MARKET

The pre-Brexit property bargain hunt

Both buyers and sellers are hoping to make an uncertain market work for them

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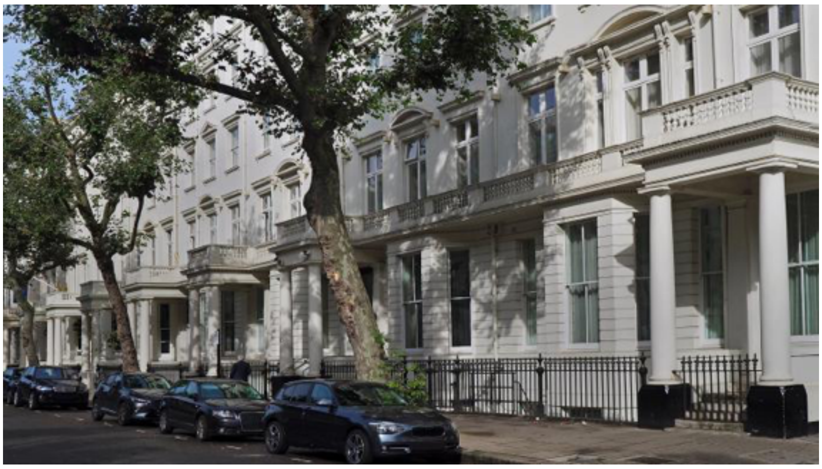

There are bargains to be had in the prime residential market
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Sonal Thakrar was in her glass-walled office in the fancy London HQ of Mishcon de Reya on

decided now is the right time to buy," says Thakrar, partner and head of residential property at the law firm. "They are foreign nationals who want a home in Chelsea for £11m-£12m and are certain they can get a bargain."

Thakrar is not expecting the normal March rush, when clients rush to get sales sealed before any anticipated tax changes in the spring budget statement — "We usually don't eat or sleep that month" — but, despite Brexit, she is working on a steady stream of deals in the capital.

"We're about to exchange on a property reduced to £26m," she says. "There's an offer on another that's been cut to £21m, and one client, who had his price chipped three times by a couple of hundred thousand, still sold at £3m. Brexit is creating huge uncertainty, but it's also a fantastic chance for those who are savvy and brave enough to buy something to keep."

Estate agents across the country say viewings are up compared with the start of last year —

in the Savills offices in rural Surrey and east Hampshire, requests to see £2m-plus homes increased by 61% in January compared with 2018. In places such as the Midlands and parts of Scotland and Wales, the markets are (relatively) flying, especially at the lower end.

In regions that are otherwise stagnant, however, the jump in buyers is down to opportunism. Some are sick of waiting and want to move on with their lives; others are taking advantage of jittery sellers by adopting a scattergun approach, viewing large numbers of properties and making multiple lowball offers. Many are sent packing, but some are enjoying success with vendors who need to move and want to get a deal sealed before the UK's scheduled exit from the EU on March 29 — whatever happens that day.

"In the past two weeks, we have received numerous offers significantly under the asking prices — between 15% and 25% below," says Marc Schneiderman, director of the high-end London estate agency Arlington Residential.

"My firm has just sold a house for less than £6m — the asking price was £7.35m. The reality is that few clients need to accept such reduced offers, but there are so few buyers ready, willing and able to exchange contracts that some opportunistic bids are being considered and accepted."

In total, 62,356 properties — about one in eight of all homes for sale across the UK — saw a price cut last month, an increase of 26% on the number discounted in January 2018, according to the property search site home.co.uk. The average reduction was £20,223, with most discounts in the struggling regions — Greater London and the southeast, east and southwest of England.

"In Bath, when houses are priced in line with their true market value, there is little scope to negotiate more than 5% off," says David Mackenzie, partner at Carter Jonas estate agency in the city. "That said, vendors who have failed to move on from price inflation in 2014 are having to come down by as much as 20%, which could feel like quite a bargain.

“After Mark Carney warned that the market might decline after the Brexit divorce, there was a renewed sense of urgency among some vendors to sell before prices potentially fell further. Others felt the safest course was to sit tight and ride out the storm.”

