Harcourts

YOUR COMPLETE GUIDE TO BUYING AT AUCTION





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Your Complete Guide to Buying at Auction - v1.0 (AUS)

WE'RE HERE TO HELP

Buying a home is exciting and there are many advantages to purchasing at auction. One advantage to attending an auction is you can be confident that the true market price for the property will become clear. This is because the auction process is very transparent. The opening bid is usually decided by bidders, but if no bidder puts forth an opening bid, the auctioneer may open with what is called a vendor bid. Bidders then ultimately decide on exactly what they feel the property is worth.

Unlike other methods of sale, your competition's offers are clear, you know exactly where you stand and how much the sellers are prepared to sell for. It's a proven system of success.

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PREPARING FOR AN AUCTION

Once you have identified an auction property that you're interested in, it's important to have your finances organised by the auction date, which includes having the cash available to pay a deposit on auction day. Buying at auction is unconditional and has no cooling off period so this is a good time to get all of your other affairs sorted, such as finalising the sale of your existing property, organising a property check and familiarising yourself with all the auction documents.

This is also the time when your Harcourts sales consultant will help you gain a better insight into the local market – a very important consideration when trying to assess the market value of the property. You could also consider obtaining an independent property valuation as a further guide.

Let the Harcourts representative know if you are interested in a particular property. Then, if another buyer submits an offer prior to the auction, you'll be contacted and given the opportunity to also submit an offer.

Checking the title with your solicitor or conveyancer is a good idea, as well as making sure you're familiar with and understand concepts such as deposit payments, possession dates, settlement dates, balance of payments, list of fixtures and chattels, title and registered interests on the title.

Inspect the property as many times as necessary and, if you have any doubts, arrange for a builder, plumber, electrician or any other tradesperson to accompany you.

Ask about:

- Geographical zoning/schooling
- Location of utilities, arterial routes, shopping centres etc.
- Settlement terms 30/60/90 days
- Deposit payment options
- Deposit amount 5%, 10%, 20%
- List of chattels, fixtures and fittings that will be included/excluded

If you've never attended an auction before it's a good idea to have a look at a few before attending the auction of the property you intend to purchase. This will help you become more familiar with the auction process. Ask who the auctioneer is going to be and research them to understand what their style is going to be and how they conduct their auctions. There are also many good websites that can help you understand different perspectives around value, so you can formulate a price that represents good value to you.

Clear benefits to buying at auction

- A successful bid = the true market value
- You know exactly who your competition is on the day
- All buyers are given fair opportunity to buy
- Negotiations are open for all to see
- You know you are dealing with sellers who want to sell on the day
- At the fall of the hammer, the auction is final and, if your bid is successful, the property is yours with no further negotiations, and the contract is signed then and there
- You may face limited competition at auction
- You might have to pay just $1000 more than the competition to secure the property
- You can employ advantageous bidding strategies that may help you win the auction
- Your Harcourts representative can do the bidding for you, under your instructions, if you aren't comfortable to do so or are absent
- If the property is passed in, the auction is at an end. The highest bidder may have first right to negotiate the vendors reserve.*
- Auction vendors will generally try and be flexible in their terms, such as settlement date and deposit, but you need to ask for a variation prior to auction.

An auction is an exciting, competitive environment where everything is out in the open. You can see your competitors and keep track of each and every bid.

Buying at auction avoids the traditional offer/counter-offer negotiation process.

**In Victoria, the highest bidder has the first right to refuse the vendors reserve price before negotiations start.*



SORTING OUT YOUR FINANCES

If you plan to buy at auction, it's important to have your finances sorted out well before auction day to avoid disappointment. Buying a home through auction is a little different as sales by auction are unconditional, so it's vital to have finance confirmed in writing before you bid. Make sure you have a clear budget in mind for the property, and ensure you stick to it. If you are the successful bidder on auction day, the only thing left to do will be to sign the contract of sale.

How much deposit will you need to buy your home?

At auction you will need to have up to 10% of the purchase price ready to go at the fall of the hammer. If you have less than this, then ask your Harcourts representative to submit a variation to the vendors for consideration prior to the start of the auction. Most lenders will require you to have a 10-20% deposit for your home loan as well. For example, if you wish to purchase a home worth $500,000, you will require a $50,000 - $100,000 deposit.

Talk to your local Harcourts sales consultant about our partner Mortgage Express. Mortgage Express has mortgage advisers who can help you find the loan that is right for your circumstances.

Budget

Create a budget to determine what you can realistically afford to spend on mortgage repayments. Your budget should include all your regular outgoing expenses along with estimates for the cost of home ownership (insurance, rates, interest on your mortgage, applicable body corporate charges and maintenance for your home). These costs will vary depending on where you live and the type of home you wish to buy.

