

Buyer Strategies to Compete in a Seller's Market

While this is a phenomenal time to be a seller, it's an extremely challenging time if you're trying to buy a property. Many buyers are putting together strong offers, only to be outbid by offers that are all-cash, with fewer (or no) contingencies, and far above asking price. While it can feel daunting for a conventional buyer to compete in this environment, there are a few strategies to make your offer as strong as possible when going into a bidding war.

1 Tighten up your timelines
Reducing your contract deadlines like inspection contingency, loan, appraisal, and even closing date can show that you're aggressive and ready to move quickly.

2 Give the seller the choice of services (Escrow, Title, NHD)
Allowing the seller to choose transaction vendors is just one more way to show that you are willing to make the escrow as easy as possible for them.

3 Waive your request for a home warranty
A standard offer often includes a request for a 1-year home warranty plan. As the buyer, you can easily forego this request which will mean one less cost for the seller.

**** While all of the above methods make your offer appear stronger, these have become all but expected in the current market. When going into multiple offers, you pretty much need to employ all of these methods (shorter timelines, seller choice of services, no home warranty) just to have a seat at the table. So, when conventional offer tactics just won't cut it anymore, what are some other out-of-the-box ideas to make your offer stand out?

4 Increase your Earnest Money Deposit (EMD)
Offering a higher deposit up front can help show the seller that you're serious. The EMD gets credited towards the down payment later in escrow anyway, so this means that you're just locking up those funds a little earlier in the transaction.

5 Remove some contingencies up front
While there can be risks involved, removing contingencies with the offer is one of the strongest moves to show the seller that you are serious about moving forward with the deal. While we would almost never advise a conventional buyer to remove an inspection contingency, you may have some wiggle room with loan and appraisal contingencies.

Tip - combine your contingencies (remove appraisal, but use inspection contingency time period to have property appraised)

6 Use an Escalation Clause
An escalation clause is a piece of language that can be inserted into an offer or counter offer, which automatically adjusts the purchase price to go higher than the next highest bidder, up to a pre-set limit. While this has become somewhat of an "open secret" in the industry, it can still be a very effective tactic when used in multiple offer scenarios.

7 Don't underestimate the cover letter
While writing a love letter to the seller can seem futile in a market where cash offers rule, some owners still care about who is buying their property. A concise letter of introduction can help to make the offer more personal, can actually make a difference in the seller's decision, and is always worth a shot.

8 Make sure your buyer's agent is building rapport with the listing agent
This is more important than it seems. A listing agent can have a huge influence over the seller's ultimate decision, and agents want to work with people that they like. The listing agent and buyer's agent will have to work together for 30 days or more during a potentially stressful escrow, so rapport, experience and a good working relationship are crucial. If it comes down to a close race between two offers, a listing agent is likely to advocate for the offer that's from a buyer's agent they like and trust, rather than one who they feel is inexperienced or going to be a pain to work with.

9 Offer all cash (there are creative ways!)
Even if you don't have the funds in the bank to come up with the full purchase price in cash, there may be some out-of-the-box ways you can make this happen. Do you have an IRA or 401K that you can borrow against? Can you refinance or use a HELOC on an existing property? When possible, offering all-cash is always the strongest way to make an impression. Sellers are so attracted to all-cash offers because they have the ability to skip loan and appraisal contingencies completely, and can often close much quicker.

10 Improve your financing terms (LTV)
In a seller's eyes, a buyer with a higher down payment (for example, 25% down vs. 10% down) is stronger and more likely to close escrow without trouble or delays. If you have the ability, showing the highest possible down payment with your initial offer will make you appear financially more solid. Often the buyer can change the financing terms during escrow, but you should always put your best foot forward with your initial offer.

11 Use an all-cash offer company
If you don't have the ability to pay the full purchase price in cash (don't worry, most of us don't!), there are companies that are working to level the playing field. These third-party companies will make a cash offer on the property on the buyer's behalf. Then, the end buyer will purchase the home from the company soon after, and obtain a loan. Ideally this will make it so the buyer can compete as an all-cash offer, even if they ultimately plan to finance the purchase. A few examples include:

- Reali
- Homeward
- BoardRE / accept.inc



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