

'West– 8 January 2011

AUCTION TERMS: 10% Deposit & 30 days to settle...

There's nothing liberal or inviting to a buyer about these crusty old terms...This may have suited the market place back in the olden days around the time of the first trillionth of a second following the big bang, however not these days!

We as people living in the 21st century are much more sophisticated in our lives when it comes to property investment & financing, term deposits, creative financing, share trading...and just put simply, general money matters!

Let's face it, most people don't use cheques accounts or cheque books these days! So how on earth can you have a bank cheque drafted on a Friday afternoon for "a set percentage" of the purchase price of an auction property when you don't know how much you're going to pay for the subject property the following day? You can't! Let alone an amount of 10%!

After 23 years in the Real Estate industry it is my understanding most people may have up to millions of dollars in property equity, yet may have only a small amount of cash in the bank.... Why? Because having a large cash surplus sitting in your bank account isn't being put to gainful employment!

Hence the arrival of fixed deposit amounts...

For as long as I can remember, we as agents have written up offers to purchase & sell using the conventional 'Private Treaty' method of sale and applying a notional deposit amount which was nowhere near the equivalent of 10% of the purchase price! For example a \$750,000 sale with a \$15,000 deposit which represents just 2% of the price.

So when it comes to auctions we need to do more of the same of what we've been doing in the past when using the conventional method... Let's make it easier for people to purchase at auction! Because in an economic climate like where we are in at the moment, where pricing the value of a property with a degree of accuracy is near impossible, auction is surely the best method?!!.

If the terms of an auction are made "liberal", the process will then accommodate for more buyers, thus creating better competition and an enhanced outcome for the Seller....

Stepping out the settlement period to 6 or 8 weeks will then add value to the property as it gives a successful buyer who ordinarily would not have bid or even attended the time sort out their own financial affairs (behind the scenes)...whilst their purchase at auction will be "unconditional", they may have a property to sell or use the equity within to raise the borrowings for their new purchase...

All that was done in the old days is not necessarily the best.... Let's break the chains and make it liberal for all...

Tom Esze is the current REIWA State Auctioneering Champion

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