

## Writing a Good Offer – 5 Considerations

When you are house shopping and you think you've found the house that you'd like to make an offer on but you're just not sure then try asking yourself these 3 questions:

Do I like it?

Do I want it?

Can I afford it?

If the answers to all 3 questions are "Yes" then it's probably time to make an offer!

I find most buyers who are ready make an offer will fall into 1 of 2 categories:

1 – This house works for me and if I can get it for the right price & terms I want it! Or...

2 – This is a great house! I really want it! I don't want to lose it! What do I have to do to get it?

Regardless of which buyer you are most like, you still need the right information to make a good offer. A "Good Offer" is an offer that:

- Is a written, legal contract of purchase and sale
- Takes specific details about the property into consideration
- Is properly communicated to the other agent and the seller
- Has a reasonable chance of acceptance

Although all parts of the offer are important, in my experience, I find there are often 5 distinct points in the offer that sellers will tend to pay the most attention to. They are:

- Price
- Deposit
- Terms & Conditions
- Dates
- Inclusions

**Price** – I’ve found full price offers are much easier to get accepted. That said, picking the right price requires knowledge of comparable sales which your REALTOR® can provide for you. Determining a Market Value range on the property prior to making your offer will put you in more control of the process.

Also consider the AVERAGE difference between asking price and selling price in the last 10 years has mostly hovered between 96-98%. Experience has shown, the majority of sales will close within 5% of asking price. Most times, offers within 10% will at least be entertained but likely will not create as cooperative of a negotiation.

If your market value is nowhere near their asking price (more the 10% out) you’ll likely have a very difficult uphill battle to fight. Motivation (both buyer and seller) also plays an important role in determining sale price but theirs can be hard to ascertain – especially prior to making your first offer.

**Deposit** – There are no hard and fast rules on how much this needs to be but consideration is a required and important part of your offer. In a firm sale situation, your deposit becomes part (or possibly all) of your down payment on the property. Small deposits can potentially raise red flags or create distrust from the seller while large deposits usually enhance your offer.

On an average home purchase in Regina (around \$300,000) we often see about a \$5000 deposit. With lesser priced homes say in the \$100-\$200k range, it’s not uncommon to see that drop to around \$2500 and more expensive home in the \$400-\$500k range often see deposits around \$10,000. I even sold one house a few years back in the low \$500k range and the buyer offered a \$50,000 deposit - that’s not common! I’ve spoken to some other agents who use 2-3% of the purchase price as a rule-of-thumb for deposit.

Deposits usually are received at the time of writing an offer but it’s not uncommon for them to come later – often at the time of condition removal. They can also be spread out in 2 or more installments if it is all itemized and agreed to in the offer.

**Terms & Conditions** – Some offers are made unconditionally but most offers have some conditions attached to them. That means turning the offer into a firm sale is “subject to” something else occurring like the buyer being satisfied with a home inspection or approved for a mortgage. Terms can run concurrent with the offer and do not need to be completed during the offer process but often are items to be dealt with at a later point – for example “Seller agrees to clean the pool prior to possession” or even beyond possession like “seller will come back in spring and remove the trailer from the backyard”.

The most common conditions I see are financing, home inspection, gas line locate, or property condition disclosure statement. As a rule generally, the less conditions in the offer usually the more attractive it will be to a seller but always make sure to protect yourself and your deposit! Your REALTOR® can help you determine the appropriate terms and conditions for your situation.

**Dates** – There are usually 3 different dates that will come into play in your offer.

The first is when you will have your conditions removed by. To get your conditions removed requires you to have your team mobilized and doing their jobs (like getting financing in order, possibly a bank appraisal, likely a home inspector and possibly other inspectors). Most inspections in our market can be arranged to be completed within a week. Bankers and mortgage brokers usually like at least a week to get financing in order and 2 weeks is not uncommon. The seller will want it done as soon as possible because they could be missing out on other potential buyers while they are waiting for you to get your ducks in a row. Unless I am anticipating a challenge – I generally ask for 5-7 business days for condition removal.

The second date of importance is the possession date. That is when the funds go to the seller and the title and the keys go to the buyer. This date can be very important to the seller and can improve or weaken your offer depending on if you can provide what they are asking for. Some sellers want a very specific date. Some want immediate or asap. Some would rather you give it some time – sometimes several months – I've even seen a 1 year possession. The closer you can come to what they want – the more attractive your offer will be. Try to find out what they are wanting before writing the offer. This can also give you an insight into their motivation for selling.

The third date your offer will address is when your offer expires. I've written offers open as short as 2 hours and some as long as 7 days. Most offers I see open around 12-24 hours. If you are in a situation where you are potentially competing you may need to make that time fairly short to put yourself in the best position for acceptance. On the other hand too much time pressure on a seller can also make for a bad negotiation if they feel rushed – for some people there is real value in being able to “sleep on it”. Be sure to seek your REALTORS® advice here.

**Inclusions** – These are usually things like appliances or possibly furniture or a BBQ or TV's. In some cases, it could even be the dog! Rule of thumb – DON'T ask for what they are not offering. If they are offering the fridge and stove in their listing then no problem asking for the fridge and stove but when the listing says something like “Washer & Dryer not included” don't ask for it unless you really want to irritate the seller and very likely overpay for the items.

So, if you can craft your offer to make all 5 of these points attractive to the seller then getting your offer accepted should be a slam-dunk! However, if you are trying to press one of these in the negotiation the best advice is to strengthen the other 4. If you want to best price – try not too have too many conditions, offer a big deposit, and a seller pleasing possession date. Or if you want a quick possession you may be paying a few dollars more, skipping the inspections, and forget about getting the appliances included. As I've already mentioned so many times – Ask your REALTOR® for advice on how to best make it work.

The fact is every real estate deal is different and if you go in armed with good information and a great REALTOR® you'll put yourself in the best position to get your offer accepted. Good Luck!