



## **Buying in a Seller's Market**

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They have the advantage, so let me give you some advice on how to get ahead of the curve.

### **Don't Settle**

A seller's market can present a very overwhelming time for someone to begin their search in buying real estate. People hold a misconception that the good houses are coming and going quickly, and so they will hurry to put together an offer on a home they would otherwise feel less excited about. Remember that you are buying a home, and if you are not excited about owning it, you should likely wait a bit longer before making an offer on a property.

However, keep in mind that it is not the time to be idle. When you find the home that is right for you, regardless of the intimidation created in a situation with multiple buyer offers, jump in! Don't hesitate with the house that you know is the right fit for you because if you like a home it is more likely that others will feel similarly and make offers.



### **Get Your Money in Order**

Another mistake many buyers make in a seller's market is not having their finances together. Get your ducks in a row early and get the pre-approval letter your lender. Sometimes buyers miss out on a great deal because they have to wait a few days to get their pre-approval letter and suddenly the home of their choice goes under

contract and the chance to make an offer has passed. Keep in mind that the pre-approval letter stands to provide you peace of mind and not carte blanche to spend at any price. Take the time to make sure you have determined your own comfort level with whether or not you would spend the maximum you are allowed or if you are more comfortable borrowing less. Have a budget in mind, but be prepared to stretch it if the right home comes along with all the bells and whistles.

### **A Tip For Homeowners**

If you are a current homeowner, my best advice is to put your home on the market provided that you are planning to move to the new house. If you wait to put your home on the market, you may find yourself scrambling to get your current home sold to be able to afford the next. Sellers like clean



offers. The snowball effect could lead to accepting a less attractive offer on your home. When you begin to put a buying deal together, you will find that having your current home under contract will give you peace of mind that the move and your finances will allow for a seamless transition.

### **Elusive Escalation Clauses**

First things first, understand that not all escalation clauses are equal. An escalation clause first and foremost is created when a buyer proposes to a seller that if another buyer offers X then they will raise their offer to value Y in order to secure the purchase. This is the simplest form and explanation of what these clauses accomplish. A lot of buyers believe that including one of these clauses in their contract displays serious interest in the property and allows them to stay ahead of other “bids” on the home.

However, the truth is when these escalation clauses are drawn up, there is no preset, standard form used by agents. Therefore, the language written is often drafted by the broker’s company attorney or even your agent. In some cases, this can lead to legal issues if your agent is found to be practicing law without a license. Make sure before agreeing to a contract with an escalation clause that your agent has taken the

proper precautions and that your best interest has been represented. After all, it would be better to wait until after the bidding war and maybe be able to purchase the home on the rebound when all of the offers have died down.

### **The Down-Low on FIRPTA**

An unknown and recently modified law known as the Foreign Investment in Real Property Tax Act is also coming onto the scene for buyers making offers on the property of foreign sellers (i.e. sellers who are not citizens of the United States). There are many nuances to this law, but in a nutshell FIRPTA is a tax law which holds the foreign owners of the property responsible for paying a tax to the federal government on any gains they make for selling U.S. property.



Now, how does this impact our average buyer? If you do not obtain proper documentation through the title company you work with, you face the potential transferal of responsibility for this tax, or more simply put, you end up stuck with the bill. This is no joke! Do your research or at the very least, make sure your real estate agent does. Be prepared to get your attorney involved. When working with sellers who aren't U.S. citizens, it is crucial that you protect your best interest and your pocketbook.

For more great information on escalation clauses or on FIRPTA, I recommend you check out these reliable resources to stay informed:

<http://www.realtor.com/advice/buy/what-is-an-escalation-clause-how-does-it-work-and-when-should-you-use-one/>

<https://www.irs.gov/individuals/international-taxpayers/firpta-withholding>