

Evaluating Offers on Your Property

After weeks of preparation, agonizing over the pricing decision, the inconvenience of showing your home... you finally get that phone call you've been eagerly waiting to receive. "There's an offer on your home!" Now what, you ask yourself.

There are a number of issues to consider when you evaluate any offer on your property. For example:

Price

Price is always the first thing that homeowners want to know about an offer. How close is the offer to your asking price? Remember, the bottom line is actually more important than the sale price. For that reason, estimating your net proceeds is an essential element when considering whether to accept any offer. You may also wish to consider the strength of the market – ask yourself how likely it is that another buyer with a "perfect" offer is just around the corner. In a seller's market, you can be more picky; in a buyer's market, you'd better work with any offer you receive to reach an agreement.

Contingencies

Virtually every home purchase contract has some contingencies, and many of these are extremely reasonable. But it's important to consider the potential impact of these conditions. It may be advisable to accept a lower price with few contingencies over a higher figure with a large list of conditions.

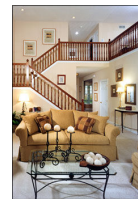
Financing is a contingency that appears in nearly every contract – if the buyer cannot obtain financing for any reason, the contract will terminate. You will find an *appraisal* contingency in most contracts – if the property does not appraise at the agreed upon sale price, it's back to the drawing board! Another common contingency is a *home inspection*; while this is a reasonable contingency, it can become a starting point for renegotiating terms of the contract.

Some contingencies can be very risky, such as a *home-sale* contingency. In this case, a home seller simply trades the risk of selling his own home for the risk of selling a different one - and with far less control over factors which impact the sale of the buyer's current home. There must be a compelling reason (or two or three) for even considering a home-sale contingency, let alone accepting one as a condition of your home sale.

Buyers' qualifications

Since it is unusual for homebuyers to have a suitcase full of cash for purchasing your property, a pre-approved buyer is the next best thing. It is important to distinguish between pre-approved and pre-qualified buyers, so let me explain the difference: Pre-qualification is simply an opinion of whether the buyer appears credit-worthy, as opposed to pre-approval which is based upon verification of the buyer's income, assets, and other obligations.

Please keep in mind that even a pre-approval is not final, however, because it will always be subject to an appraisal of the property and possibly certain inspections.



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Seller concessions

A buyer may ask you to pay some or all of their closing costs; to include some personal property such as window coverings; to make changes to the property such as restoring a finished garage to its original state; to allow the buyer to occupy the property prior to settlement. Concessions such as these could mean the difference between selling your property or keeping it on the market for several more days, weeks or months.

You will have to consider each request to determine how it impacts your home-selling goals. It's possible that a buyer would ask for several concessions that you are more than willing to make in order to sell your home. However, you are not obligated to make any concession that isn't offered in your initial listing for the property.

Multiple offers

If you are fortunate enough to receive multiple offers, review each one carefully and rank them based upon pre-determined factors such as the bottom line, timing, buyers' financial qualifications and the presence or absence of contingencies and concessions. Once you decide which contract offers terms most closely aligned with your priorities, begin negotiations with that homebuyer. If agreement cannot be reached, move on and negotiate with another homebuyer. Just be careful not to negotiate with more than one homebuyer at a time, because you only have one house to sell, and you don't want to end up in court.

Your response

You have three choices when you receive an offer: accept it, reject it, or make a counter-offer. Frankly, it is rare that home sellers receive a "perfect" offer than can be accepted without any negotiations, but it does happen occasionally. I've even had sellers who received thousands of dollars over the asking price, no contingencies (not even financing or appraisal), and perfect timing. But don't count on this happening – especially not in a buyer's market.

I rarely recommend rejection, even when an offer seems outrageous, and even when it's a seller's market. Some buyers and buyers' agents use a strategy of testing the priorities of home sellers by offering an extremely low price and asking the seller to accept multiple contingencies and concessions. You have nothing to lose, except a few minutes, by making a genuine counter-offer that reflects the bottom line you will accept. At least this keeps the door open with this buyer for future more realistic negotiations.

Most buyers make an offer in good faith, asking only for concessions and contingencies that reflect the buyers' priorities. More often than not, we can compromise and reach agreement. If you are my client, I will help you craft a counter-offer to satisfy your goals as well as those of your prospective buyer.

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