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Sealed offers: bid for victory

With fewer homes available, more sales are going to sealed offers

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Adrian and Kate Linforth and their children, Eleanor, 8, Ned, 5, and Noah, 10, wait anxiously to find out if their bid was successful

When Kate and Adrian Linforth visited a Georgian farmhouse with five bedrooms, two acres and sweeping views of the Kent countryside, they knew that it was perfect for their growing family. And at £750,000, it even fell within their budget.

Unfortunately, they were not the only ones interested. The house proved so popular that, two weeks later, they were told the sale was going to sealed bids. They had a fortnight to decide how much they were prepared to pay above the guide price.

“We made our best and final offer of £805,000,” says Kate. “We added the extra £5,000, hoping it would be slightly more than anyone else. It was a nerve-racking experience. We were worried about overbidding and leaving ourselves mortgaged up to the eyeballs. We even tried the emotional route — my husband included a note in the bid saying how much we loved the property.”

Sadly for Kate, a housewife, and her husband, who works in sales, tugging at the seller’s heartstrings didn’t pay off. Five days later, the estate agent negotiating the deal called to say that they had been unsuccessful — although he declined to reveal the value of the winning bid. Undaunted, the couple, who are both in their late thirties and have children aged 5, 8 and 10, are

pressing on with the sale of their own fourbedroom house just outside Faversham, which is on the market for £600,000 (01227 451123, struttandparker.com).

The current boom in house prices may, as some experts believe, turn out to be short-lived, but the sealed bid — a feature of the market associated with the heady days of 2006 and 2007 — is back in a big way. Cluttons, an estate agency with offices in London, reports that one in 10 of its properties is being sold this way, generating an average of 20 bids and in most cases fetching more than the asking price, as cash-rich buyers compete for the small number of attractive homes on the market. Nor, as the Linforths' example shows, is the practice restricted to the capital: it is becoming more common in the home counties and Cornwall, too.

The whole process may be stressful for buyers, but agents and sellers like it because it results in the house selling for more than the guide price. So why not hold a mini auction on the spot? Edward Church, a partner in the Canterbury office of Strutt & Parker, who conducted the sale of the property the Linforths lost out on, says deals don't always come down to just money. "If you've got three buyers you can't choose between, it is the fairest way," he says. "It puts the onus on the buyers to convince the seller."

How does it work? A deadline is set by which all "best and final offers" for a property must be received. Traditionally, this was submitted in an envelope sealed with wax (hence the name); these days, it can be an e-mail, letter or fax. Once the deadline has passed, the agent — usually together with the vendor — will open the bids and the person who has bid the highest, or offered the most favourable terms, will win. In some instance, bids are sent to the seller's solicitor to open.

For the buyer, the challenge is to secure the home without overpaying. Jo Eccles, director of Sourcing Property, a Chelsea-based buying agency, says the best strategy is to concentrate on your own situation and ignore the competition. "Think about how much the property is worth to you," she says. "It is easy to get bogged down with second-guessing and forget to focus on your own agenda. Bid exactly what you are prepared to pay, so you are happy to walk away if it sells for more."

Charlie Bubear, manager of Savills' Knightsbridge office, advises buyers to be creative. "Make sure it's an obscure number — £595,032 for example," he says. "I've seen sealed bids lost or won over a couple of pounds. And try not to be too emotionally involved — which can be hard — as this will make you vulnerable to overbidding."

Sellers don't always accept the highest offer, sometimes choosing those who are offering less money but who are in a better position to proceed — cash buyers, for example, or those able to complete quickly. "The personal touch can help," says Saskia Arthur, a property lawyer at Boodle Hatfield. "I have seen a seller accept a lower offer because they liked the detailed letter about the family who wanted to live there, and the fact that the children were already enrolled in the local school."

Even if yours is the winning bid, there's no guarantee the sale will go ahead. Frustratingly for buyers, the process isn't legally binding — a winning bidder can be gazumped by a losing one.

One solution is for the winner to ask for exclusivity for, say, two months, to allow time to exchange contracts and stop the vendor succumbing to the temptation to remarket the property at a higher price.

How to play the game

- Be organised. Accompany your bid with confirmation from your lender they're ready to proceed with your mortgage. Suggest a timescale for exchanging contracts and completion. Don't forget to include your solicitor's details.
- Add a personal touch: perhaps you are keen to return to the place you grow up, want the kids to be able to walk to school or plan to continue the owners' veg garden.
- Don't bid too high. Always bear in mind what you can afford.
- One cheeky — but risky — tactic is to bid a set amount over the highest offer. This is not always considered to be in the spirit of things, so may be rejected.