

# FRIDAY Home Guide

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## Time, price are key when making offer

*Michele Lerner*

While many Realtors say plenty of potential home buyers are sitting on the fence, nervous about making a commitment to a home purchase during volatile economic times, other buyers, eager to get a bargain, are making "low-ball" offers for homes.

Even though the Washington-area real estate market currently favors buyers because of the abundance of inventory, Realtors say low-ball offers rarely succeed.

"Lots of buyers think the market is so bad that they can make any offer and have it accepted," says Carolyn Ratner, an associate broker with Fairfax Realty in Falls Church. "But people need to understand that hiring an agent to be your buyer representative means that you are interested in a fair deal, not that you are out to cheat the seller. You can't sell a home without a meeting of the minds, which means bringing both sides together."

**Ron Sitrin, a Realtor with Long & Foster Real Estate Co. Inc. in the District, says the nature of this market almost begs for low-ball offers.**

**"Buyers feel they have a choice, so if their offer isn't accepted, the chances are high that they will find something else they want," Mr. Sitrin says. "There's no fear of loss on the buyer's side."**

Buyers who find a home they truly want may want to shy away from a low-ball offer, since sellers often are insulted by low offers and could refuse to negotiate.

"Timing is everything," says Corey Savelson, a Realtor with Re/Max 2000 in Rockville. "If someone just put their home on the market and has just finished extensive renovations to get it in perfect shape and you come in with an offer much less than 90 percent of their asking price, the seller will be agitated and insulted. The seller may just say, 'Take a hike,' and insist that they won't sell it to you at all."

Connie Maffin, an associate broker with Coldwell Banker Residential Brokerage in the District, says making a successful offer depends on knowing whether the property is priced right and knowing the market.

"There's no rule of thumb for how much to offer in comparison with the list price, but you need to consider the length of time the house has been on the market and whether there have been price changes," Mrs. Maffin says. "For example, if the sellers started out asking \$300,000 for a home and it's now at \$225,000, you probably will not get them to go much below

that. But if the house has been on the market for 12 months, that's a different story."

Mrs. Maffin says buyers and their agents need to check the appraisal value of a house, get a pre-offer inspection and offer a quick settlement or a longer settlement to accommodate the sellers and come to an agreement on price.

"Everything depends on the individual circumstances of the property," Mrs. Maffin says. "If the sellers need the proceeds from the sale to buy a bigger place for their growing family, they are not likely to accept a low offer. But if they want to leave the area to move closer to their grandchildren and they have a lot of equity in the house, or if they are in a hurry to relocate, they might be more willing to accept a low offer."

Mrs. Maffin says the market within the city limits and in the close-in suburbs remains stable, so buyers will find fewer sellers willing to accept a low offer unless they are motivated by something such as the purchase of another property.

"If you do decide to go in with a low-ball offer, you and your agent need to be able to justify it," Mrs. Maffin says. "A good agent will be able to explain that the home has been on the market a long time and that the offer is likely to be the best the buyers can offer, or that the buyers are looking for a counteroffer from the sellers. The important thing is not to box anyone in, to allow for the negotiating process to work."

Mr. Savelson says while offers of 90 percent of the asking price are common, plenty of homes end up selling for 75 percent of the original asking price if they have been on the market for a long time and have had several price reductions.

"The success of an offer can depend a lot on the presentation," Mr. Savelson says. "It's important to make sure the sellers appreciate that it is always good to have an offer. I tell my sellers that they would probably make a low offer in this market, too, and I try to help them remove themselves emotionally from the situation."

Mr. Savelson says some sellers want to price their homes higher because they know buyers want something off the price, but he says homes that are in great shape and priced right from the beginning are selling fairly quickly.

"The reality, though, is that buyers who offer 95 percent of the asking price will definitely also ask for closing cost assistance," Mr. Savelson says.

While some buyers prefer to simply slash 10 percent off the asking price, Realtors say there are better ways of determining an appropriate offer that will satisfy the buyer and seller.

