

LET THE NEGOTIATIONS BEGIN

Putting in an offer

It appears to me that people are starting to negotiate on the price of homes advertised in the press. Are we now seeing signs of a maturing market? Wendy Jackson reports.



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In most mature property markets, such as the UK, the US and Europe, buyers put in offers on the homes they are interested in buying. Here's how it usually works. You've worked out how much you can borrow, scoured the area for the right home and finally found the place of your dreams - now it's time to put in an offer. If you're using an estate agent, then you need to decide how much you want to pay and instruct the agent to make the offer. The seller will let you know whether they accept.

However, in this market, such has not always been the case. In fact, to my knowledge, until very recently the price as you saw it was the price you paid.

So, have things changed, or are they changing? Is there now a trend in the market whereby buyers are making offers on houses as they do in the rest of the world? In other words, are the prices in the market now becoming negotiable between buyer and seller?

What does the industry say?

I put the following question to a member of the finance industry, a developer and an estate agent. Do they think this market is still a long way from reaching the putting in an offer scenario, or has it always happened?

The real estate agent

First up is Mark Leale, sales and marketing director, Dubai Luxury Homes.

Says Leale: "I am not 100 per cent sure, but what I can tell you is totally straightforward, as is often the case in this market. Since the early days when properties were bought by speculators and then placed straight back on the market at some level of premium, investors

"It's not all about the highest offer - a seller might choose the offer they think will benefit them the most. For example, a first time buyer may be able to move quickly and this could be more important to them than a slightly higher offer."

have made offers. Whether vendors accept these offers or not is largely down to how desperate they are to sell. Some have clear exit strategies, but where there is money to be made, greed will often take over.

We still have instances where vendors will view an offer on their property as a prompt to increase the price, so it is actually the reverse of the normal negotiations that one would expect to take place. Instances where situations such as this may take place are where the market is fast moving. Cash buyers are still king in Dubai and the speed in which you are able to complete a transfer is also a key consideration.

In other cases where properties are perhaps less popular, the market is slower or the property was overpriced to begin with, then owners do in some cases take an offer. The success of any offer does depend on how keen the vendor is to sell, speed of transfer and, to a degree, the negotiating skills of your agent.

In a market where vendors can, by and large, try their luck at

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selling the property at whatever price they wish, then offers are to be expected. The price is still determined by what the purchaser is willing to pay. There will be instances where one will be able to pick up a bargain because of coming along at the right time with the right offer, and at other times, one will pay over the odds to secure the property wanted.

If offers are coming in on properties and being accepted below asking prices, then of course this will push values down. Likewise, if offers are not being accepted at asking prices and instead these are increasing, then values will rise. I would say that both situations exist just now in Dubai. The latter is obviously exceptionally frustrating for both purchaser and agent, but if one wants to secure the more popular units in the most sought after areas, then it is as important as ever to move quickly.

From speaking with my sales team, we do not believe that the situation will change much from what we have today. To refer to the market as a whole is difficult. Some areas are much more sought after than others; take Palm Jumeirah and Downtown Dubai as primary examples of some of the most desired properties at present. Projects do, however, increase and decrease in popularity when compared to the numerous options available, but this is where I would encourage investors and end-users to speak to a registered broker with a good

“Before you put in an offer, ask yourself a few questions. How much do you want the property? How much can you spend to get it and are other people interested? Bear in mind all the information you have gathered on your viewings – does it need a lot of work? Has it been on the market a while?”

knowledge of the market.

Whilst this is one of the fastest-growing real estate markets in living memory, the shortage of supply and delays to the handover of properties further influences the pricing and likelihood of offers being accepted.

Take the case of freehold villas in general as a good example. The price of completed properties, in the likes of the Arabian Ranches, continues to rise due to the relatively small numbers ready to move in.

Vendors recognise this and as such will tend to hold out for their desired price. The same is also true for properties where completion is anticipated within the next twelve months. Victory Heights is a good example of this where prices continue to rise and vendors are highly unlikely to accept an offer, despite the fact that their villa may not even be out of the ground.

Leading on from the supply and demand issues affecting the pricing of properties, the size of the overall project can also have an affect.

How to put in an offer

Let the negotiations begin.

