



# Auction Tips

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## What the Buyer Needs to Know About Auctions

### Question 1

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

*The straight answer to this question is yes!*

*To bid at auction you need to be a cash buyer. 10% only is required on the day of the auction, the balance is due on the possession date.*

*However, as explained below, you may talk to the auctioneer about extending the possession date, giving you longer to arrange finance.*

### Question 2

#### How do I work out the price?

*The auction system allows you, the market, to appreciate the house and then determine the price. We find that some people literally become experts in a particular price range and they are able to indicate reasonably well what a home is worth. They do this by drawing on the experience of the homes they have looked at in that particular price bracket.*

### Question 3

#### What about selling my house?

*One of the benefits of buying at auction is the fact that you may have up to three months, with prior permission from the vendors, to organise and get your own home sold. The fact that you own a home is not detrimental to you buying at auction. Talk to your real estate marketing consultant about whether they have somebody waiting for a home like yours – an easier sale may be closer than you think. It's worth remembering that other buyers will be in the same position as you and if you get a cash offer on your home, you are in an extremely strong position to buy the auction property either before auction or on the auction day.*

*If you believe your home is saleable you may also consider talking to the marketing consultant about extending the possession date on the auction property, giving you extra time to get your home sold.*

### Question 4

#### How do I borrow money when I don't know the price?

*Most lending institutions are conversant with auction techniques and once you have worked out the price you believe the property is worth and have discussed this with your bank or lending institution, they will approve your finance up to a certain bidding price. You will then know just how high you can bid at the auction.*

## Question 5

### Can I have someone else bid for me?

*Of course! Anyone may bid for you on auction day. They may, if they are a professional person, require written advice as to how high you wish them to go. Other bidders would be your solicitor, real estate marketing consultant or perhaps an experienced member of your family. With the permission of the vendor and with prior notification, you may also bid by phone.*

## Question 6

### What are the normal conditions I would buy under?

*10% of the purchase price is required to be paid on the auction day if you are the successful bidder. That is, you need your cheque book with you and funds in your account to cover the deposit.*

*It is considered if you bid at auction you bid unconditionally and for cash, i.e. if your bid is successful you have bought the home. There is no subject to finance, no subject to house sale – you have bought the house. There is nothing to be wary of so long as you have done your homework and have sought the correct advice along the way. You are essentially making a cash unconditional offer.*

*Possession is as per the Particulars and Conditions of Sale and can be up to three months after the auction date, particularly if you have a property to sell.*

*Chattels are normally mentioned in the Particulars and Conditions of Sale and you look for them and make sure they tie in exactly with what you believe is being left in the home.*

*GST will also be mentioned in the Particulars and Conditions of Sale. Please note that on residential homes there is normally no GST payable.*

## **PARTICULARS AND CONDITIONS OF SALE**

This is the contract you will sign if you are the successful bidder on the day. It is simply a contract that spells out the conditions under which you have bought the home (see question 6 above) and binds you to the purchase of the home - and binds the seller to sell to you.

The Particulars and Conditions of Sale are available prior to the auction.

**If you have any questions on wording or clauses to be included, then you should consult the real estate marketing consultant concerned or your solicitor.**

Note that if you buy before or at the auction you will use the standard Auction Conditions of Sale Agreement. If the property is passed in and you are then interested in making an offer for the property, the standard Sale and Purchase Agreement designed by the Law Society and Real Estate Institute will probably be used.