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Buying at Auction



For some people purchasing a property at auction can be a daunting experience. The following information is designed to clear up the auction process so that you can proceed with confidence. Most people I come across don't like auctions. The reason for this I think is because the process is not explained clearly.

Buying property whether it is your first purchase or you are a seasoned investor, is still a stressful process. It takes time to research the market so you know that you are fully informed. When considering buying a property at auction usually the buying conditions are not on your side, but at least you know that you have bought the property for true market value.

During an auction, bids for the property are called for on a given day and time and you can clearly see what other buyers are offering. This takes out the often hidden process of not knowing what the other party is

offering, especially in a multiple offer situation and missing out without fully knowing what was going on.

If you are interested in buying an auction property, or any other property with the market turning, don't play the 'I'm not interested card' unless, you don't mind missing out altogether on the property. In this market properties that may be going to auction in a few weeks or even days, are been sold prior to the auction. My advice is if you are interested in a property, make it known to the agent or if you still don't want to do that, get a friend to make enquiries and get them tell the agent that they are interested in the property.

Frequently asked questions about buying at auction

Q1. Do I have to have cash to bid?

Yes. To bid at an auction you need to have pre-approved finance so that you can bid with no conditions of sale (You can always try and get conditions approved before auction but this can affect the purchase price). A 10% deposit of the purchase price is required for an auction (again this can be less but has to be approved by the seller before the auction). Make sure you find a great finance broker who knows the area you are buying in, they will help you have your finance in order before the auction.

Q2. How long of a settlement?

Usually auctions are 30 day settlements from the date of the auction, however, it is often possible to extend the settlement date, talk to the selling agent before the auction.



Q3. How do I find out how much the property is worth?

The more property you inspect in the area the better you will become at determining approximate values. If you need help ask the agents selling in the area for guidance. They will be able show you similar properties and what they have sold for. You can always pay for a registered valuation, or check out real estate websites that list the properties and the prices they have sold for. The best thing to do is your own research and find an agent that you can trust, go to a few auctions and see what happens. Hire a buyer's agent as they are worth every dollar as they will save you money and time when it comes to purchasing your property.

Q3. Can I make an offer before the auction day?

Yes you can always make an offer before auction, some owners may consider selling before auction day, some may not. It is a good idea to make an offer, so that they agent knows you are interested and will keep you informed of any developments with the property.

Q4. What is a seller or vendor bid?

The conditions of sale state the seller has the right to bid for themselves in the form of a vendor bid. This can be compared to a counter offer during private negotiations. This bid may be used by the auctioneer to start the auction or bid during the auction to build

bidding momentum. The auctioneer will disclose all vendor bids by saying "My Bid" or "Vendor Bid" and will only bid below the reserve price. Make sure you stand at the back of the auction and also walk around so you see who else is bidding and when.

Q5. Can I buy the property if I'm not there?

Yes, there are a number of ways which you can bid if you cannot attend. This is where having a buyers agent working for you is best, as they can bid using strategies that they know will get you the property for the best price. The selling agency can bid for you by telephone providing you have written authorisation for them to do so. You can also have a friend or relative bid on your behalf make sure you contact the agent before the auction day to arrange this.

Bidding and Buying at Auction

I trust that you will find the following information useful and helpful in securing your next auction purchase.

Checklist:-

- Am I able to bid on the terms and conditions advertised?
- Do I need to request a variation of these terms? E.g. settlement or deposit
- Have I made enough enquiries in relation to recent sales?
- Have I provided the relevant forms and identification to enable me to bid at auction?



Bidding Tips

Arrive on time, unflustered and composed, pick your favourite bidding number for good luck.

Set your bidding limit by writing it down prior to the auction. When setting your limits you should have 5 levels in place.

**What price would I love to pay for the property?
If I could secure the property for this price it
would be an awesome buy.**

**My regret price – at what price would I regret not
paying more and you wish you had offered more?
If I had to, I would pay \$....., that is my “okay
price”**

**My walk away price – No! I don't want it
above this price.**

Remember at an auction there may be a limited number of people in your position to bid. Some people

may wish to purchase the property but may have limitations such as requiring a sale of their current property, which may prevent them from bidding at auction.

Another point to consider is that the seller will generally be more negotiable when they are selling under auction conditions as it gives them certainty of achieving a sale. So you can bid in confidence knowing that you are in a superior position to the other conditional buyers waiting in the wings.

Review your strategy on how you will bid on the day, remember that the majority of buyers do not plan this well and start to consider this at the auction. Your best position is to have a plan and to have the confidence to act quickly.

By preparing prior to the auction you will be in a more controlled position than others, you will be non emotional, structured and have complete dominance of the auction.

**QUIT! When the property reaches your limit!
Good luck!**



To find out more and get your home inspected call your local independent property inspector on **1800 17 88 22** or email info@ipi.net.au

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