Mortgage calculator

Once you've worked out your budget, you can use a home loan repayment calculator to get an idea of what your mortgage repayments would be. The website mortgage-express.com.au has some useful tools you can use. It's probably a higher figure than you are used to paying in rent, but the benefit is that instead of being an expense, your mortgage repayment is paying off a capital investment. If you're happy that you can afford to pay this amount each month, then you can start looking at financing.

Pre-approved finance

Approach lenders to get written finance pre-approval so that you know what price range you can look at for your new home. Given your income and financial commitments, banks will provide a pre-approved amount (to which terms apply) beyond which they will not lend. This gives you a ceiling for the maximum you can spend on buying your home.

Mortgage advisers

Mortgage advisers can help you find the best deal from lenders. Remember, mortgage advisers' fees are paid for by the lender, not you. A Mortgage Express mortgage adviser has the knowledge and expertise to

find the best option to suit your needs. A home is one of the most significant investment decisions you will make and they're here to make sure that you know the different ways you can structure your loan and what the different lenders will offer you.

Financing your home

Along with your savings, there are other sources of income that can help to supplement your deposit. For instance, if you are a first home buyer and meet certain criteria you may also be able to secure a first homeowners' grant. These differ around the country, so make sure you look up your entitlements. You may also like to consider entering a shared ownership agreement or enlisting the help of a guarantor through friends or family if you don't have enough savings or a high enough income on your own. If you already own a property, depending on its value, you may be able to use the equity in your current home to help secure financing for the purchase of your new property. Talk to your Mortgage Express mortgage adviser about the options available to you.



DOING YOUR RESEARCH

Once you have your finances in place, you've worked out how much you can borrow and perhaps sought pre-approval on your home loan, it's time to get to know the market.

Start to look at neighbourhoods that suit your needs and budget. A great place to start is online. There are lots of property comparison sites on the web which will give you an indication of the average sale price of houses, land and units in an area.

Also take a look at how a neighbourhood has fared over the past 5 to 10 years. Have prices steadily increased, stabilised or been in decline? These figures can help you to determine if the property will be a good investment over the long-term.

Once you've found a location that suits your needs and fits in to your average price range, start to look at properties on the market. Compare features, price and land size. You can engage your local Harcourts sales consultant to help you find the perfect property for you. Harcourts sales consultants know the areas they work in very well, and can also give you advice on what the neighbourhood is like, if there are new infrastructure projects planned, and how prices have changed over the past few years.

Inspecting Properties

Take advantage of an open home and use the time to perform a thorough property inspection. Later on, you'll want to engage the services of a professional to inspect the building's structure. Always go to have a second look and take someone with you to see the property through another set of eyes. Again, this must be done before auction day.

For more information on inspecting properties, ask your Harcourts sales consultant for a copy of our 'Your Complete Property Buying Guide'.

MAKING A PRE-AUCTION OFFER

If you find the right home for you which is offered through auction, you may have the opportunity to submit a pre-auction offer. However, the acceptance of offers prior to auction is a decision made entirely by the seller. Such an offer will need to be attractive to the seller, in order for them to decide to accept and sell the property prior to auction day.

It's important to understand that all pre-auction offers must be unconditional in all respects. This means that the offer must be made without any conditions relating to property inspection or being subject to finance, so it is very important to undertake research and due diligence. Your best chance is to have your offer accepted will be under auction terms and conditions.

You must submit your offer to the Harcourts sales consultant in writing.

If your pre-auction offer is not accepted, you will be notified, and the auction will simply proceed as it was originally planned and there will be no counter offer from the seller.

AUCTION DAY FORMALITIES

Some auctions require you to be registered in order to bid at auction. If not, just make your intentions known to the agent and auctioneer. Registration involves agreeing to the terms and conditions of sale and providing sufficient proof of identification.

Once you are registered, a bidder identifier paddle may be allocated to you to use in signalling a bid to the auctioneer.

The auctioneer will begin by reading the terms and conditions of the contract of sale – listen carefully as these may have changed. The auctioneer will then talk generally about the property. The auctioneer will run through a description of the property on offer and then call for an opening bid to start the auction. Bidders usually decide on the opening bid, but if no buyer puts forth an opening bid, the auctioneer may choose to nominate a starting bid – this is referred to as a 'vendor bid'. A vendor bid will only be used in order to create momentum during the auction and cannot be used at or above the seller's 'reserve price'.

