

How to negotiate a once-in-a-lifetime discount off your dream home

There is a six-month window of opportunity to knock big sums off a house purchase, experts advise

By Melissa Lawford
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What will happen to house prices as lockdown restrictions ease? In this three-part series, we look at how the pandemic is affecting the market, what buyers can do to negotiate a discount, and how to getting into negative equity if house prices fall

During lockdown, the buyers that stayed in the market had leverage. The outlook for prices was bleak and the headlines meant people had bargaining power.

Liam Bailey, of Knight Frank research, said sale prices came off by 5pc before the market reopened.

And when it did, buyers got even more aggressive. Some tried to negotiate as much as **20pc off their pre-agreed sale prices**.

Yet for most, it didn't work. Instead, the market surged as pent-up demand flooded the market and buyers sought larger homes with more outdoor space after lockdown. Sales agreed are now above pre-lockdown levels.

House prices jumped by **1.7pc between June and July**, according to building society Nationwide. Property website Zoopla has forecast growth of **2pc to 3pc for the rest of the year**.

Chancellor **Rishi Sunak's stamp duty holiday**, which means 88pc of transactions in England will pay no tax at all until March 31 2021, **has further boosted sales**.

Yet the fundamental problems facing the housing market have not gone away. Unemployment will rise as the furlough scheme ends in the autumn and the country heads into recession. Analysts think the house price drops have **only been postponed**. Deutsche Bank predicts values **could fall as much as 23pc**.

Anyone who is in a position to buy now should be wary that there could be a slump in sales immediately after the tax holiday ends.

The message? Don't let yourself get swept up in the buying frenzy. Purchasers should still negotiate. Here's how to start, even if you have a bit less to spend.

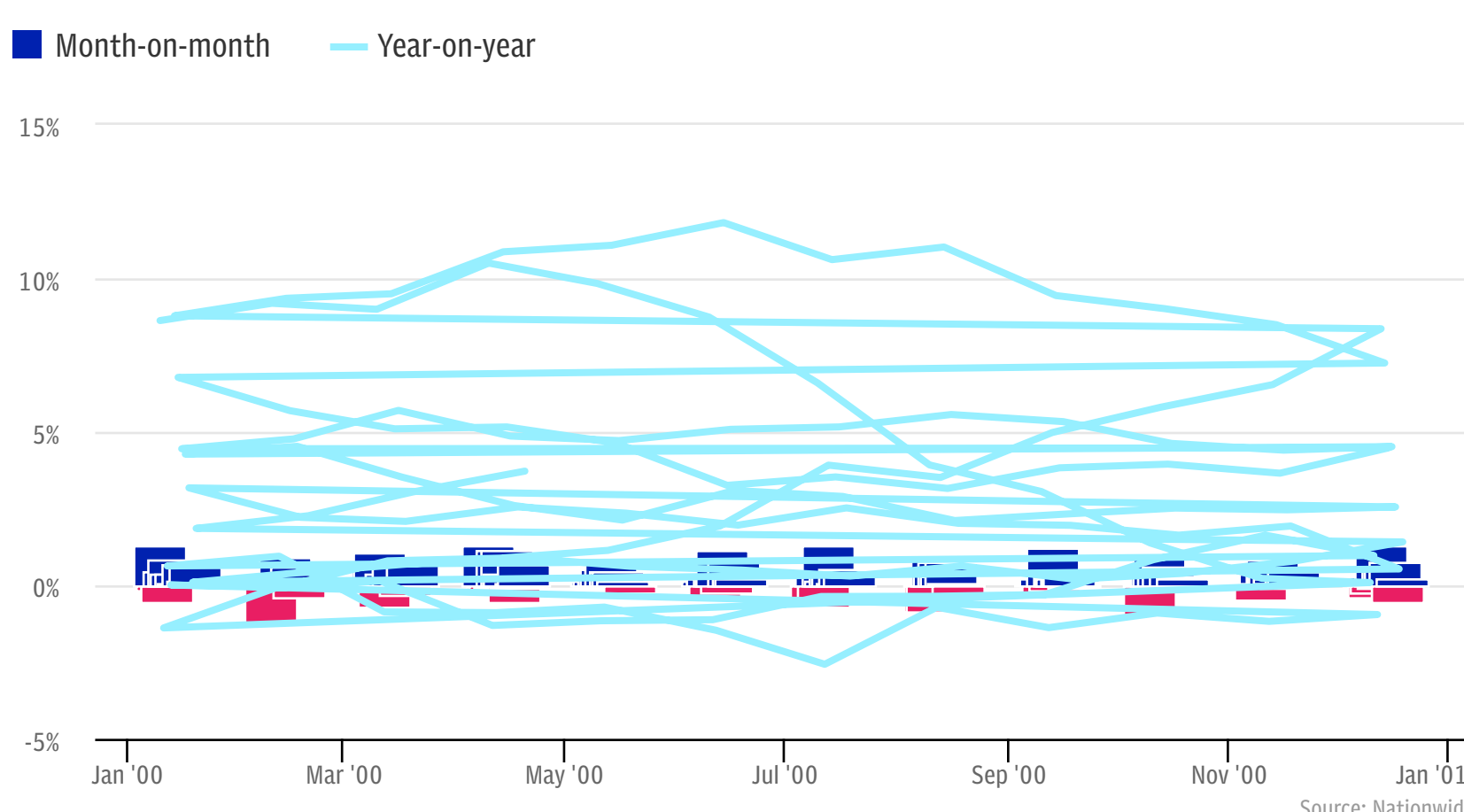
How much of a discount is realistic?