**“The educated buyer will have looked at a lot of properties and have an intuitive sense of a home’s worth, not just on the market but for the buyer’s personal needs,” Mr. Sitrin says. “If a home is priced well and has been on the market for less than seven days, it doesn’t lend itself to a lowball offer. But it wouldn’t be unreasonable to offer 8 percent under the asking price, with the expectation that this offer is a starting point for negotiations.”**

**Mr. Sitrin says offers of 10 percent less than the asking price are fairly common, but not automatically accepted.**

**“At 10 percent off the asking price, the seller is usually at least willing to respond,” Mr. Sitrin says. “When you get below that mark, some sellers won’t even respond to the offer.”**

**Mr. Sitrin’s advice is for buyers to look at their target spending amount for a home and negotiate from there.**

**“The buyer should decide what price they need to be at or below to buy a home, and then realize that it may take three in-between steps of negotiating to get there,” Mr. Sitrin says. “This strategy lends itself especially well to a home that has been on the market for 180 days without a price reduction.”**

Ms. Ratner says to make a strategic offer, buyers need to be educated about the market.

**“There’s a lot more information available in the multiple listing service than there used to be, including the history of the property with its highest and lowest values,” Ms. Ratner says. “An agent can do a comparative market analysis which shows the market value of other homes for the past 180 days, including the seller subsidies to buyers. This gives buyers a range of values to look at.”**

**Mr. Sitrin explains that sellers naturally have a “loss aversion” - fear of losing the money they thought they had in their home, even if it was just on paper.**

**“Sellers sometimes hang onto to what they hoped they could get for their home even when that price is no longer viable,” Mr. Sitrin says. “Of course, some sellers are also simply boxed in by a mortgage that they need to pay off with the proceeds from the house.”**

**Mr. Sitrin says that prices drop more slowly than they rise in part because “even in a soft market, sellers move very slowly.”**

In a sellers’ market, buyers move fast because they fear losing a home they really want, and they also assume the home’s value will appreciate, quickly making up for extra money they spent on the home. In a buyers’ market, buyers mostly just want to feel they did not overpay for their home.

**“Sellers who price their home right will rarely accept a low-ball offer because they know they have listed the property at the right price,” Mr. Sitrin says. “But some sellers want to build in negotiating room or they think their house is worth more, so they price it too high. These sellers usually turn down a lowball offer at first, but when the home has been on the market for 100 days or more, this is an indication that the price is too high and needs to be dropped.”**

Low offers may sometimes work with homes that have been on the market for six months or more or if the sellers are desperate to move. There are a few other scenarios when a lowball offer might be worth making.

**“If you are an investor rather than someone who is buying a house to live in, it might make more sense to try a low-ball offer,” Mr. Sitrin says. “For a buyer looking for a home, it is more important to be happy in the house and to apply a long-term perspective. Saving a few thousand dollars doesn’t matter as much if you are buying a home you love and will stay in for years.”**

**Mr. Sitrin says the investor perspective is different, without an emotional attachment and focused entirely on making a profit.**

**“For an investor, a deal made at 6 or 7 percent off the asking price doesn’t necessarily help them make a profit,” Mr. Sitrin says. “It is much easier for an investor to walk away from a house if their low offer isn’t accepted.”**

Many buyers assume a low offer automatically will be accepted when a home is a bank-owned property that has been foreclosed on or is a short sale, with the owners attempting to sell it before a foreclosure takes place.

**“The problem with a short sale is that a lot of listing agents do not know the bank’s bottom line,” Ms. Ratner says. “It can take two or three months for a short sale to go to settlement, so some agents continue to solicit offers while they wait to see what a bank will accept. In the meantime, some of the buyers will opt to walk away before the closing because they find another home to buy.”**

Making an offer on a foreclosure or a short sale requires patience on the part of the buyer, especially because they are sometimes competing against other buyers for the same property and waiting on the lender’s decision. However, Mr. Sitrin points out that banks, too, have varying strategies when it comes to pricing. Some choose to price the property to sell as quickly as possible, while others keep the price high because they want to recoup the amount of the mortgage still owed.

**“If a home has gone into foreclosure, sometimes the bank just wants the property off its books, so buyers are free to be more wild with an offer,” Mrs. Maffin says.**