

# Thinking of buying at Auction?

## Helpful Information

### **Q1. DO I HAVE TO BE IN A CASH POSITION TO BID?**

The straight answer is yes! To bid at an Auction you need to be bidding in cash. 10% only is normally required on the day of the Auction, balance is due on the possession date. (If you have a lower deposit, this might be acceptable with prior agreement from the sellers & auctioneer).

However, as explained below, you may talk to the Auctioneer about extending the possession date and giving you longer to arrange money. Also with an Auction you may have a lead-up period of up to 4 weeks that also should allow you to get into a cash position.

### **Q2. HOW DO I WORK OUT THE PRICE?**

The Auction system allows you, the buyer, to firstly appreciate the house then determine the price. We find as marketers, that some people become experts in a particular price range and they are able to indicate pretty 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. If you need help with a guide to the price, ask the consultant. Whilst you will not get actual figures, a consultant will refer you to homes of similar price, or in a similar bracket that we believe indicate a reasonable price for the Auction home. You may also decide to get a valuation, or ask for the property's Capital Valuation (CV) or RV (Rateable Value).

### **Q3. WHAT ABOUT SELLING MY HOUSE?**

One of the benefits of buying at an Auction is the fact that if the home does reach Auction, you will have up to three months with prior permission from the vendors, to organise and get your own home sold. (Even though you cannot make your auction bid subject to this sale).

The fact that you own a home is not detrimental to your buying at Auction.

Talk to your consultant about whether they have somebody "waiting" for a home like yours as an early sale may be closer than you think. It's worth remembering other buyers will be in the same position you are, and if you get a cash offer on your home, you are in an extremely strong position to either buy the Auction property before Auction or on the Auction day.

If you believe your home is "saleable" you may also consider talking to the Auctioneer via your sales consultant about extending the possession date on the Auction property, thus giving you extra time to get your home sold.

### **Q4. HOW DO I BORROW MONEY WHEN I DON'T KNOW THE PRICE?**

Most lending institutions are now conversant with the modern Auction techniques and once you have worked out the price you believe the property is worth as in question 2, when you discuss this with banks or lending institutions, you will find they believe it quite acceptable to agree to lend you money up to a certain "bidding price". You will then know just how high you can bid at an Auction. Overall though, the fact that you are borrowing money should not prevent you from bidding or buying at an Auction.

### **Q5. CAN SOMEONE ELSE BID FOR ME?**

Anyone may bid for you on Auction day with the permission of the vendor & with prior written notification.

## **Q6. WHAT ARE THE NORMAL CONDITIONS I WOULD BUY UNDER?**

It is considered if you bid at an Auction that you have bid unconditionally and for cash, i.e. if your bid is successful, you have bought the home. There is no subject to finance, or subject to the house sale, you have bought the house. There is nothing to be wary of as 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, or as otherwise agreed.

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

G.S.T will also be mentioned in the Particulars and Conditions and you should check that this tallies with what you believe. Note that on residential homes there is normally no G.S.T payable.

## **PARTICULARS AND CONDITIONS OF SALE**

This is the contract that you will sign if you are the successful bidder on the day. It is simply a contract that spells out the conditions you have bought the home on; see question 6, and binds you to the purchase of the home. It also binds the seller to sell to you as per the Auction bidding. The Particulars and Conditions are available prior to the Auction. If you have any doubts on wording, clauses included, then you should consult the Sales Consultant concerned, or your Solicitor. Note that if you buy before an Auction or at the Auction you will use the normal Particulars and Condition of Sale Agreement. If the property is "passed in" and you are then interested in offering on the property the standard Sale and Purchase Agreement designed by the Law Society and Real Estate Institute will probably be used.

## **FINAL WORD**

Auction is a complex process that needs to be managed well, by a mature and experienced Consultant. Harcourts will only allow experienced consultants to work Auction programmes. If you have any concerns we will be pleased to help you.

Finally, if in doubt, put up your hand & ask the auctioneer. (Don't worry – you won't be 'accidentally' sold the house!)

**Good – Luck**



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