



Buying a property at auction

Who can resist the drama of an auction! Will the property sell, or not? Will it go for more than expected? Will it make its reserve? Who will buy it?

So why do sellers choose auctions? Reasons vary, from the highly sought after property to the problem property. A property may have lots of interest and an auction may be the best route to securing the highest price. On the other hand a property may be failing to sell in the general market, due to poor condition, structural or legal problems, and putting it into an auction might attract an investment buyer looking for a bargain. Alternatively, a seller might just be looking for a quick sale.

The advantage to a seller is that a sale at auction means contracts are immediately exchanged for that property and the seller knows that the deal is done, with completion taking place (usually) in 4 weeks time.

So why do buyers choose auctions? Many buyers will be regulars, purchasing for investment purposes. They will have looked at the property and decided their interest and financial limits in advance. They will usually be cash buyers or have a pre-agreed line of credit. The non-regular buyer, however, will have found themselves determined on the purchase of a particular property. They will now find themselves having to compete for this at an auction.

Auctioneers will have an 'auction pack' for each property or 'lot'. Most are now available online or electronically. This will usually include the contract, title information, and, usually, relevant legal searches. Most auctioneers adopt standard form auction conditions, and these, albeit quite lengthy, set out in a user-friendly format the conditions for the conduct of the auction, and sale conditions (both general and special).

A buyer who is successful in bidding for a property at auction is then legally bound to go ahead and buy that property on the agreed completion date. A buyer who fails to do so will generally lose the deposit of 10% of the agreed purchase price paid at the auction.

Although standard form auction conditions are adopted these often include a requirement for a

buyer to make payments in addition to the agreed purchase price. Usually there is an auctioneer's fee and, often, a condition requiring payment of the seller's costs and/or search fees. The requirements can vary considerably, regionally.

All buyers should, prior to the auction, ensure that they have taken advice on the legal pack. They should have talked to a qualified conveyancer and have undertaken a survey. If a mortgage is required, an offer of mortgage (not just an offer in principle), should be obtained, prior to the auction. Our conveyancers will be happy to advise on auction packs prior to auction or to complete any post auction formalities.

The below is the warning to buyers from the RICS common auction conditions:

"A prudent buyer will, before bidding for a lot at an auction:

- Take professional advice from a conveyancer and, in appropriate cases, a chartered surveyor and an accountant;
- Read the conditions;
- Inspect the lot;
- Carry out usual searches and make usual enquiries;
- Check the content of all available leases and other documents relating to the lot;
- Check that what is said about the lot in the catalogue is accurate;
- Have finance available for the deposit and purchase price;
- Check whether VAT registration and election is advisable;

For more information contact
rebecca.stuart@wards.uk.com or
theo.vitagliano@wards.uk.com

