

Why Your First Offer is Usually Your Best Offer

By Shawn Buryska

There's an old real estate rule of thumb that the first offer you receive is usually the best one. I've run into this with several listings where the seller received an offer early on, made a stiff counteroffer back to the buyer and the buyer headed for the hills. In some cases, as much as 24 months and several price reductions later, another offer finally came in only to be significantly lower than the first buyers' offer.

While your first offer may not be what you were hoping for, it is a good idea to consider several things when choosing how to respond to that offer. Length of time on the market, time of year, initial asking price compared to the price recommended by your agent, and current competition should all be taken into account when determining whether to accept, reject or counter the first offer you receive.

It may be tempting to hold out for a better price, especially in the first few weeks that your home is on the market when there is a high volume of showing activity. However, that activity typically wanes after about three weeks, at which point the buyers who have been waiting for "just the right house" will have already considered your property. Buyers rush to see new listings, and if it's the best thing they have seen they will probably make an offer. Most of these buyers have been at it for a long time and know the values very well, in some cases understanding market realities in their price range even better than realtors who have been tracking a broad market. Therefore, an offer received in the first few weeks on the market is probably appropriate to current conditions and worth serious consideration. Comparing the offer to your realtor's initial price recommendations can help you decide what action to take.

After the first several weeks, the activity that remains is buyers just entering the market. Since they are at the beginning of their house hunting, they generally have more time to look and are less motivated to act quickly. They are less educated about the market than those who have been shopping for a long time and will err on the side of caution when making their offers, especially in a buyer's market. Consequently, offers will more likely be lower than early on.

Time on the market erodes value as well. The longer a house is listed for sale, the less interested buyers and Realtors are in the property. People will begin to wonder what is wrong with the property, and even if they like it will offer a lower price so they won't lose money if they end up having to sell.

Be sure to consider the opportunity costs. While your first offer may be lower than you had hoped, every month you keep the property is another month you must pay mortgage, taxes, utilities, and insurance for a home you are hoping to leave. These costs can add up quickly and end up costing you more in the long run. Time of year is another factor that can affect the offer. Your offer in March or April will most likely be much higher than in September or October. Sellers who were optimistic in the spring will be lowering their prices quickly to try and sell.

The bottom line is that you are never in a better position to get the best price for your home than when it is fresh on the market. Even if the offer and subsequent negotiations are less than you are hoping for, don't kick yourself months or even years later wishing you had taken the offer. That real estate rule of thumb stays true: your first offer is usually your best.