



# TotalCHOICE

## home loans

## When the auction is passed in – to you! What happens next?

*The hammer falls, the auction has ended, the bidding's all done... and the property is passed in to you, the highest bidder. You're standing out the front of what could be your dream home, surrounded by curious neighbors, nosy passers-by and who knows how many other serious buyers. So what now?*

### **What happens next?**

With the property passed in, as the highest bidder you have the exclusive first right to negotiate with the seller. Only when you walk away can the agent start negotiations with someone else – so remember that you're in the box seat.

At this point the agent will invite you to come inside and negotiate – don't go! Once you're inside, you're in the seller's territory and this may put you at a psychological disadvantage. Make the agent go back and forth between you and the seller to keep the power in your hands.

By staying outside, you can also keep an eye on what's going on, so you'll know if there really are any other potential buyers hovering. Remember that time is on your side – the agent may have another auction to get to, and the seller has invested money and emotion in the auction. They want to see a result.

### **A negotiating strategy**

If you've done your research and checked recent sale prices of similar properties in the neighborhood, you'll have a rough idea of what the house is worth. This, along with the price the property was passed in at, should give you some idea of what the seller is hoping to get, not just the price range so often quoted by the agent.

You may also have done a little due diligence on the seller – if you know why they're selling, you might get a sense of how urgent the sale is. Has there been a divorce that means assets have to be divided? Is the property a deceased estate, with the heirs anxious to cash in? Has the seller already bought another property?

### **Finding the right price**

You know how much you can afford and how much you're prepared to pay, and you now have some idea of what the owner wants. Somewhere in there is the price you'll be able to buy the house for.

It's not a bad idea to ask the agent how much the seller really wants if they haven't disclosed the reserve. Stick to your guns here – tell the agent that you've already made an offer with your passed-in bid, and it's now up to the seller to come to the table.

When negotiating, avoid telling the agent your walk-away price; they'll try to get as close as possible. Keep it vague. Keep your emotions in check, too – real estate agents can smell emotional investment in a property at 20 paces.

And stay a little bit flexible – spending slightly more than you planned probably won't seem like such a big deal in four or five years' time if it helps you secure the home you really want.