

THE ANATOMY OF A BID

A GUIDE FOR EXPATS IN AMSTERDAM



It's no secret that to buy a property in Amsterdam, you're going to need the winning bid!

If you're in the market for a new home in Amsterdam, you've probably heard about the bidding system. Essentially, sellers will plan a number of viewings of a property and set a deadline by which interested parties must provide their best bid. You might think that the highest bid will always win, but that's not always the case.

Sure, overbidding has become the norm – so much so that it happened on approximately 80% of transactions in 2021 – and the higher you bid, the better chance you have to win the bid. But there are other things involved, too.

PROPERTY PRICES AND YOUR BID

If you're working with a real estate agent, they will help you decide the best bid and resolute terms for you and the property you're bidding on. The first and most important thing to know for sure is that you're serious enough about a property to pay a little more than you had expected to.

In order to win a bid, you need to know what the value of the house is, what properties with the same perks and in the same neighbourhood have sold for recently, and what you're willing to compromise on.

Often, the value of the house has more to do with the actual market than with the property itself or its WOZ value. If a similar property with the same square meterage, similar location, and was built at the same time had an asking price around €585,000 and sold for €615,000, it's likely that you will have to be open to making a similar bid.

Most importantly, how you decide on a final number for your bid will depend on the maximum mortgage you are approved for, competition (which is especially high in Amsterdam), and ultimately what the seller wants for the property.

WHAT TO INCLUDE IN YOUR BID

What you eventually send to lock in your bid can be boiled down to two points:

 The actual bid (in €)

 Your suggested resolute conditions

WHAT ARE RESOLUTIVE CONDITIONS?

Have you ever been on Funda and seen the words “Verkocht onder voorbehoud”, or in North American terms, “Conditional sale”. This means that, in order for the sale to go through and the contracts to be signed, both parties have agreed upon a few terms. It’s important to define your conditions in your bid so the seller has all the information they need to make a decision for the sale of their property. These conditions will come into play when your bid is accepted and you’ve signed your purchase agreement.

Let’s go through the four types of resolutive conditions as defined by ABN AMRO:

Subject to securing financing...

This resolutive condition is preferably capped no later than 4 weeks after the bid is accepted. It’s no secret that there are a lot of details that need to be combed out before you are approved for your mortgage. You’ve probably already had a conversation with a mortgage advisor by now and have chosen the lenders you’re most interested in. Once you’ve made that decision, you need to have the property appraised by a professional in order for the mortgage lender to confirm the loan-to-value and the size of your mortgage. It’s important to mention not only that you will secure financing, but how much financing you expect to secure. Should you fail to get financing in the time agreed upon in this clause, the sale will be nullified.

Subject to satisfactory inspection...

With so many older homes in Amsterdam, many over 100 years old, it can be a good idea to add this resolutive condition to the sale. A technical inspection, or “bouwkundige keuring”, gives you a detailed look at the technical specifications of the property. If there are any unexpected deficiencies in the property, you can cancel your purchase.

Subject to defects not exceeding x amount...

Some deficiencies may not be cause to cancel your purchase. You can set a maximum repair cost with this resolutive condition. This price will be provided in your technical inspection. If there are defect but the repairs will cost less than say €3,000 and you’re willing to do them yourself (or hire a handyman, of course), you can choose to continue with purchase.

Subject to transfer date...

The agreed upon date for the transfer of the house will be included in the contract. The purchase will be cancelled if the seller cannot adhere to the date agreed upon.

The housing market in Amsterdam is piping hot right now. There are fewer properties for sale in the municipality than in the last few years and still a large number of buyers on the market. This supply and demand issue means that you have to be quick on your feet and willing to pay top dollar for a property.

If you've been paying attention to the market at all in the last year, you'll know that the asking price is just a starting point, on average properties are selling at about 12% more than asking. The most common procedure is through a bid. The selling agent organizes viewings over the course of a few days to a week. They set a date and time for interested parties to submit their best offer for the home including price and condition. This can be a daunting process, but there are many ways you can prepare for it.

GET YOUR FINANCES IN ORDER

One of the best ways to show a seller how serious you are about buying a property is to make sure you have all your finances in order. Getting in touch with a mortgage advisor when you're first starting to think about buying a home is an essential step! Your mortgage advisor will help you assess your personal finances including salary, monthly spending, savings, etc. With this information, they can calculate your maximum mortgage. This is valuable information once you start looking seriously at properties!

KNOW WHAT YOU CAN SPEND

It's important to know that the asking price of a home is always just a suggested starting point. As mentioned above, you can expect to offer 12% or more than asking in order to win the bid for the property. Mortgage lenders will look at the value of the property based on the property assessment by an approved appraiser. This can have a big impact on your finances! Since the maximum mortgage you can be approved for is based on the loan-to-value of the property, you need to be prepared to bring in your own cash. Especially since there are many costs associated with buying a house such as transfer tax, real estate agent fees, notarial costs, etc.

Here's an example of what you can expect:

-  Winning bid = €670,000
-  Property value = €615,000
-  Maximum mortgage = €615,000
-  Buyer's own investment = €55,000 + extra costs

HIRE A BUYING AGENT

In today's market, buyers are taken more seriously when they provide their bid through an agent. This is a signal to the sellers that the buyer is taking the process seriously and have all the information they need in order to make an informed decision. Having an experienced real estate agent on your team is a huge asset for expats who are unfamiliar with how the bidding and buying process works in Amsterdam and The Netherlands in general.

Hiring an agent does come at a cost, but shouldn't be more than one percent of the purchasing price of your new property. Don't hesitate to shop around until you find someone that you really click with! This is a big investment and ultimately can make all the difference for a winning bid on your next home.

HAVE AN HONEST CONVERSATION

One of the best ways to know what a seller wants is to simply have a conversation with them. Don't be afraid to ask how much they want to get for the property or if there are any conditions they would like a buyer to meet, like a quick close or specified moving date. Having this information helps you make an informed decision about whether a property is right for you.

BE UNFORGETTABLE

Selling a property can be just as emotional as buying one. Try to share some information with the seller that gives them an idea of who you are and why this property was made for you. Perhaps this was the neighborhood you stayed in when you first came to Amsterdam and have fond memories here. Or maybe your (grand)parents live just a few streets away. Providing these little details lets a seller know that buying the property is filling a gap that only this property could fill.

At the end of the day, you want to make a good impression on the sellers of the property you have your eye on, whether it be with financial preparedness or a personal story.

A FINAL NOTE

The bidding process can be really intense. And you may have to go through it many times before you actually submit the winning bid. But what's important is that you have all the information you need and that you are confident in the choices you make. When the price, resolute conditions, and time is right, you will be screaming from the rooftops that you just won the bid on your dream property!



Are you thinking about buying a new home?
Curious about what size of mortgage you can be approved for?

CONTACT ARJEN FOR A FREE CONSULTATION TODAY!

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