

PROPERTY NEWS

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Is it possible to beat a cash buyer?

With cash buyers reported to have accounted for about one third of home sales in 2023, what can buyers relying on financing do to compete against the 'power buyer'?

Cash buyers are invariably seen by agents and vendors as being the preferred buyer with a strong reputation as being dependable, offering an ease of transaction and less perceived risk of the transaction falling through. This is certainly reflective of our own experience representing cash buyers, with many for example overlooking issues in surveys that an underwriter may not. But all is not lost for those non-cash buyers, even when competing against the 'power buyer':

1. Be Organised – Timing

Before putting forward an offer, you must have your mortgage agreement in principle. Depending on your relationship with your bank or mortgage broker, it is always worthwhile asking for a supporting letter to accompany any offer. We also recommend you have a credible lawyer instructed; one the selling agent will have the confidence will get the deal over the line. It is also worth having a surveyor provisionally instructed to demonstrate that you are a proactive buyer.

If you are selling a property, timing as to when you are in a position to genuinely be considered as an attractive buyer is key: it will be very difficult in this current market to compete against a cash buyer if you are not at the very least under offer on your own sale.

2. Negotiate the Strength of your Position

As a non-cash buyer, it can be argued that you are more invested as a buyer versus the cash buyer who has greater flexibility of when and where they buy and are not tied down by mortgage and interest rates, a

mortgage offer that is potentially about to expire, or a chain they do not want to collapse. Non-cash buyers are often more heavily invested psychologically and financially with their buyers, the seller, and their mortgage company. To a seller, that level of personal and financial commitment should not be underestimated.

In terms of the offer, cash buyers often come in at below asking price, largely because they can offer the seller a perceived reduced risk of the purchase falling through, and a speedier transaction. If you are up against a cash buyer, you may want to consider offering more. At the same time however, going excessively above the listed price will cause the seller, and their selling agent, concern that the mortgage valuation will not be supported.

3. Provide Detail in your Offer

Always put forward an offer in writing. Your offer letter should state the amount you are borrowing, details of the lender, your expected time frame for exchange and completion, and details of your lawyer.

Think about the seller. Whilst for some the focus may be purely on the financials, for many the sale of their home can be far more personal. Let the seller know how much you love their home and what it would mean to you/your family to live there. Many sellers feel a sense of loyalty to their neighbours in ensuring, as best they can, a lovely buyer.

4. Even Cash Purchases Fall Through

Even cash buyers withdraw be it over legal issues, something unexpected on the survey report, or simply a last-minute change of heart. We may see more of this as stock levels are expected to increase over the coming months, giving greater options to the cash buyer who has the element of flexibility, with less to lose if they pull out of a purchase. You should keep in regular contact with the selling agent so that, if you lose a purchase to a cash buyer, you are front of mind in the event the purchase falls through.

5. Consider instructing a Buying Agent

Not a sales pitch...!

Whilst we often meet cash buyers very early in their search, a buyer in a chain often doesn't think about instructing a Buying Agent, with many coming to us after they have lost out on one or two properties to buyers in 'better positions'. The earlier a Buying Agent meets a buyer in any situation, be it cash, mortgage, or a combination of both, puts that buyer in a better position.

Selling agents know that as a Buying Agent we represent motivated and pro-active buyers and have a professional relationship with that buyer. This can at times be deemed by an agent and vendor as less risky than the unknown cash buyer. Furthermore, the selling agent will know that the Buying Agent will remain involved throughout the transaction, thereby reducing the risk of the purchase falling through.

Whatever stage you are at in the search for your new home or investment property, we'd love to chat.

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