The ability to negotiate comes down to whether the sale is out of choice or necessity, Mackenzie says. “If a property has languished on the market, there might be scope to offer 10% less, but unless a vendor is under duress, the chances are they’ll stand firm.”

Many experts agree that the capital, which has been floundering for some time because of high stamp duty and stretched affordability, is seeing some of the best deals — 56% of properties in prime areas are being reduced before they find a buyer, according to the property data company LonRes, with an average discount of 11.5%.

Some sellers are even losing money. “In Brook Green, west London, a property is under offer at £2m, £330,000 less than what it was purchased for in 2015,” says Paul Cosgrove, director at Finlay Brewer estate agency.

Market watchers are taking notice. Sarah Conway, partner at the law firm Maurice Turnor Gardner, is seeing the return of City buyers: "Thanks to the price falls, they are able to access properties they previously couldn't," she says. And Charles McDowell, founder of the eponymous property consultancy, says: "It's not a recession — there are people who have lots of money and need a home."

Charles Curran, director of the Chelsea estate agency Maskells, goes further: he is "sticking his neck out and calling the bottom of the London market from mid-March to mid-May. We think that as we gain greater clarity on Brexit, confidence will return and we will see a gradual rise in prices.

"A no-deal will weaken sterling, making property look cheap to overseas buyers. If we have a deal, then, again, we see confidence coming back."

Life events such as death and divorce have always spurred sellers to seal a deal — and now is no exception. A grade II listed manor house in a cutesy Suffolk village was put on the market in November for £1.1m by a divorcing couple. It soon went under offer, but last week the deal fell through. It went straight back on sale with a £100,000 price cut.

The other "D", debt, is also giving rise to bargains. Camilla Dell, managing partner at the buying agency Black Brick, secured a client a house in receivership in Mayfair for £15m, £10m less than the asking price. Other clients are purchasing flats reserved off-plan two or three years ago, where the original buyers are failing to complete — sometimes because of a mortgage downvaluation. A three-bedroom flat on Lillie Square, Fulham, exchanged at £2.074m, but was recently bought on completion for £1.7m from the original, distressed purchaser.

While the best discounts and offers are on new-build properties, which usually have inflated asking prices anyway, agents say bolder buyers are not afraid to play chicken with conventional sellers. “We have seen purchasers walk away, only to come back a few months later at a lower price,” says Hema Anand, head of residential property at the law firm BDB Pitmans. “Some sellers are offering a reduction if the deal is exchanged by a certain date, or a contribution towards stamp duty. This is due more to the general slowdown than to the Brexit cliff edge.”

There’s no doubt, however, that uncertainty over how we will leave the EU is putting off some purchasers, with lawyers reporting a trickle of sales falling through before exchange. “I have seen at least three deals come to an end recently, just because the client changed their mind," says Henry Stuart, partner and head of residential real estate at Withers law firm. "All are saying that now is not the right time."

While lawyers say Brexit clauses aren't being written into contracts per se, some buyers are delaying the exchange of contracts until the last minute so they can see what happens. More commonly, sellers are setting time limits so that the deal happens as soon as possible — and before March 29.

Many vendors are accepting lower offers from those who can exchange fast, but sometimes it's the buyers who are pushing for a quick turnaround — because they feel they have got a steal. "We want to complete before the vendor changes their mind," says Henry Sherwood, managing director of The Buying Agents. "For cash purchases, we have seen the return of attended exchanges, where the buyer's and seller's solicitors will meet and exchange that day, before searches are returned. The last time we did these was in the heady days of 2007."

Money talks, and cash shouts the loudest — wherever you're looking to buy. "Some disenchanted homeowners who've been trying to sell for up to a year are considering cash offers in exchange for the freedom to move on with their lives," says Edward Hartshorne, managing director of the York estate agency Blenkin & Co. "We have just agreed a sale on a country house at 20% below the guide price of £1.75m."

Yet, just as in the EU negotiations, diplomacy is key when it comes to bagging a pre-Brexit bargain. "Be wary of sounding too clinical," says Thea Carroll, senior buying consultant at The Buying Solution. "No one wants to think their prized asset is being acquired like a used car sold for parts."