



BUYING FROM AUCTIONS: PART ONE

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Snap up a fantastic property deal at Auction – simple when you know how.

**I LOVE BUYING
PROPERTY FROM
AUCTIONS. IT IS A
FUN, EXCITING, FAST
AND CERTAIN WAY TO
BE SURE YOU HAVE
SECURED YOURSELF
A PROPERTY.**

It is absolutely one of my favourite ways to buy property deals.

Did you know you can buy property three ways from Auction; pre, during and post, thus increasing your chances in picking up a great deal? Here at The Good Property Company, we pretty much buy from auction every month, landing some fantastic property deals as a result.



LET'S LOOK AT HOW TO BUY YOUR PROPERTY DEAL AT AUCTION.

These are the stages I go through when buying from auction:

1. Auctioneer publishes properties, on line and in their catalogue.
2. You do your desk and telephone research to evaluate the properties and identify a number you would be happy to buy – I never focus on buying only one, I always prefer to have a number of properties, usually 4 plus. This makes auction work more efficient as I increase the chances of buying, and reduces any emotional involvement with an individual property, which is bound to push up my top price.



HERE ARE A FEW OF MY AUCTION VIEWING TIPS

3. Identify which strategy for each property you are interested in – am I going to Buy and Sell the property, rent it out as a single let or move it to a Shared House, or HMO (House of Multiple Occupation). I also want a worked out Plan B for each property, in case Plan A does not quite come off – it has been known in property!
4. Identify a funder for each property, usually bridging company or cash purchase.
5. Attend Viewing slots – often once a week, for 30 minutes, first yourself and then a second visit with your builder

I do a very quick viewing, as most of the work in identifying a deal is desk research and administration – sorry to make it sound so glamorous, but knowing what it is worth and how you can fund it will get you closer to a deal than spending hours enjoying the view of something you may not buy!

1. Take a camera and photograph the site. This is to help you remember the property – once I have viewed more than 10 I tend to lose the detail.
2. Take a clipboard plus a prewritten form (I call mine the Property Viewings Recorder). Fill it out in advance with the address, so you can record aspects about the property to remind you about layout, property attributes, costs and work needed, as well as neighbourhood details that can only be picked up from being on site, that are easily forgotten or mixed up once you drive off.
3. Enter onto your Sourcing Offer System, which is a spreadsheet we use to track all our viewings, offers and properties bought. That way we can track our efficiencies – how many we view, as a ratio of how many we buy is a great measurement to track. It also allows you to know how many you need to view in the future, to hit the number of properties you want to buy.
4. Look at buying one of at least four properties at each auction, and work on all four, knowing only one will be coming home with you that night!
5. Listen to the auctioneer, but don't listen! What I mean by that is that they are there to sell, not to neutrally inform you. I once was at a viewing of a house worth no more than £130k, done up, which had a guide price of £95k. It had serious subsidence, and required a large refurb to get it back to standard. The house next door had sold, in a bubble I think, for £178k.

However, by doing wider research, it was clear that the general market value of these houses was £130k. The auctioneer took great delight in telling every person who entered the property (and there were hordes) that the neighbouring house fetched £178k, which to be fair was true, but a real fluke. As a result, the property got an unrealistically high price at auction, tens of thousands more than it was worth. The buyer had not done their homework, and I always wondered if the buyer had managed to get funding on the property, due to paying so much over the odds, or if they got stung and lost their deposit.

So now we have looked at general tips on viewing and buying properties coming up for auction, let's look at how to benefit from Buying from Auction...

THE THREE ROUTES TO BUYING AUCTION PROPERTIES:

1. Pre Auction Purchase

2. Auction Purchase

3. Post Auction Purchase

The first, buying the property prior to auction is not a widely known strategy. We aim to buy at least one a month in this manner, as you get great property bargains, swiftly. I thought it would be useful to go through the stages of buying a property pre auction.

PRE AUCTION PURCHASE CASE STUDY

Pembroke Road

- Bought £175k
- Refurb 20k
- Sold £240k
- Reason – owners in Dubai, tired flat
- Location: best part of Bristol

As you can see, buying pre auction can be highly profitable. Let's cover the stages you need to follow.



8 BUYING FROM PRE AUCTION STAGES

1. Find out which properties are available for pre auction offers – some will and some won't. Your auctioneer can guide you here.
2. Do your analysis on their end value, and also the cost to refurbish the property
3. Identify how you will fund the property, and start the funding application with a fast funder – likely a bridging company, so that you are ready to actually submit the second you buy it. So in practical terms, make sure you know what documentation the funder will need, and make sure you have it to hand. Also see if you can get a DIP (decision in principle) for your top price, so you go to auction fortified by this knowledge; fewer sleepless nights will follow!
4. Put in pre auction offer, with proof of funds (which may at this stage only be a deposit, with an application pending for bridging) and your solicitor's details
5. Get your offer accepted – congratulations!
6. Conveyance on a daily basis, working with your funder and your solicitor, to complete all paperwork needed to get the funding and exchange prior to the auction day. We have been known to exchange around 3.30 pm, when the auction starts at 6.30, a little hair raising, but at least we withdraw the property for sale at auction that way!
7. Exchange very fast, in advance of the auction date, (often only a few hours, but aim for earlier!) paying a 10% balance.
8. Complete within 28 Days, by paying the balance of the purchase price in time.

Pre Auction is probably my favourite way to buy – you know it will get bought in less than 3 weeks, all parties' minds are focused and you can get onto the property development super fast with no time wasted, and no uncertainty about buying it once you have exchanged. □