

# **BUYING PROPERTY AT AUCTION**



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# **BUYING PROPERTY AT AUCTION: EVERYTHING YOU NEED TO KNOW**

Buying property at auction can be an exciting and profitable way to grow your investment portfolio. However, it requires careful planning, quick decision-making, and a thorough understanding of auction processes and finance options.

**This guide provides everything you need to know to navigate the world of property auctions and secure the right finance for your purchases.**



## WHAT IS AUCTION PROPERTY FINANCE?

Auction property finance, also known as bridging finance, is a short-term loan designed to help buyers quickly secure properties at auction. Unlike traditional mortgages, auction finance is arranged faster and is tied directly to the property being purchased. Investors often use it to:

- Complete purchases quickly.
- Renovate properties to increase value.
- Transition to a long-term mortgage after purchase.

It is ideal for investors and developers who need funds fast and cannot wait for the longer approval times of conventional loans.

## HOW DOES BUYING A PROPERTY AT AUCTION WORK?

### The Auction Process:

1. Property Listings: Properties are listed in an auction catalogue or online.
  2. Viewings and Inspections: Inspect properties and review the legal pack (with a solicitor). Identify any repairs or legal issues.
  3. Bidding: On auction day, registered bidders compete to win the property.
  4. Winning the Bid: When the hammer falls, the highest bidder commits to purchasing the property. This represents the exchange of a legally binding contract.
  5. Deposit and Completion: The buyer must pay a deposit (typically 10% of the purchase price) on the day and complete the remaining balance within 28 days.
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## WHAT TYPES OF PROPERTIES CAN YOU BUY AT AUCTION?

Auctions often feature a wide variety of properties, including:

- **Residential properties:** From single-family homes to flats.
- **Commercial properties:** Offices, retail units, and warehouses.
- **Land:** Both plots with and without planning permission.
- **Mixed-use properties:** Combinations of residential and commercial spaces.
- **Uninhabitable or derelict properties:** Perfect for renovation projects.
- **Repossession properties:** Often sold at below market value.

Understanding what's on offer helps investors identify opportunities that align with their goals.



# ESSENTIAL CONSIDERATIONS FOR AUCTION PROPERTY BUYERS

## Deposit Requirements

- ✓ The standard deposit is 10% of the purchase price, payable immediately after the auction.
- ✓ Some auction houses may require higher deposits (up to 20%), so confirm the terms in advance.
- ✓ Deposits are non-refundable, so bid only if you're certain about completing the purchase.

## Legal Obligations

- ✓ Once the hammer falls, the sale is legally binding.
- ✓ Failure to complete the purchase results in losing your deposit and possibly incurring additional costs.

## Financial Planning

- ✓ Ensure you have funds ready, including the deposit and the balance, within the auction's completion period (usually 28 days).
- ✓ Pre-arranging auction finance can help streamline the process.

## AUCTION PROPERTY FINANCE: HOW IT WORKS

### Key Features of Auction Finance

- **Speed:**  
Auction finance can often be arranged within days.
  - **Flexibility:**  
Suitable for properties that traditional lenders may not finance (e.g., properties needing significant renovation).
  - **Short-term Solution:**  
Typically lasts 6-12 months, giving you time to secure long-term financing or sell the property.
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## WHY AUCTION FINANCE IS FAST

- ✓ Pre-approval: Buyers can secure pre-approval before auction day.
- ✓ Simplified Application: Focus on property value rather than extensive paperwork.
- ✓ Quick Valuation: Lenders assess property value efficiently, usually using an online automated valuation (AVM).
- ✓ Expert Support: Auction finance brokers like us know our stuff and have relationships with lenders that can expedite the process.

### After purchasing the property, investors often:

- Refinance with a traditional buy-to-let mortgage.
- Use proceeds from selling the property to repay the loan if it's a flip.



## ADVANTAGES OF BUYING PROPERTY AT AUCTION

- Bargain Opportunities: Properties often sell below market value.
- Speed of Purchase: Complete transactions in as little as 28 days.
- Transparency: Open bidding process ensures fairness.
- Wide Selection: Access unique properties, including renovation projects and undervalued homes.
- Investor-Friendly: Ideal for expanding property portfolios quickly with properties that need a little love.



## RISKS AND CHALLENGES OF BUYING AT AUCTION

- **Financial Penalties:** Failure to complete the purchase results in losing your deposit and potentially incurring additional costs.
  - **Uncertainty:** Auction properties may have hidden defects or legal issues. Always review the legal pack and inspect properties beforehand.
  - **Short Timelines:** Be prepared to complete within 28 days, requiring funds to be ready in advance.
  - **Condition of the property:** Auction properties may require significant repairs.
  - **Limited time for due diligence:** You must research and inspect the property quickly.
  - **Competitive bidding:** Emotional bidding can lead to paying above market value.
  - **Hidden costs:** Look out for buyer's premiums, legal fees, and renovation costs.
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## THE LEGAL PACK: WHAT TO CHECK

The legal pack is a critical part of buying at auction. It contains all the key documents you need to review before bidding. Make sure to:

- **Hire a solicitor to examine the legal pack thoroughly.**
- **Check for hidden issues, such as outstanding debts, restrictive covenants, or planning permissions.**
- **Confirm details about the ownership title (e.g., freehold vs leasehold).**
- **Understand any special conditions of sale or unusual terms.**

This step ensures there are no nasty surprises post-auction.