Most auctions are held 'subject to a reserve price' – the price below which a property may not be sold. When this level has been reached, the auctioneer may then announce that the property is for sale or 'on the market'. This means that the property will now be sold to the highest bidder at the auction. Until this point, bidders will place bids in increments guided by the auctioneer, up to a value that they are willing to pay for the property. Making a bid simply involves making any gesture to attract the attention of the auctioneer or stating your bid.

Be aware that any bid you make could be the one that buys the property, so bid only within your means.

If a property fails to reach the reserve price, it is 'passed in'. The highest bidder may have first right to further negotiate with the vendor.

Some properties that go to auction may have conditional buyers who are interested in purchasing the home (that is buyers that can't bid under auction terms and conditions). These prospective buyers can take advantage of a property which has been passed in and may make an offer, so if you are in a position to bid on auction day, give it your best shot and come prepared to put forward your best offer. If you're successful on the day, you'll be asked to sign the contract and pay a deposit. This is normally 10% of the purchase price, but it is advised to always double check with the Harcourts sales consultant before the commencement of the auction.

Bidding strategies:

Remember, the most money is not always the determining factor of an auction win. The following have been known to deter opponents:

- A big strong bid at the start
- Bidding on top of your own last bid
- Randomising the amount of your bids
- Doubling the bid increment
- Speed can show strategy even when you have none
- Standing in a prominent position and bidding with confidence
- Have a strategy meeting with your Harcourts representative in advance of the auction so you are not surprised on the day.

Completing the purchase

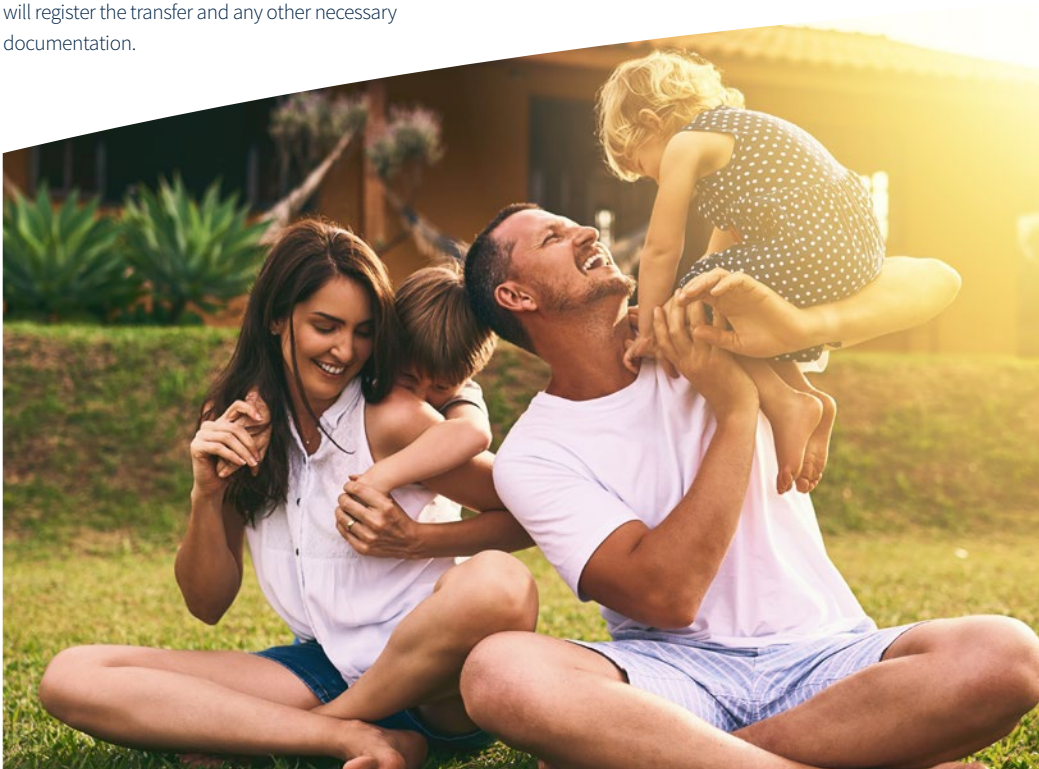
Before settlement, your solicitor or conveyancer will undertake the necessary searches with respect to the property and your lender will prepare the mortgage documentation. On the day of settlement, your solicitor or conveyancer will exchange with the seller's solicitor:

- Monies and disbursements
- Disclose any tax obligations
- Transfer documentation.

On settlement day your solicitor or conveyancer will register the transfer and any other necessary documentation.

The property must be presented in the same condition as when you bought it – fair wear and tear accepted.

If you have any questions or concerns, direct them to your solicitor or conveyancer. Keys to the property will usually be given to you by your Harcourts representative once settlement has been confirmed by the vendors solicitor.



