MARKET INTELLIGENCE

Why cash buyers are back in the housing market

Do you want to sell before Christmas? Prepare for the arrival of mortgage-free bargain-hunters

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This six-bedroom house in Shefford Woodlands, Berkshire, is on sale for £1.95 million with Strutt & Parker

"Cash is king" is a phrase that is suddenly being heard a lot more in the property market. People with spare savings or the banked proceeds of a sale are using their spending power to bag bargains — not only in London, but also in areas favoured by second-home owners.

As the clouds of political uncertainty gather and the market continues to slow, home-movers reliant on mortgages have been hit by tighter lending criteria. Their numbers have dipped from 653,000 in 2007 to 370,000 today, according to Savills, an estate agency.

Experts say that for cash buyers not reliant on borrowing, this presents an opportunity, because sellers who are desperate to offload their properties before Christmas are prepared to drop their prices. “In an illiquid market cash buyers hold a trump card and can afford to hold their nerve,” says Thea Carroll, a senior buying consultant at the Buying Solution, a buying agency. “It signals speed and purpose of transaction, two things the market lacks.”

In South Kensington this three-bedroom maisonette is £3.95 million through Maskells and Knight Frank

Lucie Hirst, a director at the buying agency Colombo Hirst, says cash buyers have found themselves in “a market sweet spot”. “In London property prices are already at a 20 per cent discount, with further reductions in pockets of prime central London, where prices have softened gradually but substantially over the past few years,” she says.

Philip Harvey, a senior partner at Property Vision, a buying agency, points to the “growth of the lifestyle market”. An increasing number of high-net-worth individuals see property as a better investment than business ventures or the stock market at this time of political uncertainty.

Analysis by Hamptons International, an estate agency, found that just less than 30 per cent of homes were bought with cash in the first half of this year, compared with their 37.8 per cent peak in the second half of 2008, although much of this decline reflects a drop-off in investor and developer purchases. The number of cash buyers acquiring properties as homes, rather than investments, is increasing: 69 per cent of cash sales were in this category in the first half of 2018, which is 14 per cent more than in the same period of 2007.

You may be astounded that anyone is able to pay for a home in cash. You could be wondering whether this is the moment to use your cash pile to snap up a price-drop property. Or you may be hoping to attract such a house-hunter. Whatever your position, this is what you need to know.

Choose your location carefully
Analysis by Savills shows how many cash buyers there are as a percentage of all of its prime property buyers in places across the UK. Behind prime central London buyers (72 per cent of whom bought their homes with cash) are the second-home and holiday-cottage favourites of Cornwall (68 per cent), South Hams in south Devon (60 per cent) and the Cotswolds (59 per cent). A prime property is classified as being in the top 10 per cent for price.

However, Harvey has also seen growing interest in "value" rural destinations, particularly Suffolk, where the Suffolk heritage coast, a 50-mile stretch that includes Aldeburgh and Snape Maltings, are the favourites. Of all buyers of prime properties through Savills in mid-Suffolk and south Norfolk, 50 per cent are cash buyers.

Hamish Humfrey, an associate in Knight Frank’s country house department, says holiday cottages in the southwest remain popular with cash buyers keen on a rental investment because of their near year-round demand. An attractive example is a five-bedroom house with three holiday cottages on the market with Knight Frank for £2.5 million in Kilve near Bridgwater, Somerset. The property has views of the Quantock Hills.

Sudeley Lodge estate in Winchcombe, Gloucestershire, is on the market for £16.5 million (Strutt & Parker)

Jump the queue

As a cash buyer you may get a discount on the asking price, even if your offer is slightly lower than one placed by a mortgage buyer, because having ready money available gives you the edge. Edward Church, the head of Strutt & Parker’s office in Canterbury, Kent, says: “Time is money, and it is the speed of commitment that sellers value highly.”

Steven Spencer of Strutt & Parker, based in Gerrards Cross, Buckinghamshire, recently sold a property at £150,000 less than the asking price for this reason.

Identify properties that have had price reductions, says Hirst. “Sellers who have already reduced their asking price will be ready to tie up a deal.”

Ed Mead of Viewber, a property viewing service, agrees. “Sellers are fed up with waiting, often for years, to sell.”

Brighton in East Sussex is the best place to pounce on a discounted property, according to Zoopla, the property portal. It found that 46.6 per cent of properties on the market in the town have been reduced in price — the highest proportion of any area in the country. It is followed by Woking in Surrey (46 per cent), Mitcham in southwest London (45.92 per cent) and Slough in Berkshire (45.82 per cent).

Don’t assume that you’ll succeed

“When an exceptional property comes up, potential buyers are like bees to a honey pot,” says Jonathan Bramwell, a partner at the Buying Solution. “In this climate most will sit tight until the first person makes an offer, and then they should expect to be in competition. Vendors of these properties, particularly around Soho Farmhouse [the members' club in Oxfordshire], will often have the luxury of choosing their buyers — those who offer a higher price, even if it's with a mortgage, will win."

This three-bedroom house in Bayswater, west London, is £3.65 million with Hamptons International

Beware the overpriced house

When the market is slow, be mindful that some properties are advertised at inflated prices by estate agents eager to get a greater number of homes on their books. "Many agents are humouring vendors' aspirations on price, so at least they secure a sales listing that would otherwise not come to the market," says Brendan Roberts, a director of Aylesford International.

Jamie Hope, the managing director of Maskells Estate Agents in west London, agrees. "Some agents will suggest a high asking price to win the business in the knowledge that the property is unlikely to achieve a figure close to this. The hope is that they attract offers," he says.

Dangle a cash-buyer carrot

If you're selling a property, start with a low price. According to Hope, this is a sound tactic for luring a smaller pool of buyers to low-hanging fruit in a slow market. Once they're tempted, a bidding war will raise the property's value to its true level. "We have just sold a flat in W2 [west London] where we priced the property 12.5 per cent below the level we expected the flat to sell at," Hope says. "We carried out 71 viewings in two weeks and attracted 17 offers, resulting in a sealed bid."

If your price is too high, cut it

"The most successful strategy for generating an offer is a large price reduction on your property," says Nat Wilde, a manager at Hamptons International. "When buyers see the new price it encourages them to inquire about the property, but they're less likely to chip away at the price further."

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