

A Guide to Buying at Auction

Auction is fast becoming the preferred method of buying and selling property. We want to make it as easy and straightforward as possible. Here are simple answers to some commonly asked questions.

Question 1 Do I have to be in a cash position to bid?

The straight answer is YES!

To bid at auction, you need to be bidding to buy **unconditionally**.

10% deposit is required at the conclusion of the auction if you are the successful bidder. If your bid is successful then you have bought the home. There is no subject to finance, or subject to sale of house, you have bought the property. There is nothing to be wary of if you have done your homework, and have sought the correct advice along the way. With each bid you are essentially making a cash unconditional offer. However, as explained below, you may talk to your consultant or the auctioneer about extending the settlement date, giving you the time to arrange the funds required. Also with an auction there is usually a lead-up period of four weeks which should allow you time to get into a cash position.

Question 2 What if I have to sell my house?

One of the benefits of buying at auction is the fact that you could have up to three or even six months, with prior permission from the owners, to sell your own home. The fact that you own a home is not detrimental to your buying at auction. Talk to your consultant about whether they have someone "waiting" for a home like yours as an early sale may be closer than you think. If you get a cash offer on your home you are in an extremely strong position to buy on auction day.

Question 3 Finance: How do I borrow money when I don't know the price?

Most lending institutions are now conversant with modern auction techniques and once you have worked out how much you are prepared to pay for the property, discuss this with your broker or lending institution and you will find they will be prepared to lend you money up to a certain "bidding price". You will then know how high you can bid at an auction. Before the auction date you will need to have this finance approved and the funds available to cover the deposit.

Question 4 What if I can't be there myself? Can I have someone bid for me?

Of course! Anyone may bid for you on auction day. They may, if they are a professional person such as your solicitor or sales consultant, require written advice as to how high you wish them to go. With the permission of the seller and with prior notification you may also bid by telephone.

Question 5 What homework should I do?

Before the auction you will need to be satisfied with any property information, e.g. Title, LIM and the Particulars and Conditions of Sale. Your solicitor can approve these for you. You can inspect the property as many times as you wish prior to the auction by making arrangements with the sales consultant or your preferred Harcourt's consultant. This is also the time to arrange inspections with any specialist advisors to give you confidence in the property.

Question 6 What are the Particulars and Conditions of Sale?

This is the contract that you will sign if you are the successful bidder on the day and binds you to the purchase of the home. It also binds the seller to sell to you as per the auction bidding. The Particulars and Conditions are available prior to the auction. If you have any doubts on wording or clauses included, then you should consult the sales consultant concerned or your solicitor. If the terms don't suit you then it is often possible to change some of these e.g. the chattels or payment of the deposit. This needs to be done before the auction by your salesperson who will obtain the seller's agreement in writing in the form of an "Aside Agreement".

Question 7 Can I buy before auction day?

Some owners may consider selling before auction day, some may not. They would normally need to believe that the offer was a very good one to convince them to stop the marketing and sell before the auction date. Because the property is marketed as an auction, if a pre-auction offer is received which is deemed to be acceptable by the owners, then all interested parties are contacted.

Question 8 What can I do to make sure I don't miss out?

Register your interest! If you are interested in the property, be sure to let the salesperson that showed you through the home know. This ensures that if another buyer makes an offer that the owner will accept, as described above, then we are able to contact you and any other registered parties (those who have registered their interest).

Question 9 What is a Vendor bid?

The conditions of sale state that the vendor has the right to bid himself, through an agent or through the auctioneer. This may be used to start the auction by the auctioneer, or throughout the auction to increase the bidding. The auctioneer will clearly disclose when he is using a vendor bid. It is important to note that vendor bids will NOT be used once the reserve has been reached.

Question 10 How do I bid?

As a buyer it is a good idea to have a pre-auction meeting with the salesperson who introduced you to the property to discuss the auction, method of bidding, strategies in bidding any variations that you may require. If you are unfamiliar with bidding or would prefer not to bid yourself, do discuss this with your salesperson prior to the auction.