

GUIDE TO PROPERTY AUCTIONS



BESPOKE BRIDGING LOANS MADE SIMPLE

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GUIDE TO PROPERTY AUCTIONS

Over the past 12 months, Britain seems to have caught the auction bug. Auctions have always been a favourite of property investors and developers as a means to find assets under market value. Not only do they offer the chance to find property at a reduced cost unlike anywhere else on the market, but they also protect the buyer from being gazumped and remove the threat of broken property chains. Buying real estate through an auction provides an opportunity for investors to purchase otherwise unattainable or expensive properties within a quick timeframe. For example: a larger, older house that holds potential to increase yield (if it were to be converted into flats for instance) is easier to find at auction than on the open market and most often than not, at a more attractive price.

Auction Houses London has shown an increase in the number of lots sold per auction, with all property auctions selling at least **81%+** of their lots between May 2020 and March 2021.

At the beginning of the pandemic back in March 2020, the property market was brought to halt when the threat of Coronavirus sent the country into lockdown. Due to this, almost 400,000 housing sales were stalled. With social distancing measures in place, auction houses had to find a new way to engage with potential buyers and help keep the property market moving. By continuing auctions online, it gave access to a wider audience and provided a way for investors to unleash their pent-up hunger for property.

We regularly receive enquiries from brokers asking how their clients can use fast bridging loans to complete quickly for their online property purchases, but why have auctions become so popular?

Why do people purchase property from auction?



Speed

If you're looking for a fast investment in a short timeframe, auction purchases are a great option. As they generally require a completion period of 28 days, purchasing through an auction house is a faster route than buying via a realtor.

Long-term capital gains

Bricks and mortar are a long-term investment that has a strong potential to increase in capital gain over a period of time. A good way to utilise auction-bought property is to rent the asset as a single-use dwelling or convert it an HMO. This then provides a monthly income that can help cover any maintenance fees or wear-and-tear damage from tenants.



Short-term Renovation Project

These properties usually require a vast amount of renovation work. The act of refurbishing a property can raise the house value and help entice buyers, making it a quick resale job for the investor.



If you're looking for unusual, older properties – then an auction houses is a great place to start. Usually unattainable without a large price tag, these properties have an untapped value that is waiting to be discovered.

Factors such as size and location - much like properties bought from an estate agent will impact the sale when bidding commences. The average price of a property sold at Allsop's latest auction in March 2021 was **£337,304.80**. Whilst this may be higher than the UK national average, this does include several properties located within the Capital, where the average property value currently rests at **£496,346**.

With the UK house prices continuing to rise, is it any wonder why people are turning to auctions in attempt to find more attainable real estate opportunities?

Current Marketplace

- The UK average house value achieved its highest increase in 6 years as it reached **8.6%** over the past 12 months leading up to February 2021. This is the highest increase on record since October 2014
- Rightmove has reported that the average asking price has also jumped by 2.1% during April 2021, and is at a new high of **£327,797** (£6,733 greater than March).



WHO ARE PROPERTY AUCTIONS FOR?

Whilst many attendees may be property developers, investors or landlords, auction houses have been working on opening their doors to include potential homebuyers. This has created 2 types of auction methods:

Methods of Property Auctions:

1) Traditional Auction Method

- In a traditional auction, buyers will have approx. 28 days to complete their purchase in full. Whilst this seems like a tight deadline, this speed is often preferred by investors, and may also be necessary for the seller if they're in a position where they need to complete quickly.
- In these situations, alternative finance has become a go-to option for many property investors, who are able to use their property portfolio as security for their loan.

2) Modern Auction Method

- To open the auction world to homebuyers, the modern auction permits 56 days for the buyer to arrange finance.
- They must exchange contracts within the initial 28-day period, leaving a further 28 days in which they will need to complete.

Virtual Auctions are auctions conducted over the internet. Instead of being organised in person; in a single room; at a select time, the virtual bidding period can be arranged to last over a selected time period; from 24 hours to lots being available for a set number of days. This virtual presence has had a great impact on auction-buying behaviour. The accessibility the internet provides has caused a noticeable surge in sales and average spend per property.

Allsop Residential Figures & Average spend per property:

- March 2014 average spend was **£247,327**
- 'Pre-Pandemic Britain' Figures (March 2019) **£289,048**
- 'Reaction to Lockdown 1.0' Figures (April 2020) **£245,878**
- 'The New Normal' Figures (March 2021) **£350,958** *Allsop's latest residential online auction figures

Why the increase in spend?

