

# Everything you need to know about buying a property at auction



Auctions can sometimes seem daunting, but as long as you're prepared before you bid, there's no reason an auction needs to be any riskier than buying by private treaty.

### Pre-auction offers

It's always worth remembering that on some occasions the vendor may consider a pre-auction offer, so if it is a property that you feel passionate about securing, ask the real estate to put your price forward ahead of auction day.

### Registration

You will need to register prior to the auction commencing. Registering doesn't mean you must bid, just that you have the right to bid. You will need to provide your name, address and proof of identity.

### No cooling off period

Remember that there is no cooling off period. If you are bidding, you must be prepared to exchange contracts and complete the sale, otherwise you will lose your deposit and may be liable for damages.

### Due diligence

Do your due diligence before auction day. Ensure that a building and pest inspection report has been done (and reviewed), and the contract of sale has been thoroughly checked by a conveyancer or lawyer.

### Contract review

Contract review is very important as there may be clauses or conditions within the contract terms of sale or settlement period, that does not suit your position, and it is too late to negotiate after the hammer falls.

### Know your financial capacity

Prior to registering to bid at an auction, check that you know your financial capacity. Speak to your bank or broker prior to the auction so that you know how high you can bid.

### Get pre-approval from your lender

As you have no cooling-off rights, it's critical to get pre-approval from your lender. Remember, an auction contract is not subject to financing, so if you buy, you need to be certain you can get the money to pay.

### Research comparable sales in the area

As the lender can only do a valuation once you've bought the property, you can't get unconditional approval before an auction. Ideally, you want a conditional loan approval with the only condition pending, to be the valuation. Do your due diligence by researching comparable sales in the area before the auction.

## Be ready for a successful bid

### Deposit

You'll need a 10% deposit if you are successful, so also check with your broker that they will allow you to transfer the full deposit via your phone on the day of the auction should you win. If your lender can't provide the full 10%, talk to the agent and your conveyancer, as they may be able to get an agreement to allow a small deposit, with the remainder being paid by the next business day.

### You've won, what's next

As there is no cooling off period, you will immediately sign the contract and pay the deposit.

### Legal checks

Your conveyancer or solicitor will need to conduct legal checks on the property, after which they'll confirm the settlement date with the vendors legal representative.

### Signing the contract

Your lender will send you a letter of offer and mortgage contract to sign, and you will need to ensure you and your bank are ready to pay the balance of the purchase price at the nominated settlement date.

### Final inspection

As with private sales, you'll need to organise a final inspection on settlement day or close to settlement.

### Settlement

Your conveyancer will let you know when the settlement has successfully been completed, so you can collect your keys from the agent.

## Auction language you need to know

### Reserve price

Before the auction, the vendor (seller) will set a minimum price with the auctioneer. If the reserve price does not reach that minimum price during bidding, the auctioneer will privately ask the vendor if they will sell at a lower price.

### Vendor bid

A bid made by the auctioneer on behalf of the vendor. It's used to give momentum to the bidding, and indicate that the vendor isn't happy with the current bid price.

### Passed in

If bids do not meet the vendor's reserve price, the auctioneer will seek more bids. If bids still do not meet the reserve, the property may be 'passed in' or withdrawn from auction. The highest bidder then gets first right to negotiate with the seller.

### On the market

Once bidding exceeds the vendor's reserve price - the minimum they will accept - the property is 'on the market' and will be sold to the highest bidder.

### Fall of the hammer

Towards the end of the auction, the auctioneer will call for any final bids. Once there are no more bids, the auctioneer will count down the 'fall of the hammer', which will signal the end of the auction. No bids can be made after the fall of the hammer and the highest bidder is legally obliged to sign and exchange contracts.

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