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# Don't let multiple offers kill your sale

*Tips for assessing bid quality, escalation clauses*

**BY BERNICE ROSS**



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Markets are heating up all over the country and multiple offers are making it difficult for both buyers and sellers. What can you do to make sure that your buyer or seller achieves the best possible outcome when there is more than one offer on a property?

Most of the country is shifting from the depressed buyer's market we have experienced for the last few years to a raging seller's market where properties can have 10 or more offers. As a listing agent, having two or more offers would appear to put you in the driver's seat. The truth of the matter is that the fallout or DFT (*deal fell through*) rate on multiple offers is often 40-50 percent. For properties where there was only one offer, the DFT rate is approximately 10 percent.

Part of the reason the DFT rate is so high on multiple offers is that people feel rushed to make a decision. Many also feel that they were manipulated into offering more than they wanted to pay for the property.

To reduce your DFT rate on multiple offers, here are some simple guidelines to follow.

### **1. Don't make it a race**

If you are representing the seller, slow down the multiple-offer process. Many listing agents are tempted to tell buyers that the first signed offer that comes back will be the one that the seller will accept. When you have a terrific listing where you expect multiple offers, advise your seller to give you a few days to market the property including doing a public open house as well as a broker open house before you look at any offers.

This allows potential buyers to take some time to consider their alternatives rather than rushing into the negotiation without a thought-out strategy. Also, by allowing at least 24 hours between the time that you issue the counteroffers and when you review what the buyers have countered back, you decrease the probability that the property will DFT.

### **2. Let the buyers determine how they want you to negotiate on their behalf**

To avoid losing your buyers if you don't get the deal, prepare them for the probability of being in a multiple-offer situation when you first start working with them. Here's what to say:

*"Mr. and Mrs. Buyer, we are experiencing a market where about 25 percent of our listings are receiving two or more offers. If you happen to decide on a home where there is more than one offer, how would you like me to negotiate on your behalf? Would you prefer to withdraw from the negotiation or to treat your offer as if there are no other offers on the property? If you really love the house, the third alternative is to offer asking price. If you can't live without this property, a fourth alternative is to offer more than asking. If there is a multiple offer, which choice would you prefer?"*

### **3. Multiple-offer escalation clauses**

Assume that there are five offers on a property priced at \$295,000. Your buyers want the property so badly that they are willing to pay up to \$325,000. This is where the escalation clause comes in. Here's what it looks like: "John Buyer will pay \$2,500 more than the highest offer, but not to exceed \$325,000."

This approach can be fraught with problems. As the listing agent, you have a fiduciary duty to help the seller achieve the highest possible price for the property. Part of that duty is to make sure that the property will close. While you could simply issue a counteroffer of \$325,000, chances are you will lose the other offers plus leaving the buyer who was willing to pay \$325,000 feeling as if he was manipulated. You also increase the probability that the property will DFT.

In terms of the escalation clause, a smarter move would be to counter back at \$315,000. Some of the other buyers may be willing to increase their offer. The buyer who was

willing to offer \$325,000 may counter back at \$317,500. Rather than feeling taken advantage of, he will have the opportunity to employ the strategy that he wanted to use. This makes him feel as if he won the negotiation rather than having his offer shopped.

#### **4. Evaluate the quality of the offer, not just the price**

When you are negotiating a multiple-offer deal, it's extremely important to evaluate the quality of the offer. If you have an all-cash offer at \$297,000, a five-day inspection period and a two-week closing date, that is probably a stronger offer than an offer of \$315,000 with 10 percent down and a three-week loan contingency. Also, be aware that many sellers who love their home may take less for their property from buyers who love the home the way it is as opposed to someone who wants to totally remodel it.

If you haven't brushed up on your multiple-offer basics, it's time to get prepared. If a seller's market is back in your area, you may be dealing with multiple offers for years to come.

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