Your complete guide to buying at auction

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Harcourts

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Contents.

The auction process may seem daunting, but there are many advantages to purchasing at auction. One advantage to attending an auction is you can be confident that the true market price for the property will become clear.

This is because the auction process is very transparent. The opening bid is usually decided by bidders, but if no bidder puts forth an opening bid the auctioneer may open with what is called a vendor bid. Bidders then ultimately decide on exactly what they feel the property is worth. Unlike other methods of sale, your competition's offers are clear, and you know exactly where you stand, and how much the sellers are prepared to sell for. It's a proven system of success.

There are many clear benefits to buying at auction:

- You know exactly who your competition is on the day
- All buyers are given fair opportunity to buy
- Negotiations are open for all to see
- You know you are dealing with sellers who want to sell on the day
- At the fall of the hammer, the auction is final and, if your bid is successful, the property is yours with no further negotiations, and the contract is signed then and there.

If you're thinking about attending upcoming auctions, this guide will help to prepare you for the day, answer any questions you might have and help to make the process a little less daunting.

> "A successful bid: the true market value."

An auction is an exciting, competitive environment where everything is out in the open. You can see your competitors and keep track of each and every bid.

Buying at auction avoids the traditional offer/counter-offer negotiation process. If the bid is accepted you'll have the satisfaction of knowing you have purchased at 'true market value'.

Preparing for an auction.

Once you have identified an auction property that you're interested in, it's important to have your finances organised by the auction date. This is also a good time to get all of your other affairs sorted, such as finalising the sale of your existing property, organising a property check and familiarising yourself with all the auction documents. Your solicitor can also inspect the title of the property and investigate all legal matters relating to your prospective purchase.

This time is also when your Harcourts sales consultant will help you gain a better insight into the local market – a very important consideration when trying to assess the market value of the property. You could also consider obtaining an independent property valuation as a further guide.

If you've never attended an auction before it's a good idea to have a look at a few before attending the auction of the property you intend to purchase. This will help you to become more familiar with the auction process.

It's also good to note, that sometimes after all of this, the property may not go to auction on the auction date. Often a property is purchased by 'prior agreement'. In this instance you can submit an offer to the seller for their consideration – a key step of identifying your interest in the property.

Let the Harcourts sales consultant know if you are interested in a particular property. Then, if another buyer submits an offer prior to the auction, you'll be contacted and given the opportunity of submitting your own offer. Note also that with multiple offers submitted prior to auction, the sellers may decide to bring the auction forward. If you've made an offer, you will be notified if the auction is brought forward.

Inspect the property as many times as necessary and, if you have any doubts, arrange for a builder, plumber, electrician or any other tradesperson to accompany you.

Also check the auction documents. Make sure you're familiar with and understand all the details and conditions of sale (the deposit, possession date, settlement date, balance of payment, list of chattels, the title, registered interests on the title, etc). You don't want any unexpected surprises come auction day.

Sorting out your finances.

If you plan to buy at auction, it's important to have your finances sorted out well before auction day to avoid disappointment. Buying a home through auction is a little different as sales by auction are unconditional, so it's vital to have finance confirmed in writing before you bid. Make sure you have a clear budget in mind for the property, and ensure you stick to it. If you are the successful bidder on auction day, the only thing left to do will be to sign the contract of sale.

How much deposit will you need to buy your home?

At auction you will need to have up to 10% of the purchase price ready to go at the fall of the hammer.

Most lenders will require you to have a 10% - 20% deposit for your home loan as well. For example, if you wish to purchase a home worth $400,000, you would require a $40,000 - $80,000 deposit.

Talk to your local Harcourts sales consultant about our partner Mortgage Express. Mortgage Express has mortgage advisers who can help you find the loan which is right for your circumstances.

Budget

Create a budget to determine what you can realistically afford to spend on mortgage repayments. Your budget should include all your regular outgoing expenses along with estimates for the cost of home ownership (insurance, rates, interest on your mortgage, applicable body corporate charges and maintenance for your home). These costs will vary depending on where you live and the type of home you wish to buy.

Mortgage calculator

Once you've worked out your budget, you can use a home loan repayment calculator to get an idea of what your mortgage repayments would be. The website mortgage-express.co.nz has some useful tools you can use.

It's probably a higher figure than you are used to paying in rent but the benefit is that instead of being an expense, your mortgage repayment is paying off a capital investment.

If you're happy that you can afford to pay this amount each month, then you can start looking at financing.

Pre-approved finance

Approach lenders to get written finance pre-approval so that you know what price range you can look at for your new home. Given your income and financial commitments, banks will provide a pre-approved amount (to which terms apply) beyond which they will not lend. This gives you a ceiling for the maximum you can spend on buying your first home.

Mortgage advisers

Mortgage advisers can help you find the best deal from lenders. Remember, mortgage advisers' fees are paid for by the lender, not you.

