

Buying residential property at auction: the basics



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Investing in UK property is an appealing prospect for many and auctions can offer a great way for developers and investors to buy properties.

For those thinking of investing, expanding their portfolio or buying a home then an auction may offer a fast paced, easier way of doing so. But beware: preparation is key. If a bid is made and the gavel falls, the bidder is legally obliged to buy the property and has no right to raise any further enquiries. Understanding the process can help ensure you make a good investment and prevent you from making an uninformed and costly mistake.

Stage 1: Searching for the right property

(a) Obtain the auction house catalogue

It is important to take the time to search for the right property. A good start is to contact the auction house and search through their catalogues. Auction catalogues are prepared a few weeks before an auction to give you plenty of time to view the properties on offer. Each property up for sale at auction is referred to as a 'lot'. The auction catalogue will set out basic details of each of the lots, together with any relevant further information such as whether or not the property is sold subject to an existing tenancy agreement.

(b) Be aware of the guide price

The auction catalogue will designate a guide price for each lot. This is an indication of the price the seller expects to achieve.

A property will not necessarily sell at the guide price. It is not uncommon for a property to sell for considerably more than the guide price or, alternatively, to sell for much less. Usually the seller will set a minimum reserve price (likely to be less than the guide price) below which no bids will be successful.

(c) Research the market

You should research the market and look at the prices of comparable properties which have been recently sold or which are being marketed for sale on the open market. Asking local estate agents for their opinions is a good way to obtain further information on the market and the price a particular property is likely to achieve.

Stage 2: Due Diligence

(a) Inspect the property

Although properties at auction are often purchased without the benefit of a full survey, this can be a costly mistake. In advance of the auction date, you should engage a surveyor to inspect and advise you on the physical aspects of the property. A surveyor will be able to identify and report on any major issues so you that you can evaluate any risks or potential remedial costs before you submit your bid.

(b) The legal pack

You will need to appoint a solicitor to advise you on the legal pack, the auction conditions and any tax implications of your proposed acquisition.

The full legal pack can usually be downloaded from the auction house's website or obtained from the seller's solicitors. This should contain title information, search results, replies to enquiries and other essential information relating to the property. It must be reviewed by your solicitor in good time before the auction. As with any acquisition, the principle of caveat emptor (let the buyer beware) applies meaning that the onus is on the buyer to carry out a thorough investigation and raise any enquiries with the seller before the transaction is entered into i.e. before the bid is made at auction. If you are reliant on mortgage finance, you must also ensure that the information in the legal pack will meet the lender's requirements.





(c) Auction conditions

The contract for purchase for a particular lot will also be available for review prior to the auction. The contract will incorporate a set of standard terms known as the auction conditions. Sometimes, the auction conditions are amended. It is important that your solicitor advises you on the specific terms which will apply to the lot for which you wish to bid. If the auction conditions are not amended, the contract will likely provide that:

Insurance: The seller keeps the property insured up to completion so you will only have to insure the property at completion.

Arrears: The buyer is required to pay all rent arrears to the seller on completion and recover these from the existing tenant himself after completion.

Search fees: The buyer reimburses the seller for these costs on completion.

Leasehold properties: The buyer must provide any information the landlord requires in order to provide consent to the sale (so it is important to understand what will be needed).

(d) Financial arrangements

It is essential your finance is arranged before the auction. You must have the deposit monies (usually 10% of the price) available to pay on the auction day. The balance of the purchase monies will usually need to be paid within 20 days of the auction and so you must ensure you will be able to make funds available in time. If you are reliant on mortgage finance, you must ensure you have your mortgage offer prior to the auction.

Stage 3: Making a bid

(a) Attending the auction

Before entering the auction room, you should check whether there are any recent changes or amendments to the published catalogue or the legal pack. You should review the contents of any formal variation (known as an addendum), which the auction house makes available on the day of the auction.

You should also make sure you are familiar with the bidding process. Procedures can differ between auction houses. You may need to register with the auction house before the auction to be able to submit a bid.

Auction rooms are busy, fast paced environments so ensure that clear gestures are used to attract the auctioneer's attention.

(b) Telephone and proxy bids

We recommend attending the auction in person if at all possible. Attending can help you to assess the strength of the market and decide how you will bid.

If you cannot attend, it is usually possible to submit telephone bids while the auction is taking place. Alternatively, it may be possible to submit a proxy bid in which you specify your maximum bid prior to the auction taking place and permit the auctioneer to bid on your behalf.

(c) Successful bids

Assuming the seller's reserve price is met, the property will be sold to the highest bidder. The fall of the auctioneer's gavel indicates that a bid has been accepted and creates a binding contract between the bidder and the seller.

The successful bidder will be required to sign the memorandum of sale recording the sale details and hand over the deposit monies. The memorandum of sale will then be sent to your solicitor and you will be committed to complete the purchase within the specified timeframe.

If a lot fails to reach reserve price, it may be worth approaching the seller directly to see if a sale can be agreed.

Remember:

1. Auctions occur regularly and provide access to a wide range of properties for investors and buyers to take advantage of quickly.
2. Once the gavel falls, a bid is accepted, creating a binding contract.
3. You must ensure that you have finance in place and that all legal due diligence has been completed and any surveys have been carried out before the auction.

Key contacts



Annabel Dean
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Annabel's focus is on providing pragmatic and commercial advice, enabling clients to navigate the property market intelligently. Her wide-ranging experience spans residential, commercial and rural property issues. Her particular specialism is high-value residential real estate and secured lending. She thrives on fast-paced transactions and finding solutions to the complicated problems which can arise as a result of the esoteric nature of the land law of England and Wales.

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Laurie Horwood
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Laurie's individual clients are predominantly, but not exclusively, high net worth with a background in finance or the City or with an international element. Many of them have complex property requirements and require proactive and commercial advice. He also acts for many leading private banks and has done so for a number of years. This experience enables him to provide pragmatic advice about how best to progress a transaction. He is used to working with fast paced transactions where speed and efficiency of delivery are key. He has a network of contacts across the industry and considers making connections to ensure transactions happen a key part of his role.

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Details for the whole of our highly qualified and knowledgeable [Residential Property team](#) can be found on our website.

Further Information

If you will have a related sale then we refer you to our briefing note – [a basic guide to selling property in England and Wales](#).

If you require further information on anything covered in this briefing please contact one of our experts or your usual contact at the firm on 020 3375 7000.

Further information can also be found on the [Property page](#) on our website.

This publication is a general summary of the law. It should not replace legal advice tailored to your specific circumstances.