MAKING THE MOVE YOUR CHECKLIST

Remember to organise

- ☐ Telephone, internet and cable TV.
- ☐ Gas, water and electricity.
- ☐ Newspaper delivery.

Organise for moving day

- ☐ Obtain supply of boxes.
- ☐ Get packaging tape and heavy marker pens.
- ☐ Arrange for furniture removal (get a quote, confirm date and time).
- ☐ Arrange care of your children on moving day.
- ☐ Make suitable arrangements for any pets.
- ☐ Arrange transit insurance, and contents and fire insurance for your new home.
- ☐ Organise collection of keys with the seller's sales consultant.

Notify your change of address to

- ☐ Bank, credit card and charge card companies.
- ☐ Post office for redirection of mail.
- ☐ Elections register.
- ☐ Register of motor vehicles and driver's licence.
- ☐ Tax department.
- ☐ Insurance companies.
- ☐ Hire purchase or finance companies.
- ☐ Investment companies.
- ☐ Local council.
- ☐ Clubs and organisations.
- ☐ Police (if you own and store firearms).
- ☐ Friends and relatives.
- ☐ Magazine subscriptions.
- ☐ Doctor, dentist, accountant, lawyer.

Don't forget

- ☐ List valuable items for special care when moving.
- ☐ Advise removal company of dangerous goods being moved (i.e. ammunition, petrol, spirits, chemicals).
- ☐ Securely pack all jewellery, money, special documents, papers (i.e. legal, tax, insurance, marriage/birth certificates, wills, passports etc.).
- ☐ Set aside items you will need on the day of the move so you can take them with you (i.e. food, drinks, cleaning products, scissors).
- ☐ Pack each room leaving the boxes stacked and labelled with the room they are to be moved to. It is a good idea to write on each box a list of its general content.
- ☐ Clearly label boxes containing breakables as 'fragile' and identify these to the removalists.
- ☐ Pot and pack away any plants and cuttings you're taking to your new home.
- ☐ Explain your packing procedure to the removalists and be at your new home when they arrive.

Don't...

- ☐ Put breakables or liquid-filled containers in drawers of moving furniture.
- ☐ Overload drawers and make furniture too heavy to move (too much weight can result in damage to your furniture).
- ☐ Move netting, barbed wire, timber, wood, coal etc without special arrangements being made.
- ☐ Store perishable goods where they might be overlooked or forgotten.

Make arrangements to

- ☐ See your solicitor or conveyancer to sign/transfer mortgage documents.
- ☐ Enrol children in new school if necessary.
- ☐ Coordinate the forwarding of any files from the children's previous school to their new one.

Organise for your new home

- ☐ Connect your gas, electricity and water.
- ☐ Internet, telephone and cable TV connection.

The week before moving

- ☐ Remind and confirm dates, times and locations for furniture removal company.
- ☐ Confirm moving in/moving out details and key exchange with your Harcourts sales consultant.
- ☐ Say goodbye to neighbours.

One last check

- ☐ Nothing left behind?
- ☐ No clothes at the dry cleaners?
- ☐ No gear stored away from your property?
- ☐ Electricity, gas and telephone disconnected/ connected?
- ☐ Water turned off and no taps left running?
- ☐ Windows and doors latched?

After it's all over

- ☐ Have spare keys cut for your new home or consider changing the locks.
- ☐ Make an insurance claim if any damage has occurred during the move.
- ☐ Teach children how to get to their new school.
- ☐ Enjoy your new home and keep in touch. We'd love to hear how you're going!

CONCLUDING POINTS TO REMEMBER

- There is no cooling off period when buying at auction.
- Ensure you have finance arranged prior to the auction and know your limits.
- Speak to the Harcourts sales consultant about the deposit required well before auction day.
- Consider obtaining a building inspection prior to auction, as an auction contract does not allow a sale to be subjected to building or other inspection clauses.
- Only bid within your means but bid strongly and confidently.
- The highest bidder may be offered the first right to purchase the property.
  If this is offered, it is very beneficial to be the highest bidder at the auction so you are able to either negotiate or turn down any purchase option before any other buyer can.
- You have the best chance to buy the property for the best price at auction, as the terms and conditions are favourable to the buyer. It has been shown that a seller is more likely to accept a sale figure on the basis of the terms.
- The ideal time to submit a conditional offer is immediately after the auction has concluded.
- The decision of the auctioneer is final in all matters relating to the auction.
- Ensure that all decision makers are available for the auction and only rely on the judgement of the decision-making parties. Don't allow others to deter or influence your decisions.
- If you are unsure about anything, ask your Harcourts Sales Consultant or auctioneer as they will always be more than happy to help.



Find where you belong. Harcourts