A Mortgage Express mortgage adviser has the knowledge and expertise to find the best option to suit your needs.
A home is one of the most significant investment decisions you will make and they're here to make sure that you know the different ways you can structure your loan and what the different lenders will offer you.

Financing your home

Along with your savings, there are other sources of income that can help to supplement your deposit. For instance, if you are a first home buyer and meet certain criteria you may also be able to secure a first home owners grant. These differ around the country, so make sure you look up your entitlements. You may also like to consider entering a shared ownership agreement or enlisting the help of a guarantor through friends or family if you don't have enough savings or a high enough income on your own.

If you already own a property, depending on its value you may be able to use the equity in your current home to help secure financing for the purchase of your new property. Talk to your Mortgage Express mortgage adviser about the options available to you.

Mortgage Express

Doing your research.

Once you have your finances in place, you've worked out your borrowing capacity, and sought pre-approval on your home loan, it's now time to get to know the market.

If you have identified the property you intend to bid on, have a look at recent sales in the neighbourhood. A great place to start is online. There are lots of property comparison sites on the web which will give you an indication of the average sale price of houses, land and units in an area.

> "A great place to start is online."

Also take a look at how a neighbourhood has fared over the last five to 10 years. Have prices steadily increased, stabilised or been in decline? These figures can help you to determine if the property will be a good investment over the long-term.

Inspecting properties.

Take advantage of an open home and use the time to perform a thorough property inspection. Later on, you'll want to engage the services of a professional to inspect the building's structure and for pests. Again, this must be done before auction day.

For more information on inspecting properties, ask your Harcourts sales consultant for a copy of our Complete Property Buying Guide.

Engaging the services of a professional is a must for complete peace of mind.

Making a pre-auction offer.

If you find the right home for you which is offered through auction, you have the opportunity to submit a pre-auction offer to the sellers.

It's important to understand that all pre-auction offers must be unconditional. This means the offer will be made without the conditions of property inspections, or being subject to finance etc.

You must submit your offer to the Harcourts sales consultant or the Harcourts auctioneer in writing on a Particulars & Conditions of Sale of Real Estate by Auction form, which they can supply to you when you make your offer, you will also be required to submit a deposit of up to 10% of the purchase price or whatever deposit the seller has approved.

If your offer is not at an acceptable level and no counter offer is made by the seller, we will inform you of this, and return your full deposit. The auction will then proceed as planned.

If the offer is at an acceptable level, the seller will sign the Pre-Auction Offer Vendor's Form, and a copy will be provided to you immediately. The seller does not sign the offer at this stage. All other interested parties are then contacted and told that an unconditional offer to purchase the property has been received and will be accepted by the seller unless a better offer is received. They will then be informed of the time, place and manner for the opportunity to make their better offer.

If any other interested party wishes to make an offer, we will bring the auction forward, or present the offers as multi-offers (with you having the right to increase your offer).

On auction day.

On the big day, it will be your last opportunity to ask questions before the bidding begins. You should also have an opportunity to give the home one final inspection.

The auctioneer will begin by reading the terms and conditions of the contract of sale – listen carefully as these may have changed. The auctioneer will then talk generally about the property.

Most auctions are held ‘subject to a reserve price’ – the price below which a property may not be sold. When this level has been reached, the auctioneer will then announce that the property is for sale or ‘on the market’.

Making a bid simply involves making any gesture to attract the attention of the auctioneer and stating your bid.

Be aware that any bid you make could be the one that buys the property, so bid only within your means.

When a property fails to reach the reserve price it is ‘passed in’.

After being passed in, the property will now be open to the market, and everyone will have equal opportunity to submit their offer.

Some properties that go to auction may have conditional buyers who are interested in purchasing the home (that is buyers that can’t bid under auction terms and conditions). These prospective buyers can take advantage of a property which has been passed in and may make an offer, so if you are in a position to bid on auction day, give it your best shot and come prepared to put forward your best offer.

If you’re successful on the day you’ll be asked to sign the contract and pay a deposit. This is normally 10% of the purchase price, but it is advised to always double check with the Harcourts sales consultant before the commencement of the auction.

Completing the purchase.

Before settlement, your solicitor will undertake the necessary searches with respect to the property and your lender will prepare the mortgage documentation.

On the day of settlement your solicitor or conveyancer will exchange with the seller's solicitor:

- Monies
- Transfer documentation
- Keys to the property

Once settlement has been completed, you solicitor will register the transfer and neccessary documentation with Land Information NZ.

Remember that with auctions, all property inspections should have taken place before auction day. Whilst you can attend a pre-settlement inspection if you wish, the sale must take place even if the property does not pass an inspection. However the property must be in the same condition in which it was originally inspected.

For more information about selling a property visit:
www.reaa.govt.nz/forbuyersandsellers

"Possession of the property usually takes place on the settlement day although the seller and buyer can agree for these dates to be different."