By moving online, auctions have had to adapt. Online auctions have allowed property investors to continue purchasing properties at a faster capacity than if purchasing through a real estate agent. One of the biggest changes is the ability to bid on a property for an extended period of time, rather than having a singular opportunity to make a bid. It also widens the competition, increasing the likelihood of bidding wars, as the net is extended beyond the screen, rather than to set number of people in one room.



How do I know my auctioneer is regulated?

If you're unsure if your auctioneer is regulated, then a good way to check is to see if they are a member of a professional body such as the National Association of Valuers and Auctioneers (NAVA). NAVA is a self-regulated body that helps promote high standards for valuers and auctioneers, as well as protecting and guiding consumers.



WAYS YOU CAN UTILISE PROPERTIES

There is always a reason why a property is being sold at auction, from a seller in need of a fast sale, to property that has become a renovation burden for its owners. There are many ways in which a property investor can utilise these auctioned assets for financial gain:

- 1) **Renovate and sell on for higher price**
- 2) **Converting the asset**
- 3) **Development purposes**
- 4) **Expand/starting a property portfolio and renting out the property**

Looking for a new business asset?

Property auctions are not just for purchasing residential dwellings. They can also be a great place to find commercial or semi-commercial assets. Whether you're expanding your business; looking to buy and renovate an office space; or interested in getting your foot through the commercial door, an auction can prove a faster alternative than buying from an independent seller or going through an estate agent.

Allsop Past Commercial Auction Annual Average Total Spend Figures:

Date	Total Spend
2015	£75,654,692
2016	£102,523,003
2017	£103,846,295
2018	£87,534,949
2019	£72,606,709
2020	£55,060,522

Figures have been up and down for commercial auctions, but since the outbreak of coronavirus, the average total has dropped by **£17,546,187** between 2019 and 2020, a decrease of **17.54%** when compared to sales between 2018 – 2019.

However, commercial interest is starting to make a comeback. Investing early holds the potential to unlock large commercial gain as the national lockdown starts to lift and high street shoppers and pub enthusiasts come swarming back.

- March 2021 average spend per asset- **£645,740**
- March 2020 average spend per asset was - **£519,631**

Due to social distancing and national lockdowns, the commercial and the hospitality industries have had a struggling year. Although prices remain low, as Britain starts to reopen its commercial doors, there is likely to be a race for the undervalued properties when the new normal comes into full effect and if all UK restrictions are lifted as planned in July 2021.

Market in Minutes: UK Commercial

- The commercial investment volume for January & February 2021 was **67%** lower than the same period last year in Pre-Pandemic Britain, as it came in at £3.8bn
- Interest in retail warehousing has started to rise among investors, as it is a section of the retail industry that is safe from the increase in online shopping.



HOW TO PREPARE BEFORE THE PROPERTY AUCTION



1 Narrowing down the lots

Each property auction will have a catalogue with all the lots available, alongside their guide or reservation price.

- **Guide price:** The starting price used when bidding commences
- **Reserved price:** The minimum price the seller will accept

These catalogues will be uploaded approximately 4 weeks before the auction, so make sure you look through the available properties as soon as you are able.

You can ask to be kept informed on properties that pique your interest, should the seller make any alterations to the sale conditions in the days leading up to the auction date.

You may also ask the auctioneer about the potential to purchase the property prior to the auction.

2 Arrange Viewings

Visiting the property is vital when considering buying from an auction. Make sure you have a thorough inspection of the property and don't be afraid to ask the auctioneer any question you may have.

If you are able, inviting a tradesman such as a builder, architect, surveyor to join you at the viewing is a way to receive a professional insight into the potential works the property may need and how much they may cost.

3 | Legal Pack

Downloading the legal pack for your solicitor to check is imperative and is the most crucial part of any auction purchase. You and your legal representative will need to double check all the fine print to ensure there are no loopholes and that you are happy the document is both legitimate and watertight.

The legal pack generally includes local searches, title deeds, information form, list of fixtures & fittings.

*Some nonessential documents may not be disclosed, to which your solicitor will be able to notify you of. In these circumstances, it could be a red flag that the property may have an underlying issue that you need to look into further.

4 | Commission a survey

This is basically a health check of the property. It is not a legal requirement but makes for good practice.

A homebuyer report is a good place to start – unless the property is unused, in a bad condition or listed.

