

REAL ESTATE

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THE REAL DEAL

Real Estate News You Can Use

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The Importance of Being First

Whoever said the early bird gets the worm must also have known a thing or two

about buying real estate.

That's because, usually, the first buyer to bring an offer on a property holds an enormous advantage over the next buyer in line.

There's a commonly-held real estate maxim which I have largely found to be true: your first offer is your best offer. The first buyer who comes forward is most often well educated about the market, well qualified to afford the property, and well prepared to complete the deal. Thus, listing agents typically counsel sellers to afford the first buyer some special considerations during the negotiation process.

Let's say a second buyer brings an offer while negotiations are underway with the first one. If the offers are similar, most listing agents would advise continuing to try to make a deal with buyer #1 rather than pitting the buyers against each other in a competitive situation. In this circumstance, buyer #2 would be put in backup position and called upon if negotiations fall apart with buyer #1. If buyer #2's offer is higher than buyer #1's, the first buyer in line will usually be given the courtesy of matching the second bidder's number rather than the seller jumping ship to begin negotiations with buyer #2.

Of course, if two buyers come forward at the same time, in most cases they will each be asked to submit their "highest and best" offers – meaning both price and terms (e.g., number of contingencies...when contracts will be signed ...closing date). The bidder with the

stronger offer would then become buyer #1, and the other would be put in backup position.

But let's say you find the house of your dreams, and as you are preparing your offer your agent learns that the sellers are already in negotiation with another party or, worse yet, that they have just accepted another offer. This can be a real blow, especially if you've already decided where to place your furniture.

Your options at this point are much more limited because your negotiation objective is no longer to bring an offer that the seller will find acceptable. It is now to unseat the first bidder. In light of the points made earlier in this column, that is no easy task. Nor is it necessarily even possible. Most listing agents have at least one experience with a second buyer who promised the world and then did not perform – and, meanwhile, the earnest first buyer moved on and was lost.

If you find yourself in the position of having to unseat a buyer who beat you to the punch, your best strategy is to offer your highest and best number (most likely at or perhaps even slightly above full asking price), with as few contingencies as possible and a closing date at the sellers' convenience. But will this be enough?

Maybe...maybe not. If negotiations with the first party are going well, your offer may simply result in that buyer having to pay more for the house. But if for some reason negotiations are not proceeding to the sellers' liking, you may prevail. However, you may be asked to sign contracts immediately or to waive inspections or other contingencies to get the deal. Of course, this may or may not be acceptable to you.

The bottom line is that if you find a house you want to buy, you should put in an offer as soon as possible. If you are first in line, you will have greater control of negotiations and probably score the

house at a better price than if you wait and another party enters the mix.

In real estate as in old adages, he who hesitates may be lost.

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