

Lowballing in a cool housing market

Real Estate Adviser by [Steve McLinden](#) • Bankrate.com

Q. Dear Real Estate Adviser,

In the softening real estate market, how much wiggle room is there in negotiating for a house? -- *Kathi M.*

I wish to purchase a home soon. My question is what is a reasonable lowball percent to offer on a house? When I ask agents, they are very vague. Is offering 10 percent below or more way off? --

May in Mizzou

How low can I go without offending the seller? -- *Anthony S.*

A. Dear Kathi, May, Anthony and many others.

As markets that were overheated as recently as early 2005 have cooled considerably, this subject has become a hot one. With a temporary overabundance of housing on the market in many parts of the country, low bidders are truly in their element for the first time in about a decade. Offers that were laughed off just 18 months ago by confident sellers are suddenly being considered. Owners who once advised their agents to ignore offers by lowballers no longer have that luxury in most markets.

But don't expect sellers to flat-out panic. Most who bought their homes recently will not let their homes go for much less than they paid for them. On the other hand, owners who have been in their homes awhile and enjoyed a big run-up in value in recent years might be more willing to listen to lower offers because they'll still profit handily on the sale.

As always, homes most likely to sell at a big discount are those in dire need of wholesale repairs, preforeclosure homes and those owned by other highly motivated people (transferring out of town, buying another home and not able to afford two mortgages, had recent death in family, investor who bought at the wrong time, etc.). To them, offers of up to 15 percent or more under market are a little more palatable.

Knowing the seller's motives always gives you much more traction with any negotiable purchase -- especially a house.

However, stingy offers on quality properties might come off as predatory and not even elicit a counteroffer. Many sellers will dig in their heels and stay put before they'll sell at giveaway prices. With a few exceptions, the underlying fundamentals of most U.S. housing markets remain strong and are still showing annual value growth, albeit a bit slower.

On average, homes sell for a little under 5 percent of asking price, and in this generally softening market, you should set your sights below this figure. As a very loose rule of thumb, based on my research and writings of the last 20 years, closing prices in a vibrant sellers' market average about 2 percent below list and average around 8 percent or 9 percent at or around the bottom (or top, depending on your perspective) of a buyers' market. Of course, much of this depends on market, location, the local economy and a home's condition. Higher-priced homes and condos are slower to

move at present, so adjust accordingly. The more you research the nuances of your market, the better you'll fare.

But you have little to lose, currently, by going low. The worse that can happen is that your offer will be flatly rejected. For that reason, your best strategy might be to pinpoint several potential homes, make your low offers and see what sticks -- or at least who is willing to negotiate. In lieu of price concessions, many homeowners are offering to throw in appliances, furnishings and even such items as high-definition TVs. If you do the math, you might come out farther ahead than if you held out for an additional 1 percent or 2 percent.

A few tips: Keep silent on what your top price is and what mortgage amount you've been prequalified for. These can be used against you in the negotiation game. The amount you can borrow needn't come out until the contract phase, after you've agreed on price. And enter negotiations armed. If you can produce "comps" of similar area homes that sold at similar discounts, you have leverage. Your buyer's agent should be able to do this as part of his or her services.

Good luck to you all.