

The Year of the Bidding War



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How to Win as a Buyer in the 2021 Real Estate Market

It is no secret today's housing market is cutthroat. Sellers are receiving numerous top-notch offers and buyers are frustrated after multiple rejected bids. To help you successfully navigate this challenging market, Stockton Mortgage has created a stellar guide to overcome hurdles and land on top with your home purchase. Before we lay out the groundwork to win in the 2021 market, let's examine the root cause of what we are calling the Year of the Bidding War.

With the infamous COVID-19 pandemic, millions of Americans began working remotely from home. Homeowners and renters alike began searching for larger space, as well as capitalize on historically low interest rates. With a limited supply of homes and overwhelming buyer demand, bidding wars have triggered across the country.

Now let's talk strategy! Before submitting an offer, we encourage you to speak with your Loan Officer and real estate agent about each strategy because there are always risks when making concessions.

The Basics

Don't let the term "basic" fool you. These tactics have proven to be successful time and time again and may be the golden ticket. Below we have compiled effective tactics to help put your offer at the top of the list.

Waiving Contingencies

When purchasing a home, you have a financial, appraisal, and home inspection contingency. To entice a seller to accept your offer, waiving one or all could put your offer above the rest. Another contingency sellers do not want to see is "contingent upon the sale of" a buyer's home. Why? It adds another layer of risk since the sale of your house is not guaranteed. You will need to work closely with your lender to see if you would qualify to carry two mortgages. If you are, make sure you feel comfortable doing so in the event it takes longer than expected to close on your current house.

All-Cash Offer

We have all heard the term "cash is king" and this certainly stands true in real estate. If you have the cash to pay for a house in its entirety without depleting your savings, you may want to consider an all-cash offer. Nixing the financing process speeds up the process for sellers and minimizes delays.

Offering Above Asking Price

Putting more cash in a seller's pocket is enticing and an easy way to highlight your offer against others. The risk is the house may not appraise for that price which means you must be able to bring the difference.

Rent-Back Agreement

Rent-back agreements allow sellers additional time to live in the home after closing, essentially making them the new buyer's temporary tenants. Offering this incentive gives sellers flexibility with their move-out and finding their new home.



The Not-So-Basic

Shorten Contingencies

Although waiving contingencies can incite sellers to choose your offer, doing so can be risky for a multitude of reasons. Rather than waiving contingency periods, shortening them could have the same effect. You can also notify the seller you will pay the difference if the appraisal comes in low. For example, if you offered \$350,000 and the house appraises for \$340,000, you can agree to pay the \$10,000 difference at closing.

