

GUIDE FOR BUYING A GAIN PROPERTY AT AUCTION

SO YOU'RE KEEN ON BUYING THIS PROPERTY...HOW DO YOU TAKE THE NEXT STEP? HERE ARE SOME GUIDELINES FOR BUYING A GAIN PROPERTY THAT IS BEING ADVERTISED AS AUCTION (UNLESS SOLD PRIOR).

THE MARKETING PERIOD:

During the marketing period the vendor will gather feedback from the buyers who inspect the property in order to set a reserve (usually on the day of the Auction). The vendor is simply aiming to get an indication of value, in order to be realistic with their expectations on Auction day.

If you are interested in buying the property, you need to arrange any finance approvals plus do your homework on the property to be ready for Auction day (or earlier if a pre-auction offer is made).

AUCTION DAY:

At the completion of the final open home on Auction day, the Auctioneer will gather those attending, explain the Auction process and list out the Particulars and Conditions of Sale. They will then start the bidding.

What are the normal conditions I would buy under at Auction?

1) If you are the successful bidder, you will be required to pay 10% of the purchase price on Auction day (unless otherwise arranged with the vendor and/or the Auctioneer). You will need your cheque book and the ability to have the funds in your account to cover the deposit once it is banked, or request the vendors lawyers trust account details and transfer moneys to this account electronically during the following 24 hours.

2) It is considered that if you bid at Auction, you are essentially making a cash unconditional offer ie if your bid is successful, you have bought the property. There are no conditions to be met, you have done your homework and have sought the correct advice prior to the auction.

3) Possession is as per the Particulars and Conditions of Sale, set out by the vendor, however you may wish to discuss an amendment to the possession date with the vendor and/or the Auctioneer prior to the Auction.

4) Chattels are normally mentioned in the Particulars and Conditions of Sale. Check these to make sure these are exactly what you expect to be left in the property.

5) GST will also be mentioned in the Particulars and Conditions of Sale and you should check that this tallies with what you are expecting (NOTE, there is normally no GST payable on a residential home).

PRE-AUCTION OFFERS:

If you wish to make an offer before an auction is held, the offer must be on an Agreement for Sale and Purchase of Real Estate by Auction.

This offer must be unconditional and be accompanied by a 10% deposit, payable into the vendors lawyers trust account. This is held in safe keeping until the property changes hands, or is refunded in full if the offer is unsuccessful.

If the vendor is interested in the price, they will then contact other potential buyers to advise they have received an offer which is of interest to them. If there are other interested parties who are willing to make an offer, then the vendor can either;

a) Arrange with the auctioneer and interested parties to bring the Auction forward. Your offer (or any higher pre-auction offers) will become the reserve and the Auctioneer opens the bidding at that level. You can of course increase the bidding during the auction should you wish to do so.

b) Alternatively, the vendor may choose to accept an offer without going to Auction. They (or a vendor's representative) may call each interested party to establish the highest cash unconditional offer. This method may involve several phone calls, but serves to give each buyer equal opportunity to be the successful buyer.

FREQUENTLY ASKED QUESTIONS:

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

Yes...to bid at an Auction you need to have arranged your finance and completed any due diligence. 10% deposit (usually by cheque unless otherwise arranged) is required on the day of the Auction and the balance is due on the settlement date.

How do I work out what price I should pay for the property?

The auction process allows you, along with the rest of the market, to first view the property and then determine what you'd pay for it. The vendor may have a rough indication of what they think it is worth, however as the buyer, you will often have your own thoughts, based on your experience of viewing other similar properties and doing your own homework. If you are still uncertain, there are cost effective online reports available or you can get an Independent Registered Valuation for added peace of mind. Feel free to phone GAIN for advice on who to use in this regard.

What if I need to sell my own house?

With prior permission from the seller, you may be able to arrange a longer settlement in order to organise and get your own property sold once you've successfully bought this property at the Auction (or prior to auction). With the speed in which property marketing now reaches the potential buyers for your home, this may be a feasible option, so talk to GAIN about getting your property on the market ASAP! Alternatively you may be able to arrange 'Bridging Finance' with your bank to cover any over-lap.

How do I borrow the money when I don't know what price I'll buy the property for?

Most lending institutions are conversant with the Auction process. Once you've worked out what you think the property is worth, speak with your bank about arranging pre-approval on finance up to a certain bidding level. You will then know just how high you can bid at the auction. Depending on your position, some banks may require a registered valuation. Make sure you speak with your lender as far in advance of the Auction date as possible to ensure you are in a position to bid on the day.

Can I have someone else bid for me?

Of course! This may be an experienced member of the family, trusted friend or your solicitor. You will need to ensure they know how high you can go and you will need to be there to sign the paper work and pay the deposit if successful. If you are not able to be present, ensure they have permission in writing nominating you as their representative on the day. If you will not be contactable by phone during the bidding, then the form giving permission must also state a maximum figure of which to bid. Alternatively, with prior approval from the seller and Auctioneer, you may be able to bid by phone.

Happy bidding!

Disclaimer: This guide is offered in good faith as a guide only and it is recommended that all parties should seek legal and/or professional advice before entering into any agreement or bidding at Auction. GAIN accepts no responsibility for any inaccuracies in a) this guide or b) the marketing information supplied by the vendor or c) changes made during the sale process by the vendor.