



# Auction Purchase Advice

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# Experience

- 19 years - Property investor
  - Property Mentor
  - Writing a property book!
  - Investor Relations
- BTL portfolio
- 10 x HMOs
  - 100+ tenants
- 3 companies:
  - Legacy portfolio ( Personal name, LLP to LTD)
  - New investment company
  - Prop Mgt company

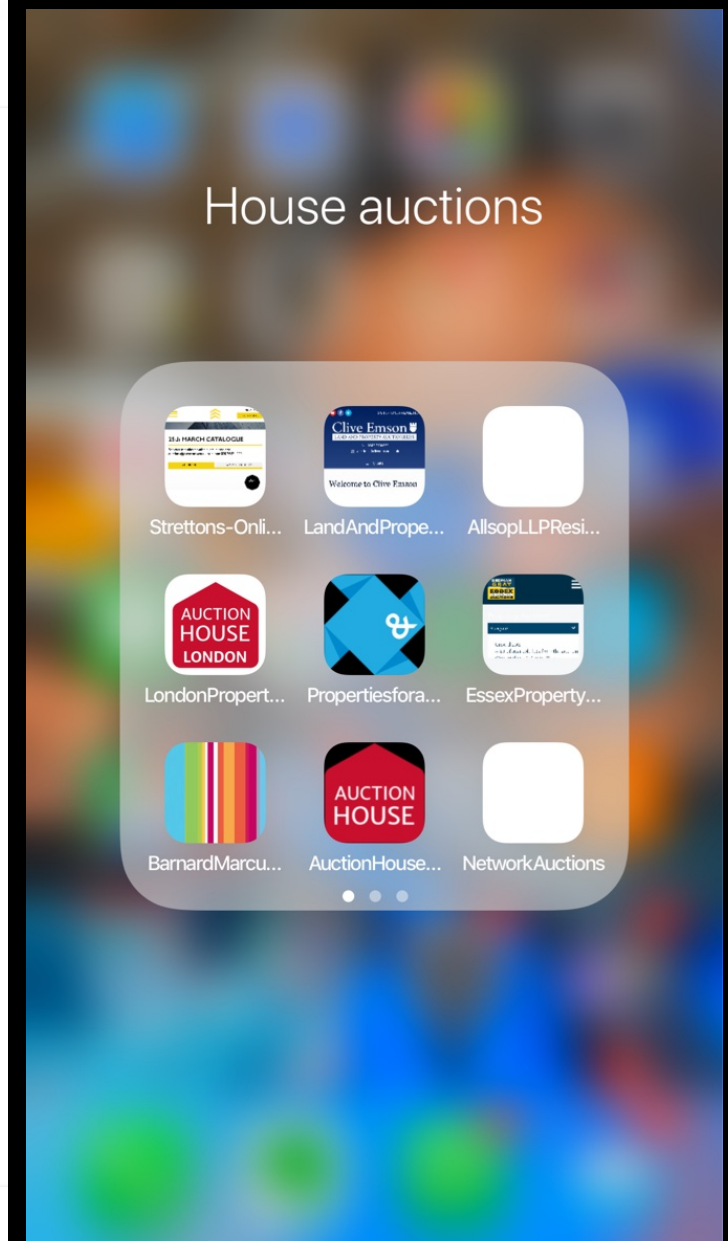
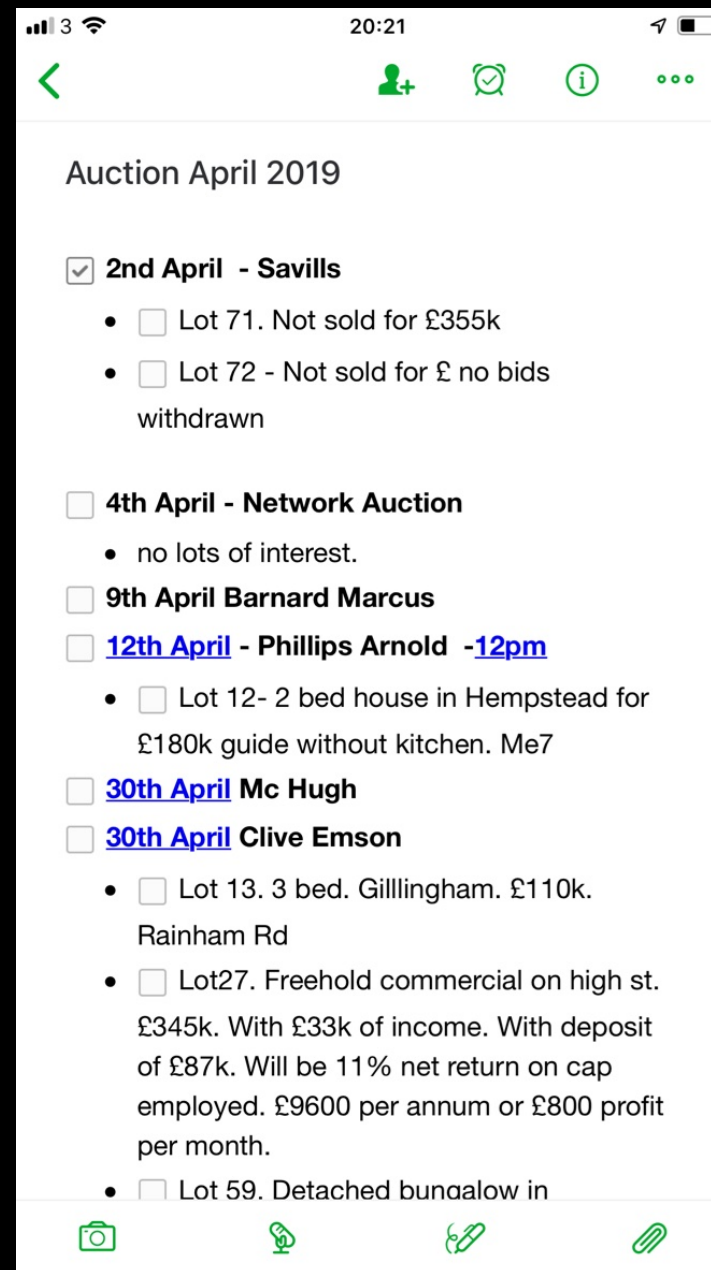


