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## A Seller's Market

Like most of the nation, the Northern Virginia real estate market is best described as a seller's market at the moment. According to Real Estate Business Intelligence statistics for the Northern Virginia region for April 2017, active listings are down 20%, homes are going under contract 14 days faster, and median sold prices are up 5% based on statistics from one year ago. Very few properties are remaining on the market for long – some have multiple offers within the first 24 hours of being listed. Prices are set high yet buyers are making cash offers and agents are utilizing escalation clauses on their clients' behalf. It is important to set expectations with your client so that you are positioned to succeed in the current market.

### Being the Buyer's Agent: Is Your Buyer Ready for a Seller's Market?

As the buyer's agent you have the challenging task of navigating them through the chaos that can come with trying to purchase a property when the market favors the seller. Not for the faint of heart, you should help the buyer decide if this is for him before you get too far into the process.

*Is the buyer prepared to be flexible?* There may not be time to wait until the weekend when it is most convenient to look at a property. When houses are under contract within 24 hours, the buyer must avail himself immediately when something of interest is listed.

*Can the buyer act quickly and decide quickly?* This is a necessary skill in a seller's market. Advise your client to do his research in advance to know which areas he likes or does not like and what type of neighborhood he wants to live in. A solid list of needs versus wants will be beneficial when pressed for a fast decision. Above all, when the pressure is on for an offer to be made because there are other bids being submitted, your client must be able to control their adrenaline. If they do not love the house, they should not buy it. An emotional purchase almost always leads to buyer's remorse.

*No lowball offers.* To expect a bargain on a purchase is not realistic under these circumstances. Your client needs to understand before entering this seller's market that an offer of at least the asking price is necessary to compete with other buyers.

### Being the Buyer's Agent: Making the Offer

So your client has determined that, yes, he is ready to enter the arena. What should you do to assure a bid becomes a purchase?

Advise the buyer to get a pre-approval letter from his financial institution. The purpose is two-fold. It will help guide you to properties within his price range. With houses flying off the market you do not want to waste valuable time looking at something the client is only guessing he can afford. Secondly, it indicates to the seller that the buyer is serious about a purchase.

Once the right house has been found and it is time to make an offer there are several things that can be done to make your client stand out among all the other bids.

*Do not make the initial offer too low.* If the house is priced well and multiple bids are expected, this will make your client stand out as a serious bidder.

*Submit a complete bid package.* Be certain all documents are signed and fully filled out. Chasing down incomplete and missing documents does not make a good impression.

*Meet the terms most important to the seller.* Price and financing are not the only components to a successful bid. As the buyer's agent get to know the listing agent and find out if the seller desires a short closing period, a long escrow time, or perhaps flexibility in a closing date. The seller's new house may be ready to close immediately or they

may be waiting on their next property to be ready. They buyer's willingness to be flexible could set their bid apart.

*Increase your earnest money.* The standard two-to-five percent probably will not grab the seller's attention but 20% is sure to make an impression. If your buyer can afford to do this, he is showing a strong, good-faith effort in making a buy.

*Carefully select your contingencies.* Contingencies are in place to protect the buyer so removing them is a gamble. Some agents suggest this because it simplifies the offer and leaves the seller off the hook. While it is appealing for the seller it is risky for the buyer. Common contingencies removed include sale and transfer of title contingencies, and although not at all advisable, some choose to remove the home inspection contingency. This is not a decision to be made lightly.

*Tug on the seller's heartstrings.* A personal letter has been known to influence a decision. Perhaps some empty nesters are downsizing. They may love the idea of a young family buying their home, raising a family, and making new, happy memories inside the walls. The bidder should tell this story in words and a photograph.

*Consider using an escalation clause.* Yes it means the buyer is giving up his negotiating power because the seller is aware upfront of exactly how much he is willing to spend, but it also helps to keep the buyer in the game. This clause spells out the buyer's initial offer, the value of bid increments above other bids placed, and what his maximum purchase price will be.

In a bidding war a buyer should always be mindful of the maximum amount he can afford so as to not exceed his budget. It is advisable to accept the spot of "backup offer" in case the first choice falls through.

### Being the Seller's Agent

As the listing agent on a property during a seller's market there are several ways to assist your client in getting the maximum amount out of the sale.

*Price the home carefully.* Good agents are going to know what comparable homes in the area have sold for recently and advise their buyers accordingly. Use recent sales as a guide for pricing instead of what is currently for sale. Set the price slightly lower than market value to allow room for bidding.

*Limit the number of showings.* Some agents believe this strategy will help spur competition among bidders. When multiple interested buyers are potentially inside the property at the same time, a sense of urgency and competition is created. This is a benefit to the seller. It is also advisable to set a date and time for offer presentation, allowing all bidders to know exactly what parameters they are working within.

*Request a pre-approval letter.* With multiple offers to sort through, having a pre-approval letter in advance will help weed out those who may not be serious about buying or who does not have the ability to make the purchase.

If you are aware of a potential seller who has a unique property to sell, now is the time to reach out and encourage him to take advantage of the favorable market conditions. When buyers are desperate to make a purchase they may overlook some of the quirks that prevent the house from selling during other circumstances.

Good luck!

**See you at the settlement table!**