



Making an Offer and Negotiating the Price

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Once the buyer has found a house he/she likes, the next step is making the offer. Deciding how much to offer will depend on several factors:

Market value of the house: How does the asking price compare with the market price of the house, based on recent sales of comparable houses in the area? To find out, review prices of comparable homes that are currently on the market. If a real estate agent is being used, he/she can provide this information.

Condition of the house: Before making an offer, be aware of any major problem areas in the house. The buyer should have inspected the house, as well as questioned the seller's agent and the owner about its structural soundness and condition. The seller and real estate agents can be held liable if they fail to tell the buyer of any defects they know of in the house. If the buyer makes an offer before a home inspection, he/she should make the offer contingent upon a satisfactory inspection.

Circumstances regarding the sale: The more information the buyer knows about the seller and the reasons for selling the house, the better position the buyer will have in negotiating the purchase.

The prices the buyer can afford dictate the offer: Before making an offer on a house, the buyer should know how much house he/she can afford. This can be estimated either by pre-qualifying with a loan officer or by using an online calculator to estimate how much can you afford. This requires knowing the annual cost of utilities, taxes, homeowners insurance, any special assessment on the house, as well as the current mortgage interest rates.

Financing terms: Remember that there are two aspects of an offer--the price and the financing terms. The terms may actually be more important than the price. For example, if the seller is willing to offer attractive financing terms, including paying for title costs, a home inspection and other settlement costs, the buyer may not want to quibble over a small increase in the price.

Negotiating the Price

Making the first offer:...

- The first offer should be well below the buyer's limit. (If there is a broker involved, he or she should let the buyer know if their offer is out of line.)
- The seller should respond within a short period of time (2 or 3 days). This prevents the seller from keeping the buyer in suspense while waiting for a better offer.
- The seller may reject the offer, or, he may make a "counter-offer" -- that is, indicate a price (less than the asking price) that he would accept.
- Based on this new price range (between what the buyer offers and what the seller will accept), re-figure the housing costs. Can the buyer still afford the house?

Making the final offer:....

- The buyers should not go beyond their limits. If they do, they may run into trouble in the future.

- If the seller still refuses, *be patient*. He/she may come down in price later on. Most agreements are reached after several rounds of offers and counter-offers.
- If the seller accepts the buyer's price, *get it into writing as soon as possible*.

Items to Include in the Sales Contract

Non-fixture items: The buyer should list the items he/she wants to be included in the house's sale. These non-fixtures may include window coverings, appliances, fixtures, lawn equipment, and workbenches. Items that are physically and permanently attached are usually automatically included in the house's sale, except when the seller specifically indicates these exclusions in the sales contract. It is best for the buyer to specify any items he/she wants in the sales contract to make sure there is no misunderstanding.

Closing dates: The offer to purchase should also include a proposed closing date. On this date, the buyer will formally purchase the house.

Additional Negotiating Tips

- The buyer should be careful of what he/she says within earshot of either a real estate agent or a seller. Everything that is said can and will be used in the bargaining process. For example, if you submit a contract with a figure lower than the asking price, you should not let the seller's real estate agent know that you are actually willing to pay more. Never confide a negotiating strategy. A real estate agent is legally bound to the seller. The alternative is to use a buyer's agent who will represent you, the buyer.
- Do not respond to any suggestions regarding counter-offers unless they are presented in writing. For example, if a seller or his agent

tells you that your offer is too low, insist on a written counter proposal indicating the price (or other changes) that would make your offer acceptable. Don't feel pressured into raising your price on the spot.

- If the seller agrees to make repairs (based on negotiations following a home inspection report), insist that they be done by contractors that you (the buyer) select, and under your supervision. Otherwise, the work could be done poorly with incompetent labor and/or inferior materials.
- Never submit a contract to buy a house after seeing it only once. Return for another look the following day or weekend. Visit the house immediately after rain or heavy snow, if the weather cooperates, to see if there are visible water problems. Do not be embarrassed to revisit the house you like the most. Remember, you don't really see a house on the first visit, but find yourself focusing on features such as wallpaper, a great master bathroom, or garage space. You may have little or no memory or even an adequate impression of the rest of the house. Returning to the house several times will also give you an opportunity to engage the sellers in conversation about the neighborhood.

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