



*The “how to”*  
**FOR BUYING  
PROPERTY**

THE LOWDOWN: BUY AT  
AUCTION OR PRIVATE TREATY?

**B**uying a home is one of the biggest financial decisions you will make. Once the inspections are complete and you're ready to proceed to purchase, it's recommended to contact your broker or lender. The next step depends on whether the property is being sold at public auction or private treaty (a sale negotiated with the owner).

It can be overwhelming without understanding the benefits and areas to consider for each type of sale when searching property on the market. You should always seek professional advice to suit your own individual circumstances.

## 1 BUY AT AUCTION

Sale where the seller sets a minimum price, is also known as the 'reserve' price. When planning to buy at auction, be sure to have a bank pre-approval in place, and that all legal work and inspections have been completed prior to the auction date. If you are located in New South Wales, Queensland, Australian Capital Territory or Tasmania, to participate in the auction, you must register with the vendor's agent and be assigned with a bidder's number. If your bid is successful you are obliged to sign the contract and go through with the purchase according to its conditions as there is no cooling off period. For that reason, it is important to make sure you really want the property before you start bidding and it is crucial that you don't exceed your maximum spending limit.

### BENEFITS

- **Competition.** You may pay a lower sale price than you anticipated if there is low competition, and the reserve price is met
- **Transparent process.** You are aware of what the other bidders are willing to pay for the property.

### THINGS TO CONSIDER

- Ensure a clear price guide is advertised at the auction you are planning to attend
- Attend another auction prior (and not participate in the bidding process) to understand how the process operates

- If you are the highest bidder, (and the reserve has been met) you are required to sign the contract and pay a deposit on the spot (usually 10 per cent of the purchase price)
- **Competition.** You may have to pay a higher sale price than you anticipated if there is strong competition
- No cooling off period.

## 2 BUYING BY PRIVATE TREATY

A sale where the seller sets the price of their property. The listed price is the amount that the property is being advertised for on the market. A buyer's agent or your own research will assist you when negotiating the purchase price of the property with the seller. Negotiations with the seller will be made via their real estate agent.

### BENEFITS

- **Greater negotiation.** An offer can be made, negotiated on, and accepted at any time
- **Cooling off period.** A set period of time in the contract which is when you can walk away from the agreement to purchase the property, but with a possible cost. You could be asked to waive your right to a cooling off period. The length of the cooling off period can vary between states. Western Australia and Tasmania do not have mandatory cooling off periods unless it is accepted in the contract by both parties.

### THINGS TO CONSIDER

- Don't be too inflexible when negotiating. It would be disappointing to lose the property to someone else for an amount that you would have been happy to pay
- Holding deposit of approximately 0.25 per cent will need to be paid once the offer is accepted
- If you decide not to proceed, you will typically have to pay the vendor a termination fee, which is usually around 0.25 per cent of the purchase price
- How long has the property been on the market? The seller may be more flexible when negotiating if the property has been on the market for several months
- Making an offer at list price will help lock out the competition.

WHATEVER YOU DECIDE HAPPY HOUSE  
HUNTING AND ENJOY THE PROCESS