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## EXIT STRATEGIES FOR PROPERTY INVESTORS

Once you've purchased the property, having a clear exit strategy is key.

Options include:

- **Fix and flip:**  
Renovate and sell for a profit.
- **Let to rent:**  
Generate steady income by renting the property out.
- **Refinance:**  
Use a buy-to-let mortgage to repay the auction finance and hold the property for the long term.
- **Redevelopment:**  
Add value by converting or reconfiguring the property for a higher return.

## COMMON MYTHS ABOUT AUCTION PROPERTY FINANCE

### **“It's too expensive.”**

While rates are higher than traditional mortgages, the short-term nature often makes it cost-effective.

### **“It's complicated.”**

Auction finance providers streamline the process for quick approval.

### **“Only for experienced investors.”**

With proper guidance, even first-time buyers can use auction finance effectively.

## FREQUENTLY ASKED QUESTIONS

### Is Buying at Auction Cheaper?

Yes, auctions often allow investors to purchase below market value, especially for properties requiring renovation or quick sales.

### Can Home Buyers Use Auction Finance?

Yes, auction finance is available to both investors and home buyers who need fast funding.

### What Happens If I Can't Pay?

- Legal and financial consequences include losing your deposit and being liable for additional costs.
- Bridging loans can prevent this by providing the necessary funds.

### How Long Does It Take to Complete?

The standard completion period for auction purchases is 28 days, though this may vary. Check the auction terms beforehand.

## TIPS FOR SUCCESS AT PROPERTY AUCTIONS

- ✓ **Research Thoroughly:** Understand the market and review auction catalogues.
  - ✓ **Inspect Properties:** Visit the property and assess its condition.
  - ✓ **Review Legal Packs:** Hire a solicitor to check for legal issues.
  - ✓ **Secure Finance:** Arrange auction finance or have funds ready before bidding.
  - ✓ **Set a Budget:** Stick to your bidding limit to avoid overpaying.
  - ✓ **Plan for Fees:** Account for auction fees, stamp duty, and potential repair costs.
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## TIPS FOR BIDDING SUCCESSFULLY AT AUCTION

- ✓ Set a budget: Stick to it to avoid overbidding.
- ✓ Attend mock auctions to familiarise yourself with the process.
- ✓ Arrive early: Register as a bidder and get comfortable with the environment.
- ✓ Bid confidently: Signal your interest clearly to avoid misunderstandings.
- ✓ Have financing in place: Confirm that auction finance or cash funds are ready before bidding.
- ✓ Know when to stop: If the price exceeds your budget or the property isn't worth the risk, walk away.

## CONCLUSION

**Property auctions can be a lucrative way to expand your portfolio if you understand the process and plan effectively.**

**By securing auction finance and conducting due diligence, you can capitalise on opportunities and avoid costly mistakes.**

**Auctions offer speed, transparency, and unique property options, making them an excellent choice for savvy investors.**

## NEXT STEPS

Consult with Propp's property finance experts to navigate the complexities of commercial property investment. Use our tools and services to ensure a seamless journey from selection to completion.



## READY TO GO?

Contact a commercial specialist at Propp for tailored advice and funding solutions.

## NOT QUITE READY, BUT ON THE WAY?

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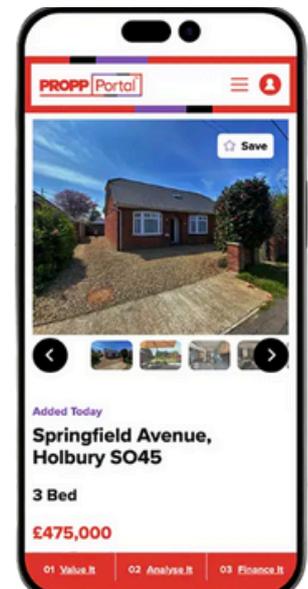
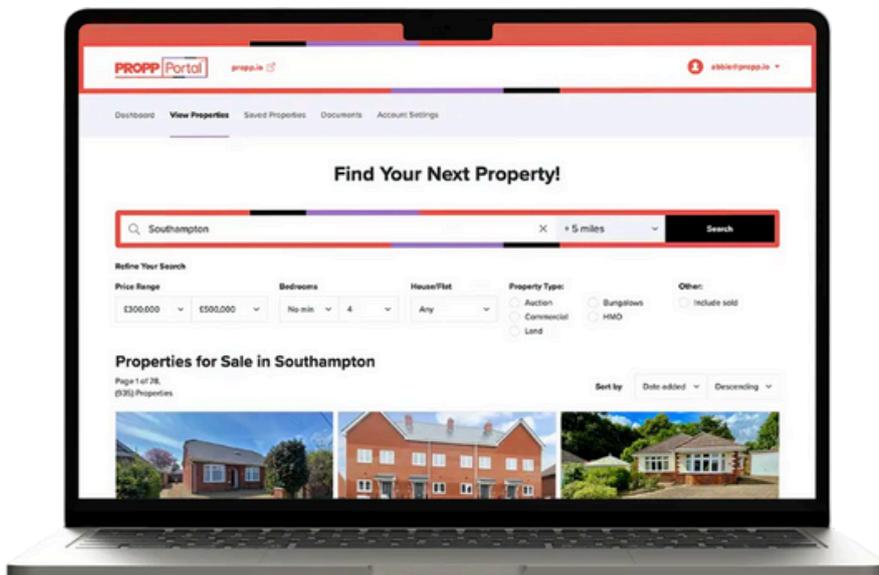
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