

A clear, impartial guide to...

Property auctions

Buying | Selling | Observing



RICS

The mark of
property professionalism worldwide

www.rics.org/usefulguides

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Introduction

Property auctions have become increasingly popular with both buyers and sellers – whether they're owners, occupiers, developers or investors.

If you're thinking of buying or selling a property at auction, it may be in your interests to make sure the auctioneer is an RICS (Royal Institution of Chartered Surveyors) member.

This guide aims to tell you more about the auction process from both a buyer and seller's point of view, and what you can expect.

What is RICS?

RICS is the largest organisation for professionals working in property, land and construction worldwide.

If you're selling a property at auction, you may want to use an auctioneer who is an RICS member. If you're looking to buy a property at auction, an RICS surveyor can ensure the investment you make is a sound one.

Using the services of RICS members offers real peace of mind because:

- We give you clear, impartial and expert advice
- We have strict codes of conduct to protect you – including proper insurance
- As RICS members we have to update our skills and knowledge throughout our careers, so you can rely on our expertise
- You are further protected by our formal complaints service.

Buying at auction

Advantages of buying at auction

Buying at auction has become a more popular method of purchase in recent years. The main advantages are:

- Certainty, control and transparency – as a buyer, you are in control, deciding when to bid and how high or low you wish to go. A purchaser is able to buy the property at a price that was achieved competitively against other bidders in a transparent process, and if your bid is successful, then the property is yours on completion. The vendor cannot withdraw
- It is possible to buy properties quickly. If you are well organised, properly advised and have the requisite financial resources, you can exchange contracts in a matter of days. If the auctioneer is following RICS Common Auction Conditions, completion will be 20 working days after the auction
- You may find properties are on offer with attractive low guide prices, although the eventual sale price will be determined by the level of competition in the room.

Before the auction

As a potential buyer, your first step is to get a copy of the catalogue from the auctioneer. This contains the 'lots' (properties) to be auctioned. Always deal with the auctioneer direct – this way you can be sure you have the most accurate and up-to-date information. And if you're viewing online, make sure you're looking at the auctioneer's official website, not one of the many listing sites that have no connection with them.

Look through the following general information:

- The Important Notice to Bidders
- The Memorandum of Sale
- The general conditions of sale (many auctioneers already use RICS Common Auction Conditions, which you can download free from our website at www.rics.org/cac)

Try to get hold of the specific information relating to the lot (or lots) you're thinking of buying. From the seller's solicitor you need:

- The legal pack, which contains documents such as title information, searches and leasehold documents
- Any special conditions of sale

From the auctioneer you need:

- The guide price, which can change throughout the marketing period. It's worth checking what the auctioneer defines as the guide price too – for instance, they may call it 'the seller's minimum price expectation'
- Any addendum, which you can get before or at the auction – this tells you about any additions or amendments to the catalogue that have come up and might affect the sale of the property.

It's worth keeping in regular contact with the auctioneer so you know about any addendums or changes to the guide price, and if the lot is sold or withdrawn before the auction.

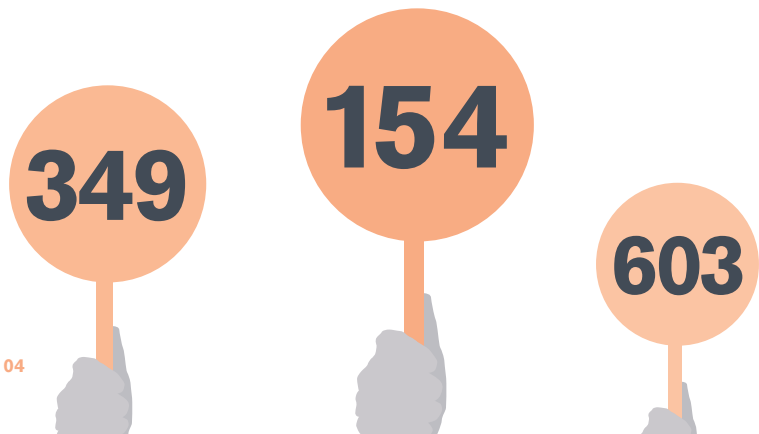
Before you decide whether or not you should bid, make sure the information you've been given about the property is correct – it's worth getting professional advice and both a valuation and an appropriate survey before you buy (see further the free RICS guide 'Property Surveys', available at www.rics.org/propertysurveys)

Finally, you need to arrange finance – both for the exchange (normally a 10% deposit) and completion. If the auctioneer is following RICS Common Auction Conditions, completion will be 20 working days after the auction.

