

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.

The overwhelming number of properties sold 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 auction day.

There are many issues that need to be considered **before an auction** to ensure that your interests are protected and that you are fully informed about the property you are intending to buy, some of these 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 matters 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.

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 (HWS, heaters/air conditioners, cooktops et) are in proper working order and that the gas, water and electricity are functioning properly. You should also be conscious of "junk" or rubbish in the yard or more particularly under the house or in the roof space.

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

Research

Thoroughly research the neighbouring streets and suburb as a whole. Proximity to schools and shops and off street parking are important to most purchasers.

Understanding your neighbours before you attend an auction can save a lot of grief down the track. Parking near or walking around the adjoining streets may provide an indication of what is to come.

Finance

Make sure that you have your finance in order before making an offer. If you require a mortgage, you should have your mortgage 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 (usually 10% of the purchase price) immediately following signing of the contract.

Reserve price

Before auctioning a property, the seller will nominate a reserve price, which is usually not advertised. When the property reaches its reserve price, it is generally on the market and going to be sold. The auctioneer will usually make you aware of this. There is little point in bidding until the reserve price has been reached.

Bidding

Make sure you have a strategy going into the auction and that you set yourself a maximum purchase price. If you feel as though you may be too emotionally attached to bid at the auction yourself, then arrange to have someone bid on your behalf.

Successful Bidder

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

- sign the contract of sale;
- pay the deposit; and
- provide your lawyers contact details.

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 lawyer's 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 is successful.

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) 9331 3144 or email conveyancing@schembrilawyers.com.au.



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