

# BRIGHT

## ASK PATRICK

Property expert Patrick Bright reveals some essential tactics for securing the house you want before it goes under the hammer.

**Q.** I've found a property I really like but it's up for auction. The sales agent said they don't want to sell before the auction day. Is there any way to buy it before auction?

**A.** Yes a lot of people don't know this, but you can certainly buy a property prior to the auction day. If it's a great property and you can buy it pre-auction at the right price then why not make an offer? The last thing you want is to be preparing to bid only to be told the week or night before auction day that the property has been sold to someone else at a price lower than you were prepared to pay. The biggest hurdle here is usually the selling agent. In most cases they don't want to withdraw the property from auction and risk the chance of a pre-auction agreement falling through. So, to have any chance at all you need to be serious in your offer and be selective in your timing.

### Get serious

When a selling agent takes a property to auction they're pretty confident they can get it sold under the hammer. Otherwise they'll withdraw it leading up to the auction. And when a property is sold at auction there's no backing out for the buyer. There's no cooling off period – it's a done deal. So if you want to buy a property before auction you have to prove that you're a serious buyer. The best way to do that is by waiving your cooling off rights (speak to your solicitor about this first), so that even though it's a private treaty sale it's under auction conditions. This assures the vendor that you can't back out of the deal leaving them high and dry. If you're prepared to sign a contract and waive your cooling off rights, and hand it to the selling agent or vendor's solicitor with a cheque for the deposit, you've got the best possible chance of putting a deal together prior to

auction. Although I have managed to negotiate it a few times, I don't know many selling agents that will accept a cooling off period on a pre-auction offer. For them to take you seriously it usually needs to be a signed unconditional contract with a 10 per cent cheque attached.

### It's all in the timing

The timing is crucial if you want to buy a property before auction. Take a typical four-week auction campaign. Your chances of having your offer accepted and buying the property in "week one" of the campaign are pretty slim unless the vendor is desperate to sell. At this stage the selling agent usually hasn't had much (or any) buyers' feedback on the property, and the vendor's not going to be highly motivated to sell. Whatever offer the selling agent brings back, the vendor is likely to say, "Well if we're getting offers that high this week, what are we going to get next week, when more people have seen it?" Whatever the selling agent tells the vendor, in most cases they're going to think they can get more money if they wait.

In "week two" a few more people have seen the property and the selling agent's starting to collect a little bit of feedback. The agent is passing the feedback on to the vendor. But the vendor is still probably convinced they can get more. The chances of them taking an offer now have increased but are still slim. In "week three" you have the best chance of buying prior to auction. Now it's only one week or so away from the auction, the selling agent will be seriously conditioning the vendor. One of the things they do to scare the vendor is say, "I don't have a lot of interest, and most of the offers are low. If we get something above this, we should seriously consider it."





By conditioning the vendor to set a low reserve they're also potentially setting them up to sell, before auction. The vendors will be getting a bit nervous because it's only 10 days or so until the auction. They've had a reasonable amount of people through and they've been given a couple of weeks worth of feedback. The vendors will have had to lower their selling expectations and are starting to form an opinion of what is a realistic price for their property.

Now you can get your building report done and get the contract looked over by your solicitor or conveyancer, because you're preparing for the auction anyway. At this point you can submit an offer and you've got half a shot at it. In "week four" your chances go back to slim. The selling agent will recommend that the vendors go to auction because it's so close. And they would like to have a good sale on auction day to promote them and their agency. Your best chance of buying in week four is if the agent isn't confident they've got many buyers. They don't want to have a failed auction on their hands; they'd rather get a sale than no sale at auction, even if the marketing is cut short by a week and the neighbours don't get to see the sale go under the hammer.

#### How to make a pre-auction offer

If you're going to make a pre-auction offer, ideally you'd like to know how much the vendor would accept. But the vendor wouldn't be going to auction if they wanted you to know that figure. So you have to be a little crafty. First, you ask the selling agent, "What's going to buy it?" If you can get that figure out of them, ask yourself, "Am I prepared to pay that

rather than risk it going for more at auction?" If the answer's yes, then organise your building and pest report and/or strata search, have the contract read by your solicitor, sign the contract, attach a 10 per cent deposit cheque and deliver it to the sales agent. But more often than not the selling agent won't give you a price. They'll tell you, "The vendor's committed to going to auction. If you want to make an offer just put your best foot forward." In this case it's probably best to submit a conservative offer and see what happens.

Another tactic is to convince the agent that you don't like auctions and if you can't buy the home prior then you're probably not interested. Put your offer in writing asking for a written response, and state that you won't be attending the auction. How negotiable the

vendor is often depends on how many other interested parties there are. You need at least two bidders to have an auction (although some auctioneers have been known to do it with just one!). So if there's only one other interested buyer, or none, the selling agent and vendor will be more likely to consider your offer and do business prior to the auction. If you're in the position where you really want the property, you've done your research and found out the fair market value, and you're happy to pay up to your limit, then you can just make your highest offer and let the cards fall where they may. [wcm](#)

*Extracts taken from Patrick Bright's latest book, [The Insider's Guide to Saving Thousands at Auction](#). Patrick is a real estate buyers' agent and successful property investor.*