Once you've decided to bid, tell the auctioneer you're interested in the property and keep in regular contact.

Next, you need to find out what the auctioneer's procedures are for the following:

- Proxy, internet or telephone bidding (if you or your solicitor or agent can't attend the auction)
- Signing the Memorandum of Sale, and responsibility for insurance on the property from and including the auction day. Generally, insurance on the property is up to the buyer as soon as the hammer falls
- Paying the deposit
- VAT – the auctioneer will ask the seller whether or not the sale is subject to VAT. If so, you need to know the impact of VAT on the deposit and completion amounts
- Checking your ID
- Pre-registration.



Selling at auction

The immediate run-up to the auction

On the morning of the auction (or last thing the day prior to the auction) it is worth calling the auctioneers and checking that the property you wish to bid for has not been withdrawn or already sold. This may save an unnecessary journey and related travel costs.

Auction day

Make sure you arrive at the auction in time to check the addendum for any changes relating to the lot you want. Also, listen out for any announcements about the lot in the auctioneer's opening remarks.

When the lot is sold

Before the hammer goes down, the auctioneer points to the highest bidder and states the final amount bid. Once the hammer falls, there is a binding contract, which is subject to the conditions of sale.

If you're the buyer, a member of the auction team will then approach you to get the information they need to complete the Memorandum of Sale and other relevant documentation. They'll also ask you to pay the deposit and supply your ID.

When the lot is unsold

If a lot doesn't reach its reserve price, the auctioneer says it hasn't been sold and doesn't bring down the hammer.

If this happens with your prospective lot, make sure you leave your contact details with the auction team so you can find out about any post-auction sale.

If you are still unclear about anything then contact the auctioneers who should be able to provide you with further information.

The advantages of selling at auction are:

- Certainty – properties are not sold 'subject to contract' in the same way as happens via a traditional estate agency sale method. The successful bidder is legally obliged to complete the sale once the gavel falls
- Good marketing exposure – many auctioneers advertise in national, local and trade press
- Good sale price – with a set guide price, your property should be able to achieve the best possible market price
- Speed – sale is relatively quick and completion usually takes place 20 working days after the auction if the auctioneer is using RICS Common Auction Conditions, which you can download from our website at www.rics.org/cac

Before the auction

If you want to sell a property at auction, first ask the auctioneer's advice about its saleability, and what they would recommend as the guide and reserve prices.

Once you've checked the date and venue of the proposed auction, ask the auctioneer for details of the terms of appointment. You need to agree these before the auctioneer does anything.

Auctioneers have to follow a number of statutory regulations, including the Estate Agents Act 1979. RICS surveyors are also obliged to follow the RICS Rules of Conduct.

The terms of appointment will include:

- Their commission if the property sells at auction, or if it's withdrawn or sold before the auction, or sold after the auction
- Any extra charges and whether you're liable for them.

The terms of appointment will also include the auctioneer's right to:

- End or change the appointment
- Instruct your solicitor to prepare the legal pack and special conditions of sale, and to attend the auction
- Act on your behalf in the auction room, including signing the Memorandum of Sale
- Manage things in the auction room, including the bidding increments
- Sell the property at the reserve price or above.

You also have to agree procedures for the following with the auctioneer:

- Amendments to the reserve and guide price
- Putting up sale boards at the property
- Exclusive advertising, including cost
- Inspections by potential buyers
- Proxy, internet and telephone bidding
- Identifying the successful bidder, getting the deposit cheque and signing the Memorandum of Sale
- Dealing with any unsold lots.

The terms of appointment will include a warranty that the information you've supplied, or has been supplied on your behalf, is accurate. You also need to be aware of any disclaimers.

In most cases, the auctioneer will be your sole agent. However, if you want to take on an associate auctioneer, they'll need to agree their respective responsibilities, duties and fees with the auctioneer.

Both you and your solicitor need to see the auctioneer's general conditions of sale. These are often RICS Common Auction Conditions, see www.rics.org/cac

Anti-money laundering regulations mean the auctioneer has to carry out money laundering checks, including proof of identity and address, as soon as they can.

