

# How Bidding Wars and Bully Offers Became the New Norm



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The first known bidding war in Ottawa dates back to 1999, involving a popular centre-hall home in the Glebe. The executor for the estate resided in Toronto and was keen to use the delayed offer strategy, to hold off accepting offers until a specific day and time, adopted by Realtors in the Toronto real estate market several years prior. The approach made good sense. Competing buyers were given sufficient time to do their due diligence before being asked to make their best offer, irrespective of the list price.

The estate received 11 offers and a final sale price that well exceeded recent sales. The urban real estate market was abuzz with excitement. One record sale led to another due to the new strategy of delaying offers.

Despite disgruntled buyers' objections, it eventually became the new norm and later spread to other communities which were also experiencing hot seller market conditions.

Prior to the introduction of delayed offers to Ottawa, savvy buyers sought the inside track on new listings and raced to be first in line, leaving many buyers and Realtors stunned to see 'Sold' signs on properties they did not know were even listed. Buyers rarely competed and the list prices, based on past sales, guided outcome. It was no

surprise that Ottawa house prices were posting only modest gains year over year. Looking back, it is clear to see that the traditional approach strongly favoured the savvy buyer and had suppressed home prices.

For obvious reasons, buyers do not like to compete. They get frustrated and have no control of the outcome. Even if their bid is the highest, the seller can choose to whom to sell their home or whether to sell at all.

Thankfully, it is now commonplace for homeowners to provide a building inspection report to all prospective buyers in advance of submitting an offer. At least buyers aren't out of pocket \$600 to \$800 for each home they try to bid on, knowing conditional offers are rarely entertained.

Since the COVID-19 pandemic, the number of competing buyers has grown and buyers are increasingly more aggressive. They will take whatever action is available to them to avoid bidding wars. A new breed of buyer, referred to as the 'bully,' has surfaced. The bully disregards the seller's instructions for an offer presentation at a future date and demands a response to their offer before the seller is likely to receive another offer.

In response to the new phenomenon of 'bully' offers the Ottawa Real Estate board recently created new rules surrounding delayed offers.

It is a tricky process. The seller's written direction not to convey offers means the listing brokerage cannot communicate, deliver, or even notify the seller that an offer has been received. The seller's choice may



*This home on Second Avenue was the focus of the first official bidding war in Ottawa, back in 1999*

drastically alter outcome. A Realtor that has their finger on the pulse of the market is best suited to advise their client.

We must remain ever mindful that buyers and sellers have opposing goals, buy low and sell high. It is of utmost importance that buyers and sellers are not be represented by the same real estate brokerage.

Who knew how significant that sale, over 20 years ago, would be? It disrupted the status quo in Ottawa and was the first step towards leveling the playing field for both buyers and sellers. What remains undone is the option for the bidding process to be transparent. I am confident this change will be coming soon.

Your questions or comments are always welcome.  
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