Roarie Scarisbrick, a London buying agent with Property Vision, said: "Most people, maybe 70pc of sales, in most market conditions get 5pc off the original asking price. Then maybe 20pc of people can get 5pc to 8pc off. And an 8pc to 12pc discount is a dwindling minority. Over that is an anomaly."

Even though buyer demand is strong, there is still uncertainty. The Bank of England's economic forecasts are consistent with a 16pc drop in house prices. During lockdown, Thea Carroll, a buying agent, negotiated a 16pc discount off a property sale.

Before the flop

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"It is a good moment for the opportunist," said Mr Scarisbrick. But he has a word of caution. "It is very hard to come back if you have aggressively low-balled," he said. "You want to be seen as a credible buyer not a vulture."

Know your seller

The supply of homes has not recovered as quickly as buyer demand. The total number of available listings is still 13pc down on 2019 levels, according to property website Rightmove.

At the same time, anyone who has brought a property to the market during the pandemic despite the uncertainty and the freeze on the market is likely to be motivated, said Mrs Carroll.

Anyone with a deadline to sell will be more open to negotiation. Probate properties, as well as sellers with inheritance tax bills, over exposure to equity or who need to move because of work are all more likely to be amenable to discounts, said Mrs Carroll.

Ask as many questions as you can, said Mr Scarisbrick. Find out how long the seller has been in the market, what offers they have already turned down and when they want to complete. "Then try to look as appealing as possible based on what they want."

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The most important thing is to be able to transact quickly, added Mr Scarisbrick. "It's all about speed. Get a good lawyer, get dates lined up for your survey, get your advice in the early stages, you may well be able to get a lower offer if you are able to move fast."

Wait for the right moment

Mrs Carroll said: "Be under no illusions that there is a huge amount of pent up demand. If you're dilly-dallying the opportunity cost is significant."

But if you're entering into negotiations now, have some patience. "If you have cash or lending ready, you can let things marinate," said Mrs Carroll. "Put in a cheeky offer and wait three weeks."

Going forwards out of lockdown, keeping an eye on levels of market uncertainty will be key, said Mrs Carroll. "The route forward will have peaks and troughs, you need to look for the microshocks. Things like if the R rate increases, or the stock market starts dropping." These moments will hit consumer confidence and will therefore be ideal moments to put in an offer.

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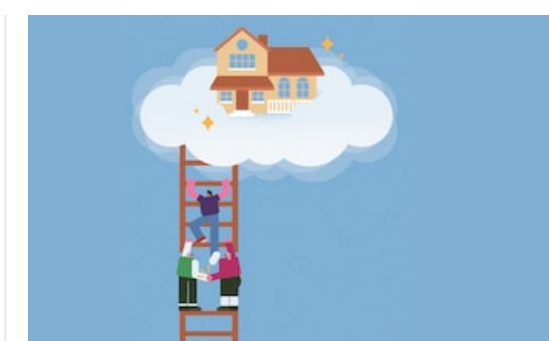
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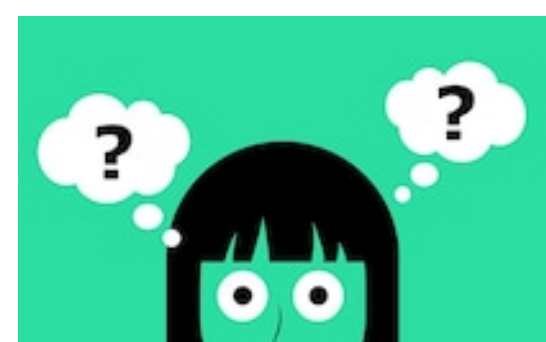
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