

BUYING HOMES AT AUCTION

- Allistar Walker

Purchasing a property at auction involves bidding against other parties. A month or two ago not many genuine buyers attended auctions. Now the bidding is getting hotter, due to the perceived lower prices and lowering interest rates.

Auction buying is not for the faint hearted. You need to know how the system works and preferably have attended two or three auctions first before bidding on the property of your desire. Remember once your bid is successful you are liable for the 10% deposit straight away.

PROS: Buying a home at auction allows you to see your competition face-to-face. It gives you an idea who and how many people are interested in the property. Fundamentally, it allows you to make a higher offer than a competing buyer, to ensure you secure the property.

CONS: You have limited scope to negotiate the terms and conditions of the sale contract.

Take care not to get carried away with your competition, driving up the price beyond what you can afford or budgeted for.

Seven Rules for Buying at Auction

1. **Check out everything.** Get a copy of the auction rules and conditions and make sure you understand them. Obtain a search or LIM on the property from the Council. Contact the Council which has jurisdiction over the property and have a look at the property file. Make sure there is nothing in there to scare you off.
2. **Understand the price the seller wants.** It is no use attending an auction if you are going to be outside of the 'ball park' price for the property. Bidding is unlikely to be started by auctioneer at an 'on the market' price. So don't waste time and money checking a property out if you are going to be well beaten on the day.
3. **Keep your cards close to your chest.** You don't need to reveal to the agent what you will pay for the property.
4. **Know the true value.** Get a feel for the market, as to what houses are really selling for – not what the sellers want but what they actually get. A registered valuation of the property can be a guide. A seller may have one available. Check with land agent other recent sales in the area.
5. **Get legal advice.** Good lawyers are great value when buying a home. For a few hundred bucks, they can check out the property, the auction agreement, etc.
6. **Don't bid too soon.** Never bid until the property reaches Reserve. Until then it is not for sale and it makes no sense to bid on anything that is not for sale. You can always negotiate after the auction.
7. **Get a Mortgage Pre-approval.** Ask your broker to obtain pre-approval finance within the limits you are prepared to pay. Also make them aware of the type of property you wish to buy eg Apartment lending is treated different from a free standing house.

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