



## *John's Notebook.*

# What You Should Know About Buying At Auction

Careful preparation is important if you want to feel comfortable and fully prepared to bid and purchase a property on Auction Day. Remember, an owner of a property may sell prior to an auction if a satisfactory offer is presented. If you are interested in the property you are viewing today, alert the sales associate that in the event of an offer being made, you would also like the opportunity to place a pre-auction offer.

Inspect the property as often as you like.

There are usually a minimum of two or three Open Homes per week at set times – and you can arrange to come back by appointment if necessary.

Get to know the market price.

A property sold by Auction is relying on the market forces to determine and set the market price. By assessing what is sold and is currently listed in the neighbourhood recently you will gain a feel for price. Ask your sales associate what has sold recently that could be relevant and comparable. You may also wish to engage a registered valuer to complete a valuation report on the property which could be useful for bank funding and mortgage purposes if necessary at a later date.

Arrange finance

A sale by Auction is an unconditional sale (cash sale). So it is vital that you have finance confirmed before you bid. RE/MAX Jet is able to put you in touch with a Mortgage Broker. You can speak to one of these brokers at no cost or obligation or you may already have a lender you prefer to deal with. They will arrange a time to meet either at your home or office at your convenience.

Inform your solicitor before auction

It is suggested once again that you have your solicitor check the terms and conditions of sale prior to auction. Ask your sales associate for these and a copy of the Certificate of Title. This will show the legal description, freehold or leasehold land, and the section size. This is the information your solicitor requires to ensure there are no problems.

Check the auction documents

The contract will show 10% deposit is payable at the fall of the hammer and the balance is payable upon the settlement date. What is the settlement date? If this is not shown, give details of your ideal settlement date. This could possibly be arranged for you prior to auction, with the owners approval, and if you happen to be the successful bidder on the day your settlement has already been agreed upon. Also check the contract to see what the chattels are (e.g. light fittings, curtains, drapes and other hardware fittings).

Pre Auction Offer

Some owners will sell prior to Auction if a sufficiently attractive offer is presented to them. Others prefer to wait and see what will happen on Auction Day. All pre-auction offers will be put in writing and presented to the owners to see if they are sufficient to stop the auction. This will still be a cash unconditional offer.

## Before the bidding begins

Stand where the auctioneer can see you. The bidding might happen quickly and the property could sell before your eyes. Be sure to identify yourself to the auctioneer. You might feel comfortable to have a family member, a friend or a sales associate call your bid for you. Remember, if you don't bid you don't buy.

## The auction commences

The auctioneer usually begins by reading the terms and conditions of sale, then talks about the home and invites an opening bid. If nobody bids the auctioneer will usually recommend a starting or opening bid – such a bid is usually well below a price at which the property can be sold.

## The reserve price

Purchasers will not know a reserve price, which is set by the owner either on the day of auction or prior.

Most auctions are held "subject to reserve price" which means the owner has nominated a price below which the property may not be sold, even though you might have made a bid. Most auctioneers will announce that the reserve price has been reached and the property is now for sale. Once the reserve price is met or exceeded, the property will be sold to the highest bidder.

## Making a bid

Simply raise your hand and look at the auctioneer. You may like to call out or nod your head once the auctioneer has your attention. Be aware that if you bid that could be the bid that buys the property.

## Passed in

Should the property not reach the reserve, the property will be passed in to the highest bidder. The highest bidder has the first right to negotiate immediately after the auction. If you were not the final bidder, you do not generally have the opportunity until after the highest bidder has had a chance to negotiate the purchase. If you have interest in the property please let the sales associate know.

## After the auction

The successful bidder/purchaser will be asked to sign the contract of sale and will be expected to pay a 10% deposit to Jet Realty Ltd Trust Account. The purchaser will receive a copy of the contract and the original copies will be directed immediately to the purchasers' and owners' solicitors.