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Making Financial Sense

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NEGOTIATING TO BUY A PROPERTY

*How do you decide how much to offer when buying a house
– and when is it appropriate to offer below the asking price?*

Once you have located your ideal property, you then need to decide how to approach making your offer. Do you put in a high offer to clinch it and risk wasting money? Or do you put in a low offer and risk losing your dream home? What are the best tactics to ensure you get the perfect property at the best possible price?

FIRST MEETING

When first meeting with the estate agent, don't jump in with the amount you are prepared to pay. Estate agents tend to show you homes that are slightly more expensive than your limit, and it will put you in a stronger position when it comes to negotiation.

If you're too keen, the seller will know you will be willing to pay more. Ask questions that will set you in good stead for the negotiation process.

SIMILAR PROPERTIES

Be aware of how much similar properties in the area are selling for, and how quickly they are selling. If they are moving very slowly, and going below the asking price, then you are in a stronger position to put in a lower offer.

Agree with the agent a written list of which fixtures and fittings will be included. Having it in writing reduces the chances of disagreements later in the process.

MAKE AN OFFER

Once you are ready to make an offer, contact the estate agent. By law, estate agents have to pass on every offer they receive to the seller. Some buyers may try and unnerve sellers by putting in very low initial offers.

It is a good idea to put the offer in writing (a telephone call followed up by an email will be fine) in order to reduce scope for confusion or argument later. If the seller is interested in your offer then the negotiations start. These will be conducted via the estate agent. Note that this puts buyers at a distinct disadvantage – the seller has a professional negotiator (the agent) working on their behalf, while the buyer is left to their own devices. If you are worried about this, you could appoint a buyers agent.

THE ASKING PRICE

While negotiating for a house can seem daunting, bear in mind that the seller is also likely to be concerned about getting the price they want. Circumstances can be in your



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favour, making it more likely the seller will accept a bid lower than the asking price – sometimes much below.

As with all negotiations, start low. A good rule of thumb though is to offer 5% to 10% lower than the asking price. Don't forget that sellers often take this into account and deliberately put their house on the market for more than they expect or would accept. The agent will normally tell you of any bids that trump yours, and give you a chance to offer a second or even third bid.

ONCE-IN-A-LIFETIME

You should only offer more than the asking price if you know the seller has already been offered that, or if you are really worried about not getting your once-in-a-lifetime dream home and you think there are lots of other buyers.

It's expected that you will play hard to get, but stay realistic. If you think the seller is desperate, it is not in your interest to appear too keen. Don't be overly influenced by other things thrown in with the deal. For example, unless very new, second hand white goods are usually worth very little and its often less hassle to sell them with the house than move them.

SEALED BIDS

If bidding is via sealed bids, you will have to write down your offer and seal it in an envelope. The estate agent will give all the bids to the seller who will usually choose the highest. This is designed to get a high price as buyers, worried they will be outbid, put in their highest offer. Sealed bids can also be beneficial to the buyer as there is no pressure from estate agents or seller and, as long

as you overcome the temptation to overpay, you only pay what you think the property is worth to you. ■

PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

There is no need to spend hours searching mortgage comparison sites – we'll give you whole of market independent advice. Simply contact us now by phone or by email and one of our experienced advisers will be happy to help. We look forward to hearing from you.

This factsheet relates to England and Wales. Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of and reliefs from taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, we cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.

**YOUR HOME MAY BE AT RISK IF YOU DO NOT KEEP UP
REPAYMENTS ON YOUR MORTGAGE OR ANY OTHER
DEBT SECURED ON IT.**

