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Multiple Bids, but Not Exactly a War

By ANTOINETTE MARTIN

DID you hear? There were 17 bids on a \$1 million house in Short Hills late last month. In a slowly recovering housing market, that kind of activity tends to cause a stir.

“Multiple bids are very definitely back,” said Karen Eastman Bigos, the broker with the Towne Realty Group who had the listing for the 1958 split-level on Seminole Way that garnered all those bids, along with two that she said came in after bidding was closed.

Certainly, the phenomenon has been noticed so far mainly in the more desirable communities, Ms. Bigos and other northern [New Jersey](#) brokers and agents said. And Short Hills has long been one of the top residential markets in the state.

Several agents pointed to special factors at work in the case of the Seminole Way house: the inventory is comparatively low in Short Hills just now; the list price was reasonable for a community with a median sale price of \$1.116 million; and the half-acre lot and prime location also gave the 52-year-old home potential as a teardown.

In addition, said Sue Adler, an agent with Keller Williams Realty in Short Hills, newly delivered Wall Street bonuses are energizing a community that has perennially appealed to financial industry executives, since it is on a direct train line to [Manhattan](#).

None of the half-dozen agents interviewed for this article, however, disputed the return of multiple bidding. “We are even seeing people blasting others out of the picture during attorney review,” said Roberta Plutzik Baldwin of Keller Williams Towne Square Realty in Montclair. “They come in and wipe out a contract by offering the sellers more — reminds you of old times.”

Yet there are important differences between then and now:

¶A fairly large number of top bids continue to fall through, because of financing difficulties or buyer

remorse. In one out of four sales handled by her agency, Ms. Bigos said, the second or third bidder winds up getting the house.

¶Even with multiple bids, houses are not necessarily selling for more than their asking prices.

¶The attorney review period, during which contract terms are finalized, is typically stretching much longer than the usual three days, as it has become common for buyers' lawyers to haggle for sizable amounts off the purchase price in the form of compensation for repairs.

Ms. Bigos describes buyers in a competitive bidding situation as delivering “the one-two punch”: First “they punch out the other buyers with a big offer; then they punch out the seller by demanding big credits for repairs.”

Nevertheless, median prices are “inching up” in the state’s more-sought-after communities, said Jeffrey G. Otteau, whose New Brunswick-based company, the [Otteau Valuation Group](#), analyzes sales data for brokers.

“It is very gradual, in the low single digits,” Mr. Otteau said. “While historically, coming out of a recession, prices go up 5 to 10 percent in the first year, this year so far we are seeing a couple of percentage points, in only limited markets.”

Short Hills is one of 29 communities that Mr. Otteau described as having sales inventories of less than four months. He defines that as meaning that if no more homes were to be introduced to the market, and the current sales pace persisted, it would take less than four months to sell all the houses for sale.

“With an inventory below four months,” he said, “we are no longer talking about a buyer’s market. Sellers have some power to negotiate terms as well.”

Ms. Bigos said she had received at least two bids — and as many as five — on five of the six houses she sold in Short Hills in February and March.

Last month in Montclair, another traditionally strong community, a well-appointed house on Glenside Terrace garnered eight offers in its first weekend on the market, said James Van Note, a broker with Rhodes Van Note & Company. A contract was signed for 10 percent over the asking price of \$999,999, he said.

Likewise, brokers in Livingston, Chatham and Summit said well-priced houses in “move-in” shape were selling quickly this spring, often with multiple offers.

Yet for less expensive houses, even numerous bids do not guarantee that the winning offer will be much

over asking price, Ms. Baldwin said, because buyers are operating on thinner budgets. In Maplewood, for example, Ms. Baldwin said the average sales price in a multiple-bid situation was 2.5 percent above asking.

She and other specialists emphasized that the only houses generating more than one bid were “well priced for their range.” Indeed, she said, the main factor in the market’s return to health is that prices are lower in general. Mr. Otteau agreed, adding that statewide over the last four years the median sales price had dropped 19 percent, while in more affluent communities, the drop was in the 10 percent range.

In this climate, buyers might be somewhat sheepish about multiple-bidding situations. “If buyers win with a bid over the asking price,” Ms. Adler said, “especially in a case where there are 17 offers, their friends will all be saying to them, ‘How could you?’ ”

Agents and brokers also said they typically spent more time with buyers and sellers than in the past — “educating” them about shifting trends in this transitional period.

Mr. Otteau said he thought the multiple-bid phenomenon would escalate — as long as sellers priced their homes realistically, the economy continued to improve and mortgage interest rates stayed low.

“A place like Millburn” — Short Hills is a section of Millburn Township — “is at the top of the food chain,” he added. “But it is all connected; if someone is able to sell a \$400,000 house in an improving market, that enables them to buy a \$600,000 house that maybe used to be priced at \$750,000.

“The seller of that house can trade up to a \$900,000 house,” he continued, “and those sellers become candidates to buy a house in Millburn, where a few years ago they couldn’t have done it.”