

MARKET INTELLIGENCE

How to negotiate a new-build discount

There are deals to be had if you know where and how to find them. Here are some tips for buyers

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Hamptons International is marketing a luxury scheme in west London where prices have dropped from about £9 million to offers of about £5 million

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Do you want to snap-up a new-build flat at a discount as the market struggles? You had

better join the queue. The head of Investec, a private bank, says some of the world's richest investors are lining up to add new-builds with reduced prices to their portfolios.

Ryan Tholet, the chief executive of the UK arm of the bank, says that foreign buyers, in particular EU and Swiss nationals, are "sitting, waiting and biding their time" ready to pounce if Britain crashes out of the EU on March 29.

Tholet, whose clients must earn a minimum annual wage of £300,000 and be worth £3 million to bank with Investec, says high-net-worth individuals would be "among the biggest beneficiaries of a no deal". "If I was funding [a property acquisition] in euros or dollars, I would be waiting to put money in. A no-deal Brexit would play into many of their hands."

International investors have already been taking advantage of the cheap pound and sluggish London property market to buy new-build investment flats, and research by LonRes, a property data company, shows why they are piling in. In the last three months of 2018, buyers in the capital were negotiating an average of 13.1 per cent off asking prices, compared with 12 per cent a year ago and 2.6 per cent five years ago.

However, many price-drop properties aren't advertised on the open market, so the scale of a reduction is down to the art of negotiation. So what tactics should you use, and what are the pitfalls?

What to look for and where

For now, stick with London and the southeast, but as the year goes on and the market slowdown spreads, be aware of discounts in the big northern cities. "It's in the southeast where prices are softening and selling is getting harder," says Henry Pryor, a buying agent. "This will spread and I expect to see similar scenarios in Manchester and Liverpool as the bubble pops."

At present there are opportunities in London areas such as Fulham, Clapham and Hammersmith. Yet there's surplus stock in some commuter areas too. One couple who looked at a five-bedroom house in

Maidenhead, Berkshire, managed to negotiate the price from £1.495 million to £1.1 million.

The smaller the developer, the more likely it will be to accept a price-drop offer. Pryor says this is because it is more likely to have less sympathetic lenders if the developer can't hit its monthly budgets. "Larger developers tend not to have cashflow issues," says Thea Carroll of the Buying Solution, a buying agent.

The best discounts can be achieved if you're in a position to bulk buy
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Timing is crucial

Find out when a developer's financial year-end is, because this is when it will be at its most desperate to sell to hit sales targets. Jo Eccles of SP property group, a buying agency, says: "We have negotiated some outstanding discounts for clients towards a developer's month-end or financial year-end on the basis that we can exchange and complete very quickly, so they can include our purchase within their sales numbers for that month or year."

Factor in the new-build premium

Remember that new-builds differ from older properties in that they depreciate as soon as you buy them. Saul Empson, the owner of Haringtons, a buying agency, says they are much like a new car. “When you drive a new car off the forecourt, you swipe a chunk off its value,” Empson says. “So it is with new developments.” Do your sums carefully and factor in the price drop.

Check if the development is selling

Knowing how many properties have sold may indicate if a developer is desperate to sell. The more unsold properties the more likely it is that the developer will be open to a discount. It's worth asking an estate agent what the property would have been worth in 2014-15, when the market was at its peak. “If the numbers are roughly 10-15 per cent higher than what it is valued at, you know you are in the right ballpark,” Carroll says.

Bulk buy for a bigger discount

“If you're in a position to bulk buy, this is where the best discounts can be achieved,” says Eccles. “For example, one British client of ours wanted to acquire four identical properties and we were able to secure 15 per cent off the combined asking prices as well as a free parking space. “For an overseas investor client, we offered to buy all of the remaining

one-bedroom flats and obtained a 21 per cent discount in return for a quick purchase.”

John Morley, the founder of Johns & Co, an estate agency that specialises in new-builds, says: “For ten or more units, an investor is likely to get an average of 5 per cent off, or, depending on the developer and the size of the deal, upwards of that.”

Take Yakir Gabay, a London-based Israeli multibillionaire developer. He was reported to have spent £500 million in cash on 1,200 discounted mid-range apartments in the past six months, receiving a discount in “tens of per cent”.

Negotiate perks

Developers don’t want to tell you if they have reduced the price, because it makes them look bad. A solution is to pay the asking price, but with a vast number of extras thrown in, which won’t show up in their price-per-square-foot figures. “They will do anything to avoid a discounted price appearing publicly — that’s when the rot sets in,” Pryor says. He says ask for legal fees and stamp duty to be paid. Eccles suggests asking for white goods and a parking space.

Be hard-headed

Unlike buying a resale property, which

involves negotiating with someone who may have an emotional attachment to it, new-builds don't, so you won't offend anyone. Carroll says: "When buying a new-build you are negotiating with a company, which has targets and multiple units to sell. Remind yourself, it's not personal, it's business."

Target high-end stock

This is where the big reductions are. Jonny Enticknap of Hamptons International says that some of the discounts he has negotiated reach into the millions. "We are marketing a luxury scheme in west London that had a property asking price of almost £9 million but, due to market conditions, the developer will consider offers in the region of £5 million."

There are also great deals on "distressed stock" (housing in poor locations, near train lines), as well as homes that have been on the market for a while. Help to Buy stock only commands small discounts.

Ask why it's disouted

What goes up must come down and some properties went up far too high. Empson urges anyone looking to invest in a new-build to investigate if and by how much the surrounding prices of property may have been inflated. Even with a hefty reduction, the price may still be expensive for the local area.