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The Ultimate Guide to Preparing Yourself for Your First House Auction

Our Friends · Thursday, March 12th, 2020

Buying a house at an auction is one of the best ways to pick up a property at a lower price than you'd be able to get it for on the normal market, but to do this, you need to have a good understanding of what you're doing. When done right and with a bit of preparation and research, you can buy a house in weeks or less, rather than the usual months it can take to buy privately. As soon as the auctioneer hits his hammer, the sale is made, and the house is yours. Before you get to the auction and start bidding, there are a few things you need to know to make sure you're getting the property you want at the right price.

Find auction houses in your area.

The first thing you need to do is to find all the auction houses in your area, and find out when their auctions take place and what properties they have available. Ideally, you need to find a website like [Supreme auctions](#) which lists all of the properties coming up in the next auction and information about them. A quick Google search is the easiest way to find local auction houses and look at each to see what houses they offer. Some may specialize in certain types of property, so whether you're looking for cheap houses that need repair or offices you mean to rent out, see what properties are available.

Make sure that the auction house is regulated, and that they have all the necessary certifications to run an auction in your country or state. This will ensure you're covered if you have any problems later in the buying process.

Before throwing yourself in spending a significant amount of money, you might want to go to a few auctions with no money or intent of buying to get a feel for how they are run, and how the bidding and buying process runs. This will help you find an auction you like the feel of, as well as prepare you for when you're ready to buy.

See what's for sale.

Once you've found an auction house that seems like it will be a good fit for you, get your hands on their house catalog. This will have all the properties that are for sale in the next auction and will have the details you need to schedule a viewing. Like when you're buying a property from the market, traditionally, you'll want to make sure you view it at least once, if not a few times before deciding on whether to make the purchase or not. You'll generally be able to view houses a month

before they go to auction. As long as you know when the auction date is, you have plenty of time to view several houses.

Get your finances in order.

Unless you can pay for a house, then there's no point in going to an auction to start bidding on properties. Similar to when buying a house in the traditional way, you'll need a mortgage in principle for the amount you want to lend. You'll need to do this through a mortgage broker who works for most banks, or is also freelance and work on a commission from referring you to the final mortgage. The broker will take your current situation and tell you how much you'll be able to lend based on your salary, credit history, and deposit size. This amount will serve as a guide to how much you can bid on when you're at the auction, as you won't be able to lend more than your mortgage in principle. Also, you'll need to make sure you have a deposit for the house ready to be paid in cash from one bank account.

For most auctions, you'll need a 10% deposit of the total house value as soon as you make the purchase. You'll then have about 20 days to get your mortgage finalized and ready to cover the remaining cost of the house, so make sure that your broker is ready, and you have an appointment booked to finalize it after the auction is completed. This is somewhat risky, though, and people that regularly go to auctions and invest in property actually have the cash available to cover the entire cost of the house to avoid any issues.

Start viewing.

Once you have an auction in mind and your finances are ready, you'll want to start viewing the properties you're interested in. Arrange the viewing and take a professional, if possible, to give a second opinion. This may be a builder or surveyor that has experience in the type of property you're looking at. If you'd like to arrange several viewings, this is acceptable and often advised, so that you have as much information as possible. As well as viewing the property, do your research and see what information is available online on a website like [Zoopla](#), as you may be able to see how often the property has changed hands recently, and the cost of the sale to give you a better idea of its value.

Find a solicitor.

For each property, you'll be able to view a legal pack that's provided by the auction house, which includes everything, from the deeds to the house, to a full list of the fixtures. When you're interested in a specific house, you'll need to have a solicitor on hand to review all of the legalities in this pack to ensure that everything is in order. This will come with an additional cost, so ensure that you ask for an estimate in advance and have this cost included in your total budget. If you go ahead and purchase a house at the auction, this preparation will be vital for making the process move along faster, as your solicitor will already be familiar with the details of the property.

Organize a survey.

This isn't a requirement by law, but it's a very good idea if you're serious about purchasing a property. A survey is essentially a health check of a house and will investigate any potential problems with the house. This is particularly important for houses that are up for auction, as they are often not in the best condition. A survey will tell you if there are any fundamental issues with the property that may affect what price you're willing to go up to during the auction.

Use the guide price with care.

The guide price that the auction house puts against a house is often under what the expected final price of the house will be by around 10%. This is done to entice some initial bids, and start a good bidding competition to bring the house up to its actual value or more. For this reason, make sure you don't use the guide price as the number that you base your finances on, as you may find that you're significantly out of pocket when you come to start bidding on the day of the auction. Make sure to keep on the guide price as this may change in the lead to the auction, with more popular property's guide price increasing if there's a lot of interest in it.

Get yourself insurance.

As soon as you have successfully made the highest bid for a house on auction day, the house is yours, which means you need to get insurance as soon as you can – ideally on the same day. This will mean you're protected from things like a natural disaster or a fire. It's recommended that you shop around for an insurance provider, rather than just going with the insurance that your mortgage lender offers, as you'll most likely be able to find a better deal.

On the day of the event, there are a few more things you'll want to make sure that you have ready to ensure you're totally prepared. First, make sure you have at least a couple of forms of ID, so that you can prove who you are if you end up successfully buying a house. Another great tip is to have a plan and stick to it. This means having a budget in mind and a very clear price that you won't go over no matter what. This will ensure that you don't end up buying a property you can't really afford, or a property you don't actually want.

With these things in place, you'll be ready for the big day, and if you're successful in winning an auction for a house that you want, the sale process will be much easier.

Photo:  Scott Webb

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