Ask Your Loan Officer for an Upfront Underwrite

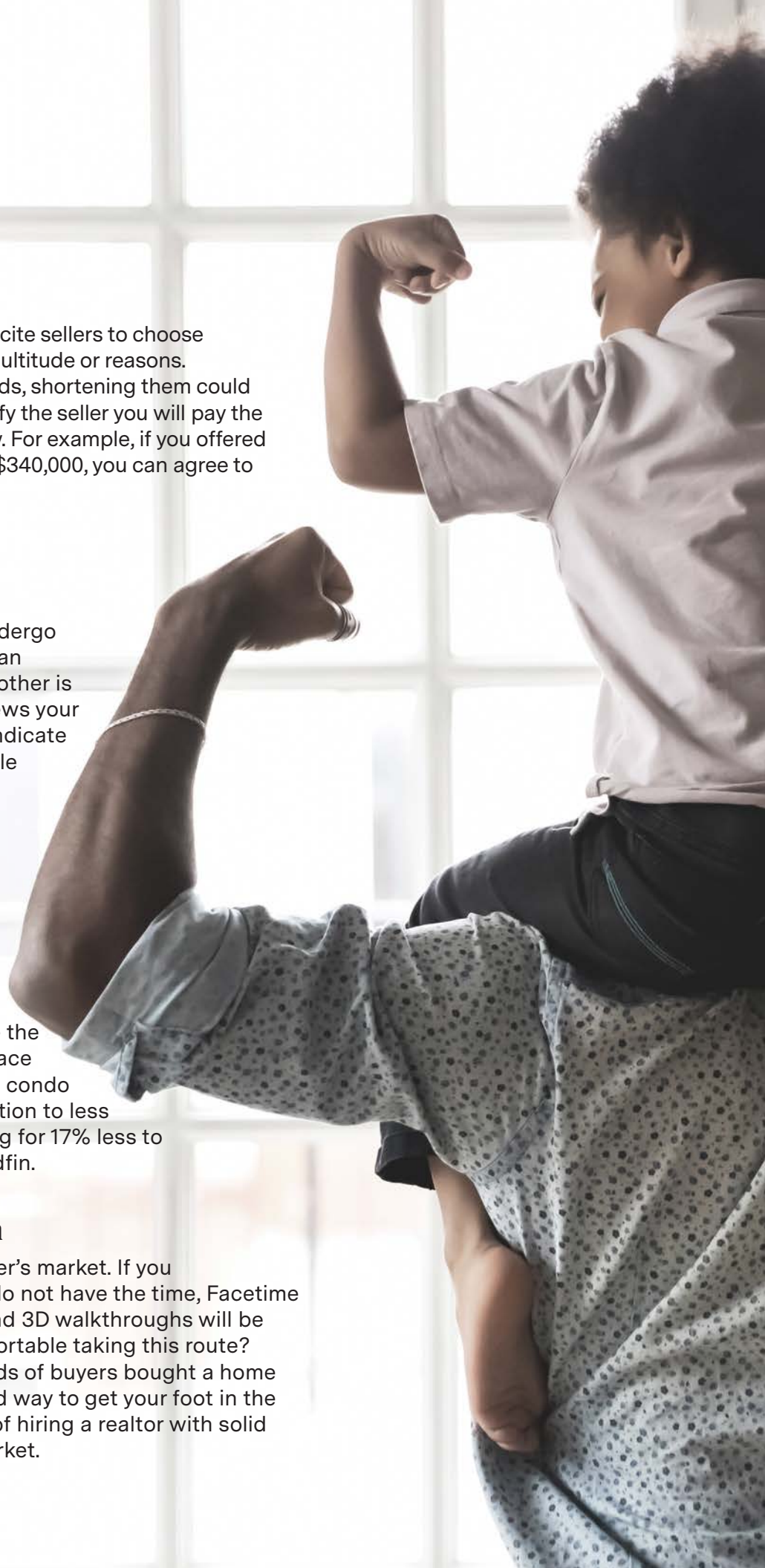
Your loan application will typically undergo two types of reviews. One is through an automated underwriting system, the other is where an underwriter physically reviews your application. Ask your loan officer to indicate on your preapproval letter that your file has undergone a credit and income underwrite. This can strengthen your offer because you are a proven qualified candidate.

Consider a Condo Over a Single-Family Home

There has been a huge surge in interest for single-family homes since the pandemic. If a yard and additional space is not a “must-have” then opting for a condo could be in your best interest. In addition to less competition, condos have been selling for 17% less to single-family homes according to Redfin.

Make an Offer Sight Unseen

Being fast on your feet is key in a seller’s market. If you happen to live out of state or simply do not have the time, Facetime calls with your agents, video tours, and 3D walkthroughs will be crucial. Not sure you would feel comfortable taking this route? During the pandemic, nearly two-thirds of buyers bought a home sight unseen. While this can be a solid way to get your foot in the door, it underscores the importance of hiring a realtor with solid knowledge and experience in the market.



The Not-So-Basic

Offer to Pay Seller's Costs

Sellers can receive a hefty profit, but the fees associated with the sell of their home can be lofty. Paying for closing expenses, like taxes and title insurance, can make your offer more appealing.

Start Low and Have a Cap

Since the probability of going over asking price is high, so is the likelihood of exceeding your budget. Rather than stretching yourself thin, look at homes well below your cap so you have wiggle room to negotiate.

Be Resilient & Persistent

With the competitive pace of the market, it is important to stay realistic about the reality of winning versus losing. Stay persistent in your pursuit, no matter how many offers may or may not be denied. Determine what you are willing to compromise on. Maybe having a certain amount of square footage isn't all that necessary. Perhaps looking a little further out than your desired area will lend more inventory.

Also, make sure your agent is touching back with selling agents on offers that were not accepted. Staying persistent could be key to getting your home if an initial deal falls through.

Source: <https://www.redfin.com/news/agent-bidding-war-tips-2021>
<https://www.redfin.com/news/single-family-home-premium-condo>

