

# A landlord's guide to buying a property at auction

Auctions have become increasingly popular over recent years and if you approach them in the right way, you can certainly bag a bargain. Not only that, but auctions enable you to avoid the lengthy negotiations and processes that house buying normally entails.

But beware: as soon as the hammer falls, the property is yours and you're committed to buying, so you need to make sure you get it right. Here's how to be a successful bidder – and a successful buyer!

## Before the auction

1. Locate an auction. Look in newspapers and magazines, ask agents and follow up on auction 'for sale' boards.
2. Find a property (also known as a 'lot'). Request a catalogue from the auction house. There are usually three to four weeks between catalogue publication and the auction date, so you'll need to act quickly.
3. Do your research. Arrange to view potential properties several times. If you plan to do work to the property, take a builder or an architect with you so you can make sure your expectations are realistic. Research the property; investigate its market value and compare similar properties.
4. Make sure you have adequate finances. You'll probably need a 10% deposit on the day of the auction, with the 90% balance due 28 days later. Arrange the mortgage in principle.
5. Check the legal pack. Unlike 'regular' property purchases, you're not making an offer 'subject to survey', so you have to do all your homework before you start bidding. Get a legal pack from the auctioneers and familiarise yourself with it. Seek independent legal advice and conduct the relevant legal property searches.
6. Do a dummy run. Auctions can be nerve-racking so it might be worth going to one simply as a spectator to see what it's all about.



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7. Check whether a deal can be done before auction. Not all properties have to be sold on auction day, so you might be able to purchase before the event.

### Auction day

1. Arrive early
2. Register. You'll probably need two forms of identification and must also have a 10% deposit. Don't forget your banking details.
3. Pick up an addendum sheet in case there are any alterations/additions to the catalogue.
4. Make sure you can see and be seen by the auctioneer.
5. If you can't attend on the day, check whether you can place your bid by phone or in writing.
6. Set yourself a bidding limit! It's easy to get caught up in the moment, so do your figures beforehand and stick to your budget. If you think you might get carried away, get someone to bid on your behalf.
7. Use clear gestures. Raise your hand or number card, or nod/shake your head.
8. The auctioneer will look around the room and take bids until there are no more. If the reserve price has been met, the property will be sold to the highest bidder. The sale is confirmed when the hammer falls and at that point the bidder is under a binding contract.
9. The auctioneer's decision is final. They can choose to refuse a bid with no explanation.

### After the auction

- If the property failed to meet its reserve price during auction find out whether you can do a deal now.
- If you're the successful bidder, check when the balance of the purchase price is due.
- Remember to take out Landlord Insurance - the risk passes to the buyer immediately.



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## Advantages

- You can pick up a bargain.
- It's a fast buying process.

## Disadvantages

- You need to put in time and money before you even start bidding: research, legal fees, valuation/survey fees, mortgage arrangement, etc.
- There's no guarantee you'll get the property you want.

## Auction Jargon

**Addendum:** Additions or amendments to the property catalogue. This could be in writing or simply announced by the auctioneer.

**Bid:** An offer to buy a property at a specified price.

**Catalogue:** Details of the properties available at auction, viewing terms and conditions of sale.

**Gavel:** The hammer used by the auctioneer during the auction.

**Guide price:** The amount which the property is expected to sell for.

**Lot:** An individual property.

**Reserve price:** The lowest price the vendor will accept. This is not disclosed and may be higher than the guide price.

Auctions can be a great way of buying a rental property and have many advantages but make sure you're aware of the associated pitfalls if you decide to go down this route.

Useful links for further information:

Royal Institution of Chartered Surveyors: [www.rics.org](http://www.rics.org)



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