



Making an Offer to Buy in Austin

...the story of “The guy who bought that house way back then”

Many Buyers are very excited to get into a desirable market with such low prices. We love it too! Austin is affordable, for now at least, and one of the reasons of the affordability is how we price our homes down here.

Many inflated markets around the country become inflated by Sellers listing their properties at 20 or 25% over market value. In markets where the appreciation was abnormally high due to inflation, this method of listing was accepted since the Seller had a huge margin of profit, sometimes nearing 100%. Discounting 20% was a drop in the bucket since they paid off the house and made 80% profit on top.

In Austin profit margins for Sellers are usually closer to 10% or occasionally higher and here are the reasons why:

No Down Payment: Very few Texans put money down to buy real estate; they normally finance the whole thing leaving very little equity at the sale.

Lack of Equity: If there was equity in the home, it was usually refinanced and “cashed out”. Used for retirement or college, the Texas cash-out is quite common. A lot of equity in Texas is around \$25,000. Not what you’d expect in other markets where “a lot” of equity is closer to \$100,000.

Cost of Selling: It costs 6% in Agent fees alone just to sell a house in Austin. Not to mention the cost of title policy (1%) and any other fees paid at closing. This is standard. Many Sellers lose a large chunk of their equity just in the cost to sell.

Normal Appreciation: Austin’s appreciation has always been steady and historically inline with national averages. We do not expect, nor desire, the abnormal inflationary markets seen on the coasts. This means that Sellers don’t have a large “cushion” from which to discount the house.

Listing Agent Advice: Listing agents like to “sell” properties and not “list” them forever. They don’t want to list a property longer than 90 days. It looks bad on their record and brings their Sellers a lot of grief. Therefore they price the properties close to the most recent comparable sale in the area – i.e. market value.

Appraisal Regulations: Appraisers are very reluctant to go beyond what the market can handle in their valuations. The bank doesn't want to risk anymore than is necessary, and Sellers know this. Sellers generally do not inflate prices hoping for a cash-buyer who doesn't have to answer to a bank.

There are two philosophies of Selling:

- 1) Listing the property far over market value for 6 months, waiting for someone to buy.
- 2) Selling the property close to market price within 30 days.

Likewise, there are two philosophies of Buying:

- 1) Making thirty lowball offers and seeing if anyone is desperate enough to respond.
- 2) Paying close to market price and acquiring the property in a hot market!

All of these philosophies have their pro's and con's. It's up to you the Buyer to decide a few things that matter to your budget and timeline:

- 1) Are you frustrated easily at rejected offers and not getting a response?
- 2) Are you fundamentally opposed to paying market price?
- 3) Have you ever said, "I wish I would've bought that house way back then"?

If you answered "YES" to any of these, realistically speaking, Austin may not be the right market for you. As Buyer's agents, we have to advise you that the market here is very active and Sellers are unwilling to budge or are not financially able to meet the Buyer at offers far below market price. **Waiting for "a deal" means waiting indefinitely, while missing out on many opportunities that other people are acquiring on a regular basis.**

What normally happens:

- 1) Buyer submits offer \$5000 under asking and the Seller will generally counter, meeting somewhere in the middle. A discount of \$2500 to the Buyer. Buyer accepts it.
- 2) Buyer finishes the inspection and requests an additional \$5000 worth of credits due to repair work. The Seller sees this as far too much, and will only give the Buyer \$1000.
- 3) Buyer can counter this citing the inspection, but in many cases the Seller does not budge and will terminate. It happens more than you'd like to know. Seller has no problem terminating the contract and finding another Buyer just to earn another \$1000.
- 4) Buyer accepts the repair concession and acquires the property.
- 5) 12 Months later: The house has appreciated well over the \$10,000. This was what the Buyer wanted in total discounts anyway. People buying homes in the same area are now paying more than \$10,000 just to play ball.
- 6) This is "the guy who bought that house way back then".

The moral of the story:

We want you to be "That Guy" or "That Gal", the one who walked away with amazing wealth and tax breaks. We don't want you to get bombarded with rejections shopping for a deal that probably won't happen. We want you to put your best foot forward and make a more competitive offer from the beginning. Remember, we can usually get the inspection to work in our favor once we get the property under contract.

We want to help you acquire as much real estate as possible while the Austin market is still hot and interest rates are still low. When one of our Buyers asks, “How much do you think we should offer”? We have to consider not only what you want to offer, but we also have to consider how important this house purchase is to you.

There are hundreds of other interested Buyers sifting through the MLS looking for similar properties. If the purchase isn't that important, a lowball offer is recommended and sometimes encouraged. If however it is imperative that you buy this property because of timing, location or scarcity, a lowball offer simply won't work. Even though it's just business, a lot of Buyers take rejection personally – giving up eventually and thinking that things ‘just aren't meant to be’.

Real estate fortunes were never found in cookies,
building wealth depends on risk and timing.

Austin has minimal risk, and the time is NOW!

We aren't here to make you spend more money.
We are here to help advise you on the best route to take
along your journey to real estate wealth.

It is our privilege to work with you,
we hope to make your buying experience pleasant as well as profitable.

HAPPY HOUSE HUNTING!