**Article 1 - 1000 Words – Magazine Article**

**How to win the bidding war.**

**Key insider tips.**

You’ve found a house you like, the price you’ve been quoted is within your budget, you’re good to go … right? Perhaps not, as the bidding process now comes into play. Understanding how to make a bid and how this process works can mean getting the home you want, and at the right price.

**Bidding Dos:**

* Educate yourself with the market conditions and changes
* Hire a buyer’s agent to inform and represent you
* Offer a purchase price based on the market value of the property, not the asking price
* Set a maximum price limit, which you are comfortable paying for that property
* Make sure you do your homework before removing the financing and inspection clauses and that you understand the risks you take by removing them
* Inspect the home prior to presenting the offer
* Ask financial advice from your lender

**Bidding Don’ts:**

* Choose the listing agent to represent you in a multiple offer scenario; hire your own agent
* Rely on public MLS for info. In order to make an informed decision, the asking prices have no relevance, as most properties sell over or under the asking price
* Become too emotional in the process. Choose a Realtor you trust and follow his/her advice
* Try to negotiate too much in multiple offer scenarios. You may not get a second chance
* Pay what you can’t afford

**Call-out Box 1:**

*Offer a purchase price based on the market value*

*of the property, not the asking price.*

**Hold firm**

Ivan Yiu and Ginger Jiang bought their downtown Toronto condo in April. They did their research, and based on comparables, they knew the property was well priced at $410,000. It could be a bidding situation.

Regardless, they had their Realtor send in a five per cent deposit with an offer of $390,000, conditional on financing and home inspection. The couple was told their bid was “unsatisfactory,” and they soon learned that another potential buyer had put in a bid, which was also rejected. The sellers told both bidders to come back to the table with their best offer.

While the couple’s Realtor was hoping they’d bid a few thousand more than they did, ultimately the couple won their home with $413,000 and without removing any conditions.

“I’m incredibly happy with the outcome,” Ivan says. “We knew what our price point was going in and we stuck to that “Generally, starting with your best offer gives you a better chance to win. You may not get the second chance”

**What triggers the bidding**

Listing properties under market value is a common strategy used by listing agents to attract bidding wars. First, an asking price that is even five per cent below market value could trigger more than one offer. Secondly, if the house is attractive and in a high demand area, the likelihood of the property receiving multiple offers is great. And thirdly, if the MLS listing requests that offers be presented at a certain time and date, the sellers may be trying to attract more than one buyer. Another sign the property might provoke a bidding war is if there has been a high number of showings in a short period of time.

**Be prepared**

When you enter a multiple offer situation, you’ll likely be required to make decisions quickly.

The best thing you can do for yourself is prepare. Get a firm pre-approval, which includes a certificate from your lender stating how much they are prepared to lend you. Not only is the pre-approval certificate of benefit to you, but it may help you in your bid with the seller, as it shows you are serious about the property and have gotten a conditional OK from a lender.

**Call-out Box 2:**

*A firm pre-approval works in your favour – it shows you are serious and have the lender’s conditional OK.*

**Your benchmark**

Next, determine your upper benchmark, in terms of affordability as you’ll need to consider additional costs that accompany a home purchase.

Always have your Realtor conduct a comparative market analysis to determine the real market value of the property. Its important to ensure you don’t overpay for the property and also to ensure you still get financing. If you get carried away bidding, an appraiser may determine you’ve overpaid and advise your lender to not grant you financing. In addition, if you have less than 20 per cent down payment, and require CMHC or Genworth mortgage insurance, they may not grant you insurance if their appraiser determines you’ve overpaid.

**Your first offer**

If you determine, that the value of the house is $325,000 and it’s listed at $329,900, don’t jump for joy yet. The offer decision should be made based on what you can afford, so it’s advisable to get pre-approved for a mortgage. The number of bidders and the seller’s motivation for moving will also come into play. But understanding how much you are willing to spend, and how much you cannot, is important. On the other side, don’t low-ball either, as you may not get the opportunity to increase your bid.

Most of the time, there is no chance for negotiation in a bidding war. Generally, starting with your best offer gives you a better chance to win. You may not get the second chance.

**Other factors to consider**

And lastly, while offering an attractive price is important, there are other factors to consider that may win you the house.

* A large deposit – at least five per cent of the purchase price – will let the seller know that you’re serious. If you don’t win the bid, you’ll get your deposit back.
* Being flexible on the closing date may help you seal the deal. If possible, offer the same closing requested by the seller, or find out if the seller is flexible with the date.
* If you’re competing against other first-time buyers who keep the offer conditional upon financing and inspection, then you’re likely a solid competitor. However, if you’re competing against someone who has removed conditions, you could likely lose.
* Some Realtors suggest minimizing the risk by being pre-approved by a lender and getting a home inspection done before presenting an offer.

**Call-out Box 3:**

*The offer decision should be made based on what you can afford, so it’s advisable to get pre-approved for a mortgage.*