HUNTER GALLOWAY

Tips for Bidding at Auction

General tips

- When bidding, say the full number rather than the increase. For example, say “six hundred and fifty five thousand dollars” instead of waiving your hand and saying “five” (i.e. indicating that you’re raising the current bid by $5,000).
- When you say it, be confident and make sure everyone hears it. It reminds people how much they’re paying for the property.
- Try not to bid until the property is announced to be on the market. Hopefully, it takes a bit of momentum out of the auction.
- If there are no genuine bids and it looks like the auctioneer will pass the property in, make sure you bid as it gives you the exclusive opportunity to negotiate with the vendor after the auction. At a minimum, put in a low-ball offer to secure this right.
- Always set a budget and stick to it. Slightly higher uneven numbers make effective budgets. For example, maybe you think the property is worth $450,000 and many people might set themselves this number as a budget.
- Therefore, if you set your budget at $457,000 that might be enough to win the property.
- If you’re emotionally connected with the property or not a confident bidder, get a friend or family member to bid for you. Even better, employ the services of a reputable buyers agent to bid for you as they have plenty of experience (we can refer you to one).
- Control the momentum to your advantage. Sometimes it’s advantageous to slow an auction down and ask the agent to accept smaller increased bids.
- Other times it’s better to make higher, more confident bids to ‘scare’ other purchasers and kill any momentum. Only experience can tell you what to do here but the point is – there’s no hard and fast rule.
- Stand in a good position where the agent can clearly see you and you can see all the other bidders. Look confident and relaxed (easier said than done).

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Make sure you arrange insurance straight away

- A lot of people aren't aware but it's really important that you arrange building insurance as soon as you purchase a property (i.e. from the date you sign the Contract of Sale). There are a few reasons for this including the vendors insurance policy may no longer be valid now that the property has been sold, the vendor may not have insurance and/or the Contract of Sale (or State law) might deem it the purchaser's responsibility.
- Arrange insurance for the property immediately after signing the Contract (unless it's a strata apartment in which case the Owners Corporation might have insured the building – just check).
- Lenders will ask for proof that the property is adequately insured.

1300 088 065

WWW.HUNTERGALLOWAY.COM.AU

HELLO@HUNTERGALLOWAY.COM.AU

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Do this when you've found the right property...

- Ask your lawyer or conveyancer to review the Contract of Sale to make sure there aren't any major legal risks.
- Speak to the real estate agent to get an idea of acceptable sale terms (not only price but the amount of deposit and time between contract signing and settlement). You might be able to agree favourable deposit and settlement timeline.
- Consider obtaining a pest and building inspection report to ensure the building structure is safe and sound. If you intend to go to an auction, this should be completed prior.
- If there's anything non-standard about the property, call Hunter Galloway to check if it will cause any lending issues (e.g. if the property is less than 50 sqm in size, if it has a non-standard title such as stratum or company share and so on).
- Search for comparable sales to get an idea of the expected sales price.
- If you do submit an offer prior to action there are a few strategies you can employ. Filling out the contract and stabling the deposit cheque to the contract is a compelling 'offer document' because all the vendor has to do is just sign!
- By including an expiry date on your offer, this helps create urgency (i.e. this offer is only good until X). Try and find non-price related issues to negotiate on (e.g. longer/shorter settlement, 7 days finance, vendors can rent the property for a period of time after settlement). Find out the reason they are selling and negotiate accordingly.

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Are you prepared for high borrowings?

- Make sure that you review your insurance coverage. An inadequate cover could be exposing your family (and you) to financial risk.

  Some common mistakes people make with insurance include:
- Not enough insurance – many people have insurance but just not enough which exposes their family to high risk. Often the right level of cover doesn't cost a lot more – but gives you and your family peace of mind. Typically, life (and potentially TPD) insurance should be sufficient to repay all debt, replace lost income for a period of time and fund non-negotiable expenses such as school fees.
- Inadequate benefit periods – this particularly relates to income protection insurance. Many people have cover via super (often referred to as salary continuance) but the benefit period is restricted to 2 years only. Many serious medical conditions will persist for more than 2 years and what will you do then (because you might not meet the definition of TPD)? You should have cover until age 65.
- Poor quality cover – an example of this is an indemnity income protection policy as opposed to agreed value. Many people don't appreciate the difference and the risks.
- It's important that the existing cover is assessed for these risks (and others).