

The logo for Finance 4, featuring the word "Finance" in a yellow, cursive font and the number "4" in a bold, yellow, sans-serif font, both set against a dark blue background.

† Homes † Investments †
† Commercial † Vehicles †

Tel: (07) 3818 1144 Fax: (07) 3818 9944

Email: info@finance4.com.au

Web: www.finance4.com.au

Office: 2 Rawle Street, Camira Q 4300

Postal: PO Box 4227, Springfield Q 4300

Buying A Property At Auction

Property auctions are a popular way of selling a home. Whilst some buyers are wary of auctions, with good preparation they can be a great way to purchase a property.

The difference between an auction and other ways of purchasing a property is that you are in a “*high-pressure, one time only*” selling situation which can be very emotional. The key to controlling the emotions and achieving a successful result is preparation.

Do Your Homework First

It is important to know what similar properties in the same area have been sold for. There are several **Property Reporting Services** that will sell you a report of recent sales, capital growth history and projections, etc in the same postcode for around \$50.

Nothing beats first hand research, though. Try to attend a few house inspections in the area, talk to the agents, and get a feel for the market.

Attending several property auctions, in your “target area” if possible, will give you more confidence in the auction process and the pressures and emotions you’re likely to experience.

Once you’ve identified an actual property that you’re interested in that is being sold at auction, then it’s important to make sure that the property is inspected by reputable **building and pest inspectors** and any problems are known. Depending on the problems, walking away now might be the most prudent decision – not always easy if you’ve already spent time and money on looking at the property.

Get your **solicitor** to review the contract documentation before the auction. Whilst this may cost some hundreds of dollars, you could be risking thousands of dollars by not picking up some issue before purchasing.



† Homes † Investments †
† Commercial † Vehicles †

Tel: (07) 3818 1144 Fax: (07) 3818 9944

Email: info@finance4.com.au

Web: www.finance4.com.au

Office: 2 Rawle Street, Camira Q 4300

Postal: PO Box 4227, Springfield Q 4300

Get Your Finances Organised

Make sure that you **have your home loan approved** before the auction day so that you are 100% confident that you can purchase the property.

Also, you will typically need to put down up to 10% deposit on the day. This can be cash or via a **deposit guarantee**. The guarantee means that the purchaser's own cash won't be used at this stage, so helping to manage cash-flow in the short term.

What's Your Maximum?

Prior to attending the auction you should determine what your **maximum price limit** is. This will be based on what you can afford, and how much you have been approved to borrow from your lender.

The Auction Day

Allow yourself plenty of time to get there, and arrive early. Take a last look around the property and look again at any those aspects that you have concerns about. Ask any last questions of the agent.

Look at the information on the auction, the rules of the auction, etc. You may be required to register as a potential buyer, so make sure you do so. This gives you the right to bid: it does not mean you must bid.

The Auction Itself

Remember that the property seller will have set a **Reserve Price** for the property. Bidding will normally start below this figure. Once this figure has been met then the auctioneer will announce that the property is "*on the market*", meaning that it will definitely be sold.

Remember your maximum price limit. It is easy to get carried away in the heat of the moment, but then regret it afterwards.

If you are successful you will normally be asked to sign the sale contract and pay the holding deposit straightaway, so make sure you have the cheque or deposit guarantee with you. Remember, there is **no cooling-off period** when you buy at auction.

If bidding does not get above the reserve then the property will be "*passed in.*" This means that the property won't be sold at the

auction. The highest bidder (and sometimes others) will normally be given the opportunity to negotiate separately with the sellers to see if a price can be agreed.

At the end of the day, remember that you're making one of the biggest financial decisions of your life. By preparing properly, investing a little money upfront with the legal and inspection experts, and keeping a cool head on the day, then you'll end up with the right result.

Sources

1. Real Estate Institute of Australia
2. RP Data Property Reports
3. Property Value Reports
4. Australian Property Monitors
5. Neil Jenman – Seven Rules For Buying At Auction
6. Office Of Fair Trading – Bidder's Guide

Disclaimer

This article is provided for general information only. This article should not be relied on as a substitute for specific legal or financial advice. Before making any decisions an individual should consider their specific objectives, financial situation and needs.

Finance 4 accepts no liability for any decisions made by any individual based on the content of this article.