

# Auctioned residential buys

PART 1

> The rising costs of living has ignited a trend amongst property investors and home purchasers. Still, thorough 'homework' needs to be done or your purchase could come with 'a can of worms'

BY MICHELE THESEIRA

THERE are many ways and means to go about buying a piece of property, whether to live in or as an investment. However, looking at today's rising costs of living, property prices included, belts need to be tightened in most cases, and married couples both need to work in order to enjoy a comfortable lifestyle. Still, there are those with money making blueprints and financial freedom plans, always on the lookout for good investments to increase their wealth and enjoy life's comforts. A clever way to grow one's fortune is by investing in auctioned property.

This article will explain the basics of auctioned residential property. Part 2 next Friday will include even more exciting insights like the benefits and risks, the dos and don'ts and additional important information no property buyer should turn a blind eye to.

#### PROCLAMATION OF SALE

Log onto the Internet to search for auctioned properties but don't get carried away by the numbers, dollars and cents included. Renowned investment guru Milan Doshi shares his thoughts. "For property investors, auctions are a great place to buy properties at bargain prices. To achieve success using this strategy, you must be fully educated on all aspects of auctions. Knowledge makes the difference between making money and not making money." He advises the first timer to first understand how auctions come about, and what goes on at the credit or legal departments of banks before a property is put up for auction.

**TIP:** If you want to learn the procedures and get a feel of the auction process, it's advisable to attend a few auction fairs held in hotels by the real estate agencies. Members of the public are allowed to sit behind in the auction room. This way you can observe from a safe distance. In the courts, only bidders with bank drafts are admitted into a room where the auction is held. No one else is allowed in. - Milan Doshi

#### ADVERTORIAL

## Driving Porsches, driving Elemen

By invitation of NCT Group of Companies, a group of Porsche owners took their cars on a scenic route up to Genting Highlands recently. It was on occasion of a Porsche Carnival at the sales gallery of the new luxury apartment project called Elemen. Garnering its name from the five main tenets of feng shui, this is the latest project by NCT Group. At the event, Yap Ngan Choy, group managing director of the integrated construction and property development firm revealed, "The take up for Phase 1 of Elemen has reached 85% and comprises of local and foreign buyers." Also in attendance was Joe Yap, group



executive director, who expressed his pleasure with the way the high-end project has turned out and is enthusiastic about the company's upcoming ventures. The event on Sept 7 attracted 35 Porsche owners and included not just a drive but games along the way. For more information on Elemen, visit [www.nct.net.my](http://www.nct.net.my)

#### THE CHOICE IS YOURS

While the choice might be yours when it comes to buying a property through an auction or not, the choices available are also plentiful, spilling over. With the abundance of choice, it is sometimes harder to come to a decision. Nevertheless, it is always good to do one's homework, not only on the auctioned property you have set your mind on, but on the private licensed auction firm to deal with, and other parties involved in your purchase.

"These days, there are more home owners opting to buy and sell properties at auctions. As an example, there was a piece of land in Puchong area that was valued between RM200K to RM300K which fetched RM500K at an auction," informs Leong Wye Hoong of Leong Auctioneer Agency. However, Henry Butcher's Tang feels that although there is possibility to buy properties at prices below the market value at auctions, one must take heed of the procedures, terms and conditions. "There are surely pros and cons: like property can be cheap, but property might also be occupied and the successful bidder will have to go through the legal hassle of evicting the occupant/s. Moreover, there may be hidden costs in the form of outstanding outgoings etc.," Tang adds. He also urges those who intend to buy/sell auction properties to get familiar and understand the whole process and not go into it blindly. He says there is the option of getting a reputable real estate agent to advise and bid on one's behalf at an auction. The real estate agent's fee is usually paid by the bank. For banking procedures and documentation, check out the AmBank and Hong Leong Bank websites.

From foreclosed and repossessed properties, vacant possession, caveats and more, don't miss out on valuable tips from property experts and those experienced in auctioned property, in next Friday's property insights page.

**TIP:** If you are unable to make it for the auction or if you are inexperienced, you can appoint someone else such as a real estate agent to bid on your behalf. You will need to give a letter of authorisation for this person to represent you. Some banks do pay sales commission to real estate negotiators who bring their clients for the auction. In fact, Danaharta does pay the real estate agents commission for their property auctions where buyers are introduced by the agents. - Milan Doshi, property and investment guru

#### TERMS & CONDITIONS FOR BUYING PROPERTY AT AN AUCTION

- Auction properties are sold without vacant possession and buyers may have to take legal action to evict a hostile owner or tenant
- Prospective buyers may not be able to view the inside of the property
- There may be some hidden costs to be borne by the successful bidder. He is usually required to bear all outstanding quit rents, local authority rates (annual assessments), maintenance charges and utility bills although for LACA auctions, the banks may absorb the outstanding quit rents, assessments and maintenance charges up to the auction
- The reserve price set at the first auction is usually at or close to the market value. The reserve prices at subsequent auctions will be reduced, usually by 10% at each auction although this is not obligatory
- The bidding deposit is usually 10% of the reserve price but sometimes can be set at 5%
- Successful bidder is required to top up deposit to 5% / 10% of the successful bid price immediately after the auction
- Balance of purchase price is to be settled within 90 to 120 days of the bid being successful, depending on the bank
- The assignee reserves the right to withdraw any property at anytime before the auction commences
- The assignee reserves the right to bid for the property

Information from Tang Chee Meng, Henry Butcher Asset Auctioneers Sdn Bhd.

#### DID YOU KNOW:

Foreigners will be subject to the prevailing guidelines governing foreign purchase of properties in Malaysia ie. foreigners cannot purchase low and low medium cost properties or Bumiputera units. Moreover, the property must be priced above the minimum threshold price ie. RM 500,000. (In Penang the minimum price threshold is RM1m for strata residences and RM2m for landed residences.) - Tang Chee Meng, Henry Butcher Asset Auctioneers Sdn Bhd