



The Backup Offer: A Buyer's (and Seller's) Best Friend

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There it is, you think you have finally found it. You know very well that you just walked into the house of your dreams, and you are ready to call it home. Countless Sunday afternoons of perusing open house after open house have finally paid off, and you immediately call your agent to let him know you are ready to make an offer.

Then, he calls you back with the news: The sellers have accepted an offer and your dream home is in contract with another buyer.

"It's the first open house!" you tell yourself. "How could this have happened?" you lament, and the optimism you felt only a few hours ago has now turned into despair as you tell yourself the opportunity has been lost forever. But has it really?

Lucky for you, even in today's competitive market, there is a secret weapon called a backup offer, which can potentially help you win the property of your dreams, even after an offer from another buyer has been accepted.

In a backup offer situation, the home is already under contract

with buyer 1, but buyer 2 submits a contract to the seller attached with what is called a backup addendum. When the seller signs the backup contract, it means that if buyer 1 should cancel their contract for any reason, buyer 2 is automatically under contract to buy the home, even if another buyer were to offer \$50,000 or \$100,000 more than your offer. Through successfully representing many buyers in backup position, we always advise our clients of their many other advantages.

For one, if you were to wait for the home to come back on the market and then write an offer, you risk getting into a bidding war with multiple other buyers. It is important to remember that there are always significantly fewer buyers competing for a backup position.

Furthermore, unlike a standard purchase, where you must put up a three percent deposit once a regular offer is accepted, there is literally no cost for making a backup offer. In effect, you could write a few offers without having to put any deposit down, and once your backup offer is accepted, you have legally tied up that property with no financial consequences.

Even better, you could be in

backup position on more than one property at the same time, with the ability to withdraw from backup position at any time, up until you are given a written notice of cancellation of the first offer.

Now with so much advantage being offered to the buyer, does this seller benefit in the equation as well? The answer is yes, for a couple of reasons. If there is a built-in backup buyer then the property easily transitions from one buyer to another, without running the risk of selling for less when the property comes back on the market.

It is no surprise, that when a property falls out of escrow, there tends to be a stigma attached to it. Second, sellers love backup offers because it can put pressure on the original offer to close the deal quickly, knowing that there is another buyer waiting on the sidelines. Now who doesn't like an early close?

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