

Buying a property at auction

Things you need to know BEFORE the auction day

Buying a property can often be an intimidating process, especially at auction where you are competing with other buyers and there is no cooling off period.

Many properties are sold at auction, particularly in a rising market, so it is important for buyers to understand the processes involved so they can bid confidently on the auction day.

There are many things that need to be done **before the auction** to ensure that your interests are protected and that you are fully informed about the property you are intending to buy, these things are outlined below.

Contract Review

The **most important** thing to do is to take the contract of sale to your lawyer well before the auction date.

Your lawyer will review the contract, advise you of any risks and help to protect your interests by identifying any terms that might need to be negotiated on your behalf or that you wish to have altered, for example; longer settlement periods, reduced deposits and/or additional terms and conditions.

Your lawyer will also make sure you are buying exactly what you intended to and that it's in the condition you expect by arranging any pre auction inspections that should be carried out such as building and pest inspections.

If you are the successful bidder at the auction the reviewed contract can be signed with confidence.

Inspect the Property

You should thoroughly inspect the property before the auction day and satisfy yourself that all inclusions are in proper working order and that the gas, water and electricity are functioning properly.

If you are successful on the auction day you will be buying the property 'as is'.

Research

Thoroughly research the area and surrounding suburbs before the auction day, so that you are comfortable about the amount you are prepared to pay for the property, and can bid confidently.

Finance

Make sure that you have your finance in order before making an offer. If you are obtaining mortgage finance, you should have your finance unconditionally approved (not just pre-approved). Confirm with your lender the maximum amount you can borrow.

Pre-approval is not confirmation of how much the lender is willing to provide you, it is an indication of what you might be able to borrow depending on the value of the property, determined by a formal valuation after the auction.

It is important to ensure that you have adequate funds available to complete the purchase within the timeframe stipulated in the contract.

Deposit

If you are the successful bidder you will be required to pay a deposit cheque or deposit bond (usually 10% of the purchase price) immediately following signing of the contract.

Register to Bid

To participate or bid at an auction, buyers must register with the selling agent and be given a bidder's number. You can register with the selling agent at any time prior to the auction, such as when you inspect the property, or on the day itself.

To register you must provide ID, a card or document issued by government or a financial institution showing your name and address, for example:

- driver's licence or learner's permit
- vehicle registration paper
- council rates notice.

If you do not have this kind of proof of identity you can use two documents that together show your name and address.

Reserve price

Before auctioning a property, the seller will nominate a reserve price, which is usually not advertised. If the bidding continues beyond the reserve price, the property is sold at the fall of the hammer.

Bidding

Make sure you have a strategy going into the auction and that you set yourself a maximum purchase price. Stick to that maximum price. If you feel as though you may be too emotionally attached to bid at the auction yourself, then organise with the Agent to have someone bid on your behalf. If you elect to do so, you must provide a written signed authority to the Agent authorising the person to bid on your behalf.

Successful Bidder

If you are the highest bidder, immediately following the auction, you will be asked to:

- provide our contact details to the Agent;
- sign the contract of sale; and
- pay the deposit.

You will be entering into an unconditional and legally binding contract, there is no cooling-off period.

The signed contract will then be delivered to your lawyers office and they will contact you to discuss the next steps.

Conclusion

Getting the right advice, being fully informed and prepared before the auction day is a critical part of ensuring that the purchase of your next (or first) property runs smoothly.

The purchase of a property, at auction or otherwise, should not be too stressful and our expert team can help guide you through the process and make sure your interests are protected.

If you or someone you know is looking to purchase a property at auction and needs help or advice, please contact us on (03) 9459 5764 or email admin@rtlegal.com.au.