Harcourts Complete.

Once the sale is complete, it's now time to settle into your new home! When preparing to move there are always so many things to organise and remember. Often it's the little things that make all the difference.

Use our handy checklist to help make the whole process smooth and stress-free!

Wouldn't it be great if someone could organise for the transfer and connection of your power, water and other utilities for you? Well now they can. Through our range of Harcourts Complete services we can organise the connection of all of your utilities and pay TV, and the disconnection of these services from your old home, taking the hassle out of moving.

Harcourts is committed to providing a complete experience for you. Whether you're buying, selling, renting or if we are managing your property you have access to our Harcourts Complete service. This service is free and provides all the relevant real estate services that you will require before, during or after your transaction. We can take care of a wide range of services including arranging your connections, home loans and insurance. Harcourts Complete also provides relevant real estate information that assists with moving and will also keep you up to date
with what is happening in your local market.

Complete
by Harcourts

Remember to cancel

- ☐ Newspaper and/or milk delivery
- ☐ Telephone, internet and cable TV
- ☐ Gas, water and electricity (arrange a final meter reading)

Organise for moving day

- ☐ Obtain supply of boxes (the supermarket can be one supplier)
- ☐ Get packaging tape and heavy marker pens
- ☐ Arrange for furniture removal (get quote, confirm time)
- ☐ Arrange care of your children on moving day
- ☐ Make suitable arrangements for any pets
- ☐ Arrange transit insurance and contents and fire insurance for your new home
- ☐ Organise shifting times with the buyer of your old property and the previous owner of your new one

Notify your change of address to

- ☐ Bank, credit card and charge card companies
- ☐ Post office for redirection of mail
- ☐ Elections registrar
- ☐ Registrar of motor vehicles and drivers license
- ☐ Tax department
- ☐ Insurance companies
- ☐ Hire purchase or finance companies
- ☐ Investment companies
- ☐ Local council
- ☐ Clubs and organisations
- ☐ Police (if you own and store firearms)
- ☐ Friends and relatives
- ☐ Magazine subscriptions
- ☐ Doctor, dentist, accountant, lawyer

Don’t forget

- ☐ Clean the stove and defrost the fridge/freezer
- ☐ Tidy the yard
- ☐ Ensure that the chattels that have been sold with the property aren’t accidentally packed
- ☐ Disconnect all appliances
- ☐ Disconnect the TV aerial
- ☐ Return any borrowed items
- ☐ Throw out items that you don’t intend taking with you
- ☐ List valuable items for special care when moving
- ☐ Advise removal company of dangerous goods being moved (i.e.ammunition, petrol, spirits, chemicals)
- ☐ Securely pack all jewellery, money, special documents and papers (i.e. legal, tax, insurance etc)
- ☐ Set aside items you will need on the day of the move so you can take them with you (i.e. food, drinks, cleaning products)
- ☐ Pack each room leaving the boxes stacked and labelled with the room they are to be moved to. It is a good idea to write on each box a list of its general content
- ☐ Clearly label boxes containing breakables as ‘fragile’ and identify these items to the removal people
- ☐ Pot and pack away the plants and cuttings you’re taking
- ☐ Explain your packing procedure to the removal people and be at your new home when they arrive

Don’t...

- ☐ Put breakables or liquid filled containers in drawers
- ☐ Overload drawers and make furniture too heavy to move (too much weight can damage furniture)
- ☐ Move netting, barbed wire, timber, wood, coal etc without special arrangements being made
- ☐ Store perishable goods where they might be overlooked

Make arrangements to

- ☐ See your solicitor to sign transfer documents / mortgage discharge documents
- ☐ Enrol children in new school
- ☐ Coordinate the forwarding of any files from the children’s previous school to their new one

Organise for your new home

- ☐ Contact Harcourts Complete to connect your gas, electricity and telephone. Ask your Harcourts sales consultant for details
- ☐ Newspaper delivery
- ☐ Telephone
- ☐ Internet and cable TV connection
- ☐ Gas, electricity and water

The week before moving

- ☐ Remind and confirm dates, times and locations for furniture removal company
- ☐ Confirm moving in/moving out details and key exchange with your Harcourts sales consultant
- ☐ Say goodbye to neighbours

One last check

- ☐ Nothing left behind?
- ☐ No clothes at the dry cleaners?
- ☐ No gear stored away from your property?
- ☐ Electricity, gas and telephone disconnected?
- ☐ Water turned off and no taps left running?
- ☐ Windows and doors latched?
- ☐ Keys with solicitor (if appropriate)?

After it’s all over

- ☐ Have spare keys cut for your new home
- ☐ Make an insurance claim if any damage has occurred during the move
- ☐ Teach children how to get to their new school
- ☐ Enjoy your new home and keep in touch. We’d love to hear how you’re going

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