- 1 Unless you are absolutely sure that there is loads of competition for the house, put in a lower than asking price bid for the house. The vendor will rarely expect to get what they put the house on for, after all. There is no golden rule for the initial bid.
- 2 Point out your reasons for putting in a lower offer to the estate agent. If there are noticeable problems with the house or the carpet needs replacing, let the estate agent know this. They will pass this on to the vendor and will serve as justification for your lower offer.
- 3 Point out the benefits of you buying the house. You are likely to have a few trump cards, which you should share with the estate agents. Whether you are a first-time buyer with no chain or you have a large deposit, make sure the estate agent knows this and passes it on to the vendor.
- 4 Don't get out-haggled. You will more than likely have to put in a few offers before it is accepted, traditional haggling. Make sure you don't go up to your limit straight after your first offer. Go up slowly; if you save yourself even a little bit, it will go a long way when you get into your new property.
- 5 Your offer should be made with the condition that the property is taken off the market. Getting a 'Sold' sign outside the property is a good way to prevent others from looking. You can also ask the estate agent to remove any adverts placed on the internet for the property to make sure that it does not get any unwanted interest.
- 6 Whatever the offer you decide to put in, remember the real estate agent is obligated to pass on the offer to the vendor. Don't feel bad about putting in a very low offer; if the vendor is happy with it, they will accept.

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Take Al Barari, for example, where there are only 300 villas, or Acacia Avenues where there are a handful of villas and a limited number of apartments. Vendors recognise that there is little in the way of choice for potential buyers and although these are high-end properties, it is often not necessary to take an offer lower than your asking price.

One other important point of note is the fact that resale properties can be listed with a number of different brokers. Vendors will also often search the market using different agents. What can then happen is that the vendor receives more than one call about their property from different agents, but on behalf of the same purchaser. He subsequently thinks that there is a lot of interest and bases his pricing decision on the fact that he has received more than one call about a prospective buyer."

The finance guy

Damian Hitchen (DH), managing director, Gulf Lenders Network, believes that people have been negotiating on prices for some time now.

"The main reason (this is not being critical of the real estate agents) is that a lot of the pricing and information printed in the press is out-of-date and in some cases the properties may have been sold and are no longer available. I think the general public is also much more aware of pricing and the fact that they

should shop around to different agents to try and secure the best deal for themselves," he says.

PW: Is this now affecting the prices that we see?

DH: I don't think that just because people are now shopping around and negotiating, that this necessarily means that prices are going down – indeed the market seems to be very robust at present, long after many thought we would have seen a material correction. Yes, we're seeing a slow down; that is natural and a good thing for sustained growth, but not necessarily a correction as yet.

PW: How will it affect the market in the long term?

DH: Yes, customers shopping around, people negotiating on pricing, increased information available to the public via press, internet, etc. are all a good thing – and by default this is moving toward a mature market scenario.

The developer

And last but by no means least I put the following to Nizar Al

"It's human nature to try to strike a deal, but if you find your ideal home and it seems to be priced correctly, consider offering the full asking price. This means you'll be taken seriously, there won't be any time-wasting and it will lessen the possibility of another party stepping - or gazumping you."

Aswed, director at Halcon Real Estate LLC in Dubai.

PW: You have told me that as a developer, you think that people are starting to negotiate on the price of homes advertised in the press. How long has this been happening and why do you think it is happening?

Al Aswed: In all established markets, the trend of offering a lower negotiated price rather than the asking price is common place. It functions as a mechanism that allows the buyer to acquire the asset at a price that he sees feasible, and for the seller to achieve significant gains, but not the asking price. This is accepted practice internationally and is recently becoming more common in the Dubai market. This is a sign of a vibrant and healthy market. It illustrates that sellers want to sell and move on to their next property investment, and it shows that buyers are keen to secure their ideal property at the right price.

PW: In that respect, the industry has long said the value of property is always as much as the buyer is willing to pay. Is this now affecting the prices that we see?

Al Aswed: In my long experience with the London market, I often heard people say that a property is only worth what someone is willing to pay for it. I always

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thought that it depends on whom that someone is. Property is an asset that is often very personal for the owner and the buyer. A property that is situated in a specific location, lets say with a specific view, can be worth a lot more to one person than another. It's personal. However, like every market that is developing from a young, immature market to a developed one, Dubai now has certain values for certain locations for certain buildings. There will still be a variation in price depending on slight variations, but as a whole, your property is worth what a property of the same description is worth when simplified to price per square foot.

The greatest investment trick is to own properties that are rare and not comparable, in standard terms, so as to command the highest selling prices.

PW: And finally, how will it affect the market in the long-term? Is it a good thing? A bad thing? Does it show signs of a more mature market?

Al Aswed: Over the long term, this will make the market more accessible for investors, especially those with an international mindset. It will ultimately create more demand in the market and will encourage more buyers to come in and

state their price. This will put the ball in the seller's court and force them to make a decision. The seller can then either dismiss the offer or consider it, if ultimately he is making enough of a gain. If all the buyers adopt this strategy to purchasing property, sellers will have to begin to consider negotiated offers. This is how mature markets function, and after simplifying the entire argument, yes it is a good thing. Why? In order to always have a dynamic market, buyers must feel that they are getting a good deal – the first step in doing so is buying right. The right property at the right price is step one of a good investment.


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