

Listing Agents Seem Confused About How to Handle Multiple Offers

Now that multiple offers are common on homes that are priced to sell, listing agents seem confused about how to handle what can be a confusing and awkward situation.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

Section 5.8 of the state-mandated listing contract has a box to check indicating whether or not the listing agent will "disclose to prospective buyers and cooperating agents the existence of offers on the Property," but that section doesn't provide any guidance as to disclosing the *details* of each offer.

One long-standing model has been to inform each buyer or buyer's agent that there are multiple offers and request them to submit their "highest and best" offer, without any guidance as to how good their highest and best needs to be. This remains the standard procedure when the seller is a bank or other institution which obtained the property through foreclosure.

The "highest and best" method is certainly the easiest process. It gets the bidding over in a single step with no back-and-forth discussion or negotiation.

For the individual seller, however, I have concluded that open negotiation and disclosure of competing offers yields the best and fairest result for all parties. I describe it as similar to conducting an auction but without the sing-song voice (which I could never do anyway).

This "auction" model of negotiating multiple offers begins before the first offer is received. That's because buyers' agents don't blindly submit offers on listings, especially on new ones that are priced to sell. They call the listing agent first to ask if any offers have been received.

If the listing agent believes he or she has priced the house right to get multiple offers, the response to the first such call would be, "Not yet, but I'm expecting multiple offers." (Note: Listing agents should — and do, in my experience — always answer truthfully.)

Given this response, the buyer's agent (also known as the "cooperating agent") naturally wonders how to price his offer, so I add the following: "*Let me tell you how I handle multiple offers. You will not be blindsided. If your offer is not the best offer at any point, I will let you know, and I will let you know what it will take to become the best offer.*"

I have found that buyer agents appreciate this approach more than the "highest and best" approach.

After one or more offers have been received, then my response to the next call is, again, to be totally transparent. I will let that agent know that we have "x" number of offers in hand and the best offer is "x" dollars. Once it becomes apparent that the house may sell for more than it might appraise for, I add that I'm expecting the winning bidder to have a provision waiving appraisal objection.

Under this "auction" model, each subsequent offer is likely to ratchet up the price, and it's important to let the previous bidders know when they have been outbid so they can decide to improve their offer or drop out. In doing so they deserve the same transparency. I let them know what they have to beat.

Think for a moment about how a live auction works. Every bidder knows exactly what the current high bid is. In many states and localities, including Denver, auctioneers, like real estate agents, are licensed and are not likely to endanger their license by misrepresenting the existence of other offers. Even where not regulated, auctioneers, like Realtors, have a code of ethics to follow

and a reputation to protect. That's why I'm pleased to report that I cannot recall, in my 14 years of practicing real estate, being misled in this regard, and I certainly have never misled another agent.

Later in the bidding, it's appropriate to let the buyer's agent know the existence of any escalation clauses. Thus, instead of saying to an agent that "our best offer is 'x' dollars," I might say, "our best offer is 'x' dollars, with a provision that they'll beat any competing offer up to 'y' dollars." I also share if a competing offer has waived inspection or buyer will only object if major health & safety problems are found.

Call me if you'd like to know more.

This Week's Featured Listings from Golden Real Estate

Golden Ranch With Walk-Out Mother-in-Law Quarters and Amazing City/Mtn Views

This ranch-style home at 397 Mesa View Way is near the top of the Village at Mountain Ridge subdivision in north Golden. It has three bedrooms and three full baths on the main floor plus two more bedrooms and a full bath in the walk-out basement. You'll relish the view of Golden and the table mountains from both its full-width deck and basement patio. Behind the homes across the street is the Mt. Galbraith Open Space Park, and there's a trailhead a few blocks away. A city-maintained park is also close by. Mitchell Elementary School is within walking distance via a pedestrian bridge over Highway 93. Clear Creek, downtown Golden, and the Colorado School of Mines are a short distance further — and within view of this home! The basement has its own kitchen, making it suitable as a mother-in-law apartment with its own exterior entrance. The main-floor master suite has its own door to the beautifully rebuilt deck with hot tub (included), and a second master suite faces the front yard with its view of the foothills. The oversized 3-car garage has room for a workshop, ATV or motorcycle. A walk-around gas fireplace separates the living room from the dining room in an open floor plan that includes a vaulted ceiling. Take a narrated video tour at the above website, then come to our open house this Saturday, 1 to 4 p.m. Or call me for a private showing.



Fixer-Upper Near Old Town Arvada Offers Great Potential

This 5-bedroom, 3-bath brick ranch home at 8130 W. 64th Ave. sits on a quarter-acre lot in a quiet Arvada neighborhood. The 1,311-square-foot home features an oversized two-car garage, two fireplaces and an unfinished basement with 1,311 additional square feet of space. Sold "as is," this home is priced to sell and will no doubt attract multiple offers. Showings start this Thursday. It is listed by Broker Associate Kristi Brunel, who will be holding it open this Saturday, 2-5 p.m., after which all offers will be considered by the Seller. Be sure to visit the website above to view a narrated video tour of this home, inside and out. It's just like an actual showing. For more information and/or a private showing, call Kristi at 303-525-2520.



GOLDEN REAL ESTATE

All Agents Are Certified EcoBrokers®

Jim Smith

Broker/Owner

Golden Real Estate, Inc.

DIRECT: 303-525-1851

EMAIL: Jim@GoldenRealEstate.com

17695 South Golden Road, Golden 80401

WEBSITE: www.GoldenRealEstate.com



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