 'I'm going to end up having to buy something that I don't like and then overpay for it,’” Tramonte told Inman. “So believe it or not, I think there's a lot more demand in this market than we're even seeing, and I think it's tied up in the fear of the double move ...”

“If we can alleviate that fear by helping people understand that they can buy right now — it's not going to be cheap — but they can buy right now, and they can sell and buy safely, I think we can find a lot more business and solve real problems and deliver real value, which is I think what most of us want to do,” he added.

Of course, encouraging clients to broaden their search parameters to increase chances of success can also make

the difference between frustration and progress toward their homebuying goal. If agents can find more off-the-radar properties, less competition altogether will increase the likelihood of success.

“We’ve encouraged [buyers] to maybe open their buy box a little bit,” Vincent Deorio, vice president of corporate development at Atlas, told Inman. “So look a little bit outside of maybe neighborhoods that they initially wanted ... Just kind of coaching them and trying to keep them excited and not discouraged.”

Additional resources:

- [50 one-liners to help motivate your clients](#)
- [How to be the expert your clients need right now](#)
- [Make it about them: How to win trust and more clients](#)

THE TAKEAWAY

Help clients stay positive

Set realistic expectations while reassuring clients

Encourage clients to expand their search criteria

Know when to opt out

Once the competition gets heated, it may be tempting for some buyers — especially competitive types — to want to duke it out until the end. But Tramonte said it’s best to know when to say when. And for some buyers, the risks of continuing to push at the boundaries of their own comfort level may not be worth it.

“I think step one is having appropriate expectations that [with] some of these deals, the right decision is to bow out and not win,” Tramonte said. “Some of our buyers need to be aware that winning all these situations are not ideal.”

“The problem is, initially the buyer wants it, but as inspections happen and the appraisal doesn’t come through, then all of a sudden the buyer starts to second guess their thinking,” Aneja told Inman. “They start to say, ‘crap, we made the wrong move, we made the wrong move.’ So you have to be sure the buyer’s totally convinced of the purchase.”

Tramonte said his team members have seen some of their greatest success with buyers recently by avoiding those homes that are pummeled with offers and instead digging for inventory elsewhere. Although probably about 80 percent of the homes his clients are interested in face multiple offers, Tramonte said that other roughly 20 per-

cent of cases where he and his agents are able to find other options for their clients is really where they're thriving.

“When we're able to find off-market inventory, really badly marketed inventory, homes that are in some sort of transition, canceled, withdrawn, temporarily off-market, mislabeled properties, reluctant landlords who are advertising a property for lease but if they really knew what they could get for a home, they would be wise to sell,” Tramonte said. “I think the more exciting story is the big wins we're having on the 20-25 percent where we're really lagging it out and finding those properties that [buyers] would otherwise not have had access to.”

Obviously, finding overlooked inventory for clients is an ideal scenario. But, Aneja said sometimes she just has to tell clients the hard truth — that if they don't think they can handle the heat, they should probably just sit this one out.

“We're actually telling them, if you need to buy, buy,” Aneja said. “If you don't need to buy in this market, sit it out, it's okay. This is not a market for the weak-hearted. You need to be strong for this market.”

Additional resources:

- [Help! 5 strategies for having tough conversations with clients](#)
- [The Real Word: When should buyers walk away?](#)
- [6 reasons your client should walk away from buying a house](#)

THE TAKEAWAY

Know when to say when

In some cases, the risks may not be worth the effort of duking it out with other buyers

Be open with clients about the benefits of waiting until the market cools down, for some personality types