5 | Arrange Finance

Finance will need to be organised quickly, so arranging your maximum amount prior to the auction not only sets a limit for your bidding but means that you can move quickly and with certainty after the gavel falls.

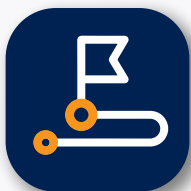
You will need to pay a 10% deposit on the day, if your bid is successful, (this may vary so check with your auction house) meaning you will need to arrange the remaining 90% within the average period of 28 days.

Using alternative finance, like a bridging loan, means buyers can move fast as funds can be within their accounts in as little as 3 days.

When it comes to calculating how much finance you'll need, don't base your sums on the guide price. These numbers are often lowered (approx. 10%) to help entice buyers and prompt bidding.



THE DAY OF THE PROPERTY AUCTION



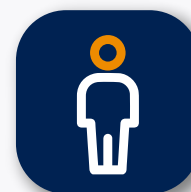
Arrive well in advance

- Leave plenty of time to register pre-auction and to ask about any changes that may have occurred to the properties you are interested in as this could affect your decision.

Standing in

- If you are unable to attend in person, then you may appoint a representative for someone to bid on your behalf. This could be an agent or your solicitor, for example.

Some auction houses may allow for potential buyers to bid via telephone. In these circumstances, you will need to provide written confirmation and a cheque with your maximum deposit to the auction house, ahead of the auction day.



What to bring

- Should your bid be successful, you will have to sign a contract and pay your deposit. Therefore, you need to make sure you have:
 - 2 forms of ID – such as a driving license and a passport
 - Your 10% deposit ready in your account or in cash



Insurance

- From the moment the gavel falls, the property becomes your legal responsibility. First and foremost, you should arrange some building insurance to protect your property against any brick, mortar and structural damage.



After the auction



Unsold properties

- Should a property be announced unsold, then they may be sold privately after the auction. It is therefore good to announce any interest you may have for properties to the auctioneer before the bidding commences, and then stick around after the sale has finished.

Stay Positive

If you come away from the auction and your bid was unsuccessful, don't let this put you off. There are plenty of auctions across the country happening on a regular basis.

The more experience you have, the better prepared you'll be for next time.



ALTERNATIVE AUCTION FINANCE

Having only 28 days to complete a purchase can be a struggle. Auction bridging loans are a faster alternative to mainstream finance, due to their flexible structure. Bridging loans are considerably quicker, with our ability to provide funds from as little as three days, even with complex circumstances. Our lending period also ranges from 3 – 21 months and with no early repayment charges, if circumstances change then you can exit at an earlier date that works best for you.

We use a secondary property or an asset from your property portfolio, should you have one, to use as security against the loan. This allows us to raise the funds you need to purchase your new property.

We'll need to conduct a valuation on the property before the auction, but our longstanding relationship with our valuers means that we can have your valuation report in under 48 hours.

MFS Auction Loans Summary

- **Term: 3 - 21 months**
- **Up to 75% LTV**
- **Borrow from £100,000 - £20,000,000**
- **We have no exit fees or early redemption fees**

Long-term Solutions

Being a short-term financial solution, a bridging loans provides you with the breathing space you need to arrange a long-term loan, such as a traditional mortgage. However, there are other ways in which you can repay the loan:

- **Renovating the property and selling the asset for a higher price**
- **With the sale of another property**
- **Renting out the property and arranging a BTL mortgage**

LOOKING TO BUY FROM AUCTION?

Here are the MFS top 10 auction houses across the UK that hold auctions on a regular basis:



Auction House UK

The logo for Allsop, with the word "allsop" in a lowercase, grey, sans-serif font, underlined with a pink horizontal line.

Allsop



Savills Auction Houses



Town & Country Property Auctions

The logo for Clive Emson Land and Property Auctioneers, with "Clive Emson" in a blue serif font and "LAND AND PROPERTY AUCTIONEERS" in a smaller blue sans-serif font below it, all within a dark blue rectangular background.

Clive Emson Auctioneers

The logo for Barnett Ross Auctioneers, with "Barnett Ross" in white serif font on a dark blue square background.

Auctioneers

Barnett Ross Property Auctioneers



SDL Property Auctions



Strettons

The logo for Brown & Co, with "BROWN & CO" in white serif font on a dark red background.

Brown & Co

The logo for NetworkAuctions, with "NetworkAuctions" in white and green font on a black background, and the tagline "Local expertise + National coverage" below.

Network Auctions

Contact us today to arrange your fast,
bespoke bridging loan:

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