



Buying at auction

If you've never been to an auction before, the more prepared you are, the easier it is. To help prepare for the big day, read on.

Be prepared

Go to as many auctions as you can. They can be pretty nerve wracking first time round. Once you get a feel for them, how they run and what happens, you'll feel more confident when you're ready to make your bid.

Do your inspections beforehand

Get your building and pest inspections done before the auction. Once they accept your bid, it's all yours, including any potential problems.

Have your financials in order

You'll need a written loan approval before the day of the auction. Talk to us about getting a loan approval for the day. You'll also need the deposit, which is usually 10% of the purchase price.

How to bid at auction

Once the auction starts you can make a bid at any time. You can do this verbally or non-verbally by raising your hand or nodding your head. Bidding usually starts off in \$10,000 or sometimes \$20,000 increments. If you feel like slowing the increments down, you can offer an increase of \$5,000 or less. If bidding stalls, the agent may accept \$1,000 and even \$500 increments.

You need to register to bid

By law, you must register to bid at an auction. Take along your driver's licence as formal identification.

What if it gets "passed in"?

If the bidding doesn't reach the owner's reserve price (the lowest price the vendor will sell the property for) the property is not sold. It is then considered "passed in". Usually, the highest bidder has the first opportunity to negotiate with the seller and the agent.

Sold! What happens now?

Your bid is accepted. You sign the contract and pay a deposit while you're at the auction. The deposit will be held in trust until settlement. For more information on the auction process and relevant regulations, contact the Department of Fair Trading in your state. By the way, congratulations!

What's the difference between auctions and private treaty sales?

At an auction, you're bidding on a property with other prospective buyers - the highest bidder being successful. When buying a property through a private treaty you make an offer to the real estate agent who then talks with the property owners.

Once you and the seller negotiate and agree on a price, a contract of sale is signed by both parties. This is called exchanging contracts and it's when you put down a deposit.

Tell me more about private treaty sales

After the contracts have been exchanged, there's normally a cooling-off period, i.e. you can change your mind about buying the property. You need to let the seller know in writing and the deposit will be returned. However, the seller may be entitled to keep 0.25% of the purchaser's deposit. This percentage varies state to state.

Tell me more about auctions

With an auction there is no cooling off period.

Once you sign the contract you're committed. If you don't go through with the purchase, you lose your deposit. You may also be:

- liable for any deficit realised on the sale of the property within 12 months of the auction; and
- reasonable costs associated with that sale; or
- sued by the vendor for breach of contract.

So make sure you are well prepared before your auction, contact us on 02 4648 0862 or email admin@navigatorhomeloans.com.au to arrange your pre-approval or discuss any element of going to auction.

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