

## **BUYING PROPERTY AT AUCTION**

If you decide that you wish to try and purchase your next home “under the hammer”, then you will join a growing number of auction novices who are buying property in this way.

It is exciting and rewarding – not least because once the gavel falls, you know you have secured the house. There is no gazumping and to-ing and fro-ing with the Seller – and they are great places to find property bargains. That said, you will need to have your wits about you. Here are a few essential points to help you:-

**1. Do not buy before you have sold:**

Don't bid until you have exchanged contracts to sell your own property, or have the cash available to purchase. Otherwise, you might have to complete on your auction purchase without the proceeds of your sale. Several years ago “open ended bridging finance” (needed if you hadn't sold your own property and didn't know when you would) was extremely difficult and risky to obtain. In the current climate, it is even harder to arrange and very expensive.

**2. Limit yourself:**

Set yourself a maximum price limit on the property you are hoping to purchase at auction and stick to it. It is too easy to get carried away, when auction fever takes a grip. Factor in any/all renovation costs. Usually, nothing works out cheaper than your estimates – so always over estimate, if anything.

### 3. **Survey the property:**

Get a valuation or survey done before the auction. At the very least, visit the property with a local builder or someone with greater property expertise, who can spot potential problems. Obtain written estimates for the essential works which will need to be carried out post completion.

### 4. **Sample auctions:**

Attend a few auctions beforehand, if you can, to get a feel for them. It will then not seem as daunting when you are in a position to bid at auction, when a property comes up which you would like to proceed to purchase.

### 5. **Read the legal pack:**

Many is the time, that clients call into their solicitors after an auction to inform them that they have purchased a property at auction, without having taken any legal advice upon the contract and title paperwork! It is then too late. You should always obtain the legal pack from the auctioneers/selling agents prior to auction – usually obtainable at anywhere between £25 - £75 - and forward it to your solicitors for them to advise upon. The pack should comprise contract, copy evidence of the sellers' title to the property, replies to enquiries, fixtures, fittings and contents form, and results of recent local authority, water board, environmental and chancel repair searches i.e. all of which we as solicitors would need to inspect on a standard purchase. The problem is, when the pack is presented to solicitors, often buyers will expect a quick, brief perusal of the documents by their solicitor – usually within days – on the basis that the auction is due to take place, usually within a few days. In reality, the inspection of title, enquiries and searches cannot be skimmed through. It must be done as thoroughly as a traditional sale, as the implications are exactly the same. Advance advice is essential, for example, to unearth pitfalls such as restrictive covenants, adverse entries, breaches of planning conditions, enforcement notices and so on. All can dramatically affect the property's value. The auction contract also needs careful inspection, as that in itself may include conditions e.g. if the property has a large garden, the seller may wish to

include a condition in the sale transfer, to request a percentage of the uplift in the value of the property, if you or future owners obtain planning to build in the garden. The sellers, if they own adjoining property, may also add restrictions, limiting you to alter the property without their consent, etc. Whatever is in the contract, the title and the searches, will bind you, at the point of the “gavel falling”. If you spot something afterwards, which had not been seen before – too late, you will be legally bound and liable to be sued for breach of contract, should you not proceed to complete the purchase.

Thus – provide the legal pack to your solicitors at the earliest opportunity.

**6. Never buy blind:**

Always view the property before placing a bid and visit at different times of the day or week. If the sellers, via the auctioneers/selling agents, say that it is impossible for the property to be viewed internally, then alarm bells should ring immediately – unless of course there is a very good explanation as to why not. To proceed to “buy blind” is very risky and only those doing so, are likely to bid very low, on account of the risks involved.

**7. Don't bid yourself:**

If you are nervous and don't trust yourself to stay within your price limit, ask somebody who you can trust to do the bidding for you. If you cannot attend in person, you may be able to bid by phone.

**8. Bid with confidence:**

Do not jump in too early. Wait until you feel the bidding is petering out – but obviously do not wait too long and miss the boat.

**9. Do not get hell-bent:**

If the property goes for over your maximum do not worry. Other houses will come up at the right price. Just because the auction room may be full, many people will have no

interest in purchasing the property and be out for an evening's entertainment. Many will be neighbours, seeing what the local property prices are on the street and perhaps only a handful of people will be interested in purchasing the property in which you are interested.

### **TERMS USED**

- **Guide Price** – what the auction company thinks is a sensible price for the property. This is usually set quite low to attract more interest and bring more people to the auction room.
- **Reserved Price** – minimum figure the vendor will sell for. Properties will not be sold if bidding does not reach this level. This will have been pre-agreed between seller and the auctioneer prior to the auction itself.
- **Bids off the wall** – this is a legitimate practice where the auctioneer pretends someone has bid in the room to kick start the auction.
- **“In the room to sell”** – if this is said during bidding, it is a sign by the auctioneer that the reserve price has been reached and that the property will definitely sell to the highest bidder.
- **“Going once”** – said as bidders near an end before the gavel comes down “going twice, for a third and final time”.

### **ACTION**

At **Busbys** we have a hugely experienced property department, well used to dealing with auction purchases and sales. So do get in touch. Email me at [ian.osborne@busbyslaw.co.uk](mailto:ian.osborne@busbyslaw.co.uk) or ring **01288 35 9000**.

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