

## A Message from the President of the Youngstown Columbiana Association of REALTORS®

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### WELL...THAT ESCALATED QUICKLY!

By, Patrick Burgan



We have seen things escalate quickly over the past few months. From quarantining and testing to reopening and assimilation back to, what we hope, will be normalcy again. You might think that things are happening fast but, for REALTORS®, this is nothing new for us. The speed at which houses are selling when they are put on the market is astounding. From my perspective, I cannot recall a time when houses have not only been selling this quickly but doing so with multiple offers within minutes of each other. It's like every house is a Tickle Me Elmo, PlayStation® or Cabbage Patch Kid Doll at Christmas time.

If you are reading this and thinking about getting in on the action, we like to call this a, "Perfect Storm," in real estate: a time when property values are at an all-time high and interest rates are at all-time lows. While it may sound like a gravy train with biscuit wheels, there are challenges that come in to play when the demand is as high as it is. Just because you have the first offer or an offer that is the asking price, doesn't guarantee you the house of your dreams.

#### MULTIPLE OFFERS ARE MULTIPLYING

One of the best things you can see when selling your home is multiple offers. Everyone likes to feel wanted, right? Having people fight over you as if you're the first one to get picked for dodge ball in gym class. While a seller may enjoy this attention, for buyers, this is like getting picked last for that same game in gym.

In a market as competitive and aggressive as it is, people are submitting offers quickly and with confidence. By positioning your house properly with an appropriate price point, potential buyers are lined up like they are Catullo Prime Meats ready and willing to pay a premium for a house they view a premium location and home. If you are looking to win that competition over the home of your dreams, there are a few things you can do to help you come out with the deal.

#### EARN THE HOME

Whether you are buyer or a seller, earnest money is key in showing how serious a person is about purchasing the home. Earnest money is a part of the down payment. Putting more money down shows a more serious approach to the transaction. Offering the seller more money now rather than later speaks volumes to the commitment to the offer that was made and to stand by it in the deal.

#### PREAPPROVALS ARE BEST WAYS TO GET APPROVAL OF AN OFFER

Actions speak louder than words. With interest rates at an all-time low, whether you are a buyer or a seller, approach each deal looking for or providing a lender letter showing a preapproval amount for financing that is

well within the offer being made. For buyers, going to your lender and asking for a loan preapproval letter to make you stand out from the other offers. This is different than a pre-qualified letter. Pre-approval means you have already gone through the process and you all but have the money for the home of your dreams.

#### TIME IS MONEY.... SERIOUSLY

Negotiations when there are multiple offers is not just about money. Sometimes, it is time that can sway people's decisions to take an offer. Buyer possession is often a point of contention with multiple offers. Compensation in the form of extra time for closing or moving out after closing is a great compensatory solution to help in making a decision with multiple offers.

#### CONTINGENCIES SCHMONTINGENCIES

There's always a "catch" to things, right? Somethings that are too good to be true usually are. Contingencies are always a part of offers and there are some that you can waive to help the process get done. From appraisal to loan approval contingencies, there are things you can concede to speed up the process and make the offer you either submitted or want to accept even sweeter. While home inspections are always preferred, this is another contingency you can sign off on but, as with all of this, consulting your REALTOR® is something you should never forgo.

#### ESCALATION CLAUSES CAN SPEED UP THE DECISION

One of the best ways to handle multiple offers from both a buyer or seller perspective is the use of an Escalation Clause. An Escalation Clause is a real estate contract, sometimes called an Escalator, that lets a home buyer say: "I will pay x price for this home, but if the seller receives another offer that's higher than mine, I'm willing to increase my offer to y price." Pretty cool, huh?

While in theory, this is a fairly simple practice, there are nuances to this that can complicate things...isn't there always? The first is accepting the clause. Some sellers want to know **exactly** what you are going to pay for the home. While sellers prefer this option as it motivates buyers to outbid each other on the first bid, it streamlines the paperwork and decision-making process for the buyer as well. Another reason to use caution with Escalation Clauses is that it should only be used if you and your real estate agent are confident there are multiple offers. Not only does this put all the buyers' cards on the table, but it gives up negotiating power from the buyer side and potentially leaves money on the table for the seller if the offer is not met by a competitor.

Remember the simple days where a home was on the market and listed for a price.... you make an offer for that price....and the house is yours? Yeah...me neither. Home buying, like anything, is a negotiation and, in today's market, the power is with the seller because demand and property values are high. Along with low interest rates, buyers are willing to compete with one another for the home of their dreams. If you find yourself in this midst of this bidding war, whether you are a buyer or a seller, these elements can help ensure the only escalation left to figure out is when those keys transfer hands.

*Patrick Burgan is the 2020 President of the Youngstown Columbiana Association of REALTORS®*