Auction particulars

The next step is preparing the auction particulars. These may form part of your auction contract, and include any plans or photos of the property, which must be as up-to-date as possible. The particulars must be factual and accurate, complying with the Property Misdescriptions Act 1991.

You need to liaise with your solicitor to make sure you've revealed anything that could affect the sale of the property to the auctioneer – for instance public health notices, local land charges, major arrears of rent or service charge, or disputes.

While the auction properties are being advertised, the auctioneer should tell you about the level of interest in your property and let you know if you get any prior offers, unless their terms of appointment state otherwise.

Auction day

If the lot is sold

Even though you'll probably be at the auction, when the hammer comes down it signifies a binding contract, and it's the auctioneer or clerk who signs and exchanges the Memorandum of Sale with the buyer and collects the deposit.

If the auctioneer is using the RICS Common Auction Conditions, completion will be 20 working days after the auction.

If the lot is unsold

If the lot doesn't reach your reserve price, you need to know what the auctioneer's procedure is for dealing with unsold lots.

Useful links

Here are some useful website addresses for advice on property auctions:

Royal Institution of Chartered Surveyors

www.rics.org

Essential Information Group

www.eigroup.co.uk

Focus

www.focusnet.co.uk

Investment Property Databank

www.ipd.com

Property Mall

www.propertymall.com

Which?

www.which.co.uk

Inland Revenue

www.hmrc.gov.uk

Land Registry

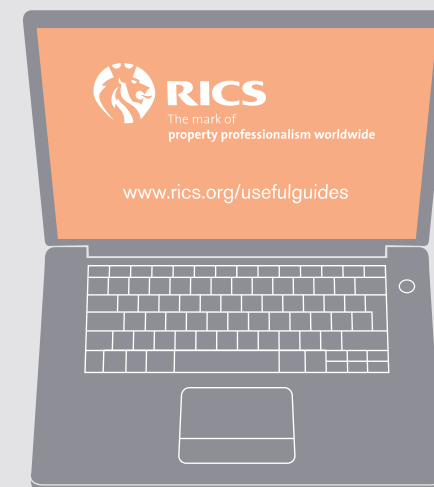
www.landreg.gov.uk

Council of Mortgage Lenders

www.cml.org.uk

Law Society

www.lawsociety.org.uk



Free RICS guides



RICS have a range of free guides available for the property issues listed below.

- Buying a home
- Selling your home
- Property surveys
- Extending your home
- Subsidence
- Boundary disputes
- Party walls
- Right to light
- Compulsory purchase

- Letting a property
- Renting a property
- Flooding
- Property auctions
- Buying and selling art and antiques at auction

To order your free copies, call

0870 333 1600

or alternatively email contactrics@rics.org

or visit our website www.rics.org/usefulguides

For more information

We hope this guide is useful to you. If you'd like to know more about property auctions or how RICS can help you contact us.

Visit our website
www.rics.org/propertyauctions
alternatively email
contactrics@rics.org

or call the RICS Contact Centre
0870 333 1600

Consumer helplines

RICS offers telephone helplines giving you 30 minutes free advice on:

- Boundary disputes
- Party walls
- Compulsory purchase

Just call **0870 333 1600** and you will be put in touch with an RICS member local to you, willing to provide a free 30 minute initial consultation. Lines are open 0830 - 1730 (GMT), Monday to Friday.

Find an RICS member

If you want to find independent, impartial advice from a qualified professional with good local knowledge, contact us.

Look out for firms that are 'Regulated by RICS'. Estate agents and surveying firms that are regulated by RICS will be easier to spot as they will be using 'Regulated by RICS' on their stationery and advertising material.

To find a chartered surveyor in your area visit
www.ricsfirms.com

alternatively email
contactrics@rics.org

or call the RICS Contact Centre
0870 333 1600

RICS (Royal Institution of Chartered Surveyors) is the leading organisation of its kind in the world for professionals in property, land, construction and related environmental issues. As part of our role we help to set, maintain and regulate standards – as well as providing impartial advice to Governments and policymakers. RICS has 140,000 members who operate out of 146 countries, supported by an extensive network of regional offices located in every continent around the world. To ensure that our members are able to provide the quality of advice and level of integrity required by the market, RICS qualifications are only awarded to individuals who meet the most rigorous requirements for both education and experience and who are prepared to maintain high standards in the public interest. With this in mind it's perhaps not surprising that the letters RICS represent the mark of property professionalism worldwide.

Your local RICS member

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