

Neither A Gazumper Nor A Gazunderer Be

Martyn Stubbs of Phillips and Stubbs looks at how gazundering, the act of a buyer reducing their offer after a higher figure had previously been agreed, is once again rearing its ugly head.

Gazundering is a distasteful by-product of a falling market. It is not nice and it is hardly moral. But it isn't illegal. Some buyers might either try to take advantage of a vendor under pressure to sell or may genuinely feel that a property is, towards the point of exchanging contracts, worth less than the original agreed price. Naturally they would rather not pay more than the property is worth. From an ethical point of view there is no difference between gazundering in a falling market and gazumping in a rising market. Both practices largely take advantage of an extreme market. It just depends which foot the boot is on. Right now the boot is on the foot of the buyer.

Handling a cynically reduced offer is a delicate matter. But this is where an experienced estate agent scores against an agent who has never worked in a market of falling house prices – and there are plenty of those. The experienced agent is more likely to have valued the property at the correct price in the first place and will have briefed the client about the likelihood of gazundering. Because of accurate pricing there may well be more than one possible buyer, thus putting the seller in a stronger position and making them less likely to have to take a lower offer later in the transaction.

The experienced agent will explain to potential buyers that they are fully aware of the practice of gazundering, and will advise their client against bowing to such blatant opportunism.

The value of property is falling, even in our popular area. This is a bitter pill for any homeowner to swallow after so many years of rising house prices. But prices are not dropping at a rate that should materially alter the value of a property over the duration of an average transaction. It may be that the price paid was high in the first place. Perhaps a mortgage valuer has recognised a high purchase price and has down-valued the property, thus affecting the borrowing ability of the buyer. At the end of the day the whole process is deeply rooted in the correct price being asked and the correct price being paid. Under the right conditions there should be no need for a reduction after a price has been agreed, in which case a would-be gazunderer would then be described better as a bully - and we all know what we should do with bullies!