

# How to Prepare for a Bidding War

In many areas around the U.S., low inventory is causing a bidding wars to erupt between buyers. According to a recent study, over half of buyers faced competition on an offer they wrote.<sup>1</sup> How can you outbid other buyers and get the house you love at a price you can afford? Follow these simple tips:

**Do your research.** If you have your heart set on living in a certain neighborhood, find out how long a typical home in that location stays on the market before selling and how much homes are selling for. This will give you a realistic estimate of what you can expect to spend.

**Get pre approved for a mortgage.** Pre approval, in addition to getting the rest of your finances in order, will help you figure out how much you can spend without over extending yourself financially.

**Pick your battles.** Many people are eager for a great deal on a foreclosed property or a fixer-upper. When competitive bids are involved, it's easy to overbid and negate the discount. If you're a first-time homebuyer, you may end up in a bidding war with experienced investors who are in the market to flip a home for profit. Remember, buying a foreclosed property or home that's in disrepair will involve a fair amount of renovation after it's purchased. While minor repairs and updates are often par for the course in any home purchase, make sure you're ready to handle the demands of these high-maintenance properties before you bid.

**Maintain perspective.** If your bid is rejected, it's natural to become more aggressive when you bid on the next home. However, this may cause you to pay more than you had originally intended. While no one likes rejection, don't take the bidding war too personally.

**Have the cash to cover the difference between the negotiated price and the appraised value of the home.** Mortgages often do not cover more than the home's appraised value. Since appraisals are partially based on comparable sales in the area, it's possible for the appraised value to be lower than the negotiated price due to foreclosed and distressed properties. In this case, it's helpful to have enough money saved to make up the difference.



If you're in the market for a new home, I can help! Call me to learn more about our local market and how I can help you find the right home. And remember, I'm never too busy for your referrals!