# Auction Experience

- Pre 2017 always bought on open market
- First purchase in 2017!
- Bought and refinanced another 11 houses in 2018/April 19.
- Market slowdown:
  - Q1/2 (2018)- Auction Sales average - c 85% versus Q1 (2019) - c.50-55%
  - Good time to get in now!

# My monthly rituals

- List of all auctions for that month on Evernote.
- Go through and identify lots of interest.
- Attend viewings myself or my team
  - Take pictures / make a short video for each viewing
- Make notes once i set out about each property
  - rough calculation on works needed,
  - prices of each works
  - stamp duty
  - what my upper limit will



# Before the Auction

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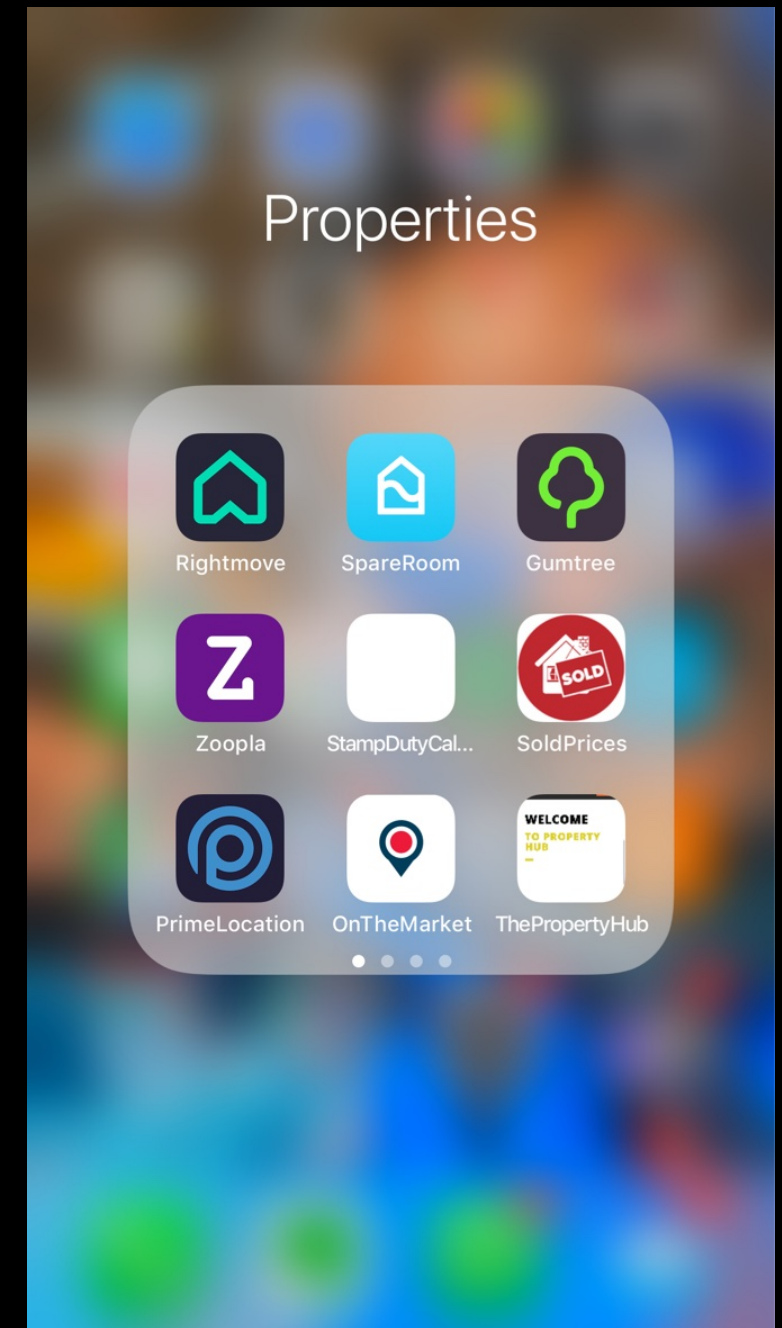
- Read the legal pack for each lot i am interested in prior to auction.
- Ask my legal teams (work with 2 specialist firms continually) and ask them specific questions if i am unsure about certain things.
- Work with brokerage house and ask them to check some of the lots and get their eye on it.
  - Richard told me recently on a commercial cellar conversion that the lease was saying that 50% of all the service charge would be liable for the owner of the cellar flat!

**During the auction**



# During the auction

- Stand/sit at the back of the room.
- Work out your 'real' upper limit
- Have a very good idea of what MARGIN you are working for?
  - Is it 5% ,15% or 25%...Whats the value of your time and effort?
- Work out the TOTAL PRICE you will end up paying for the property:
  - Purchase price ( may have VAT)
  - Auction house fees
  - Legal fees
  - Bridging legal fees (if using a bridge) which is c.£1000
  - Exit fees from bridging
  - Broker fees





# During the auction

- Wait till the later part of the bidding process to start to show your hands as:
  - you will see the level of interest
  - it may have already past your upper limit so you do nothing and don't get sucked in!
- Stick to your MAX budget! There will be other deals come your way

# During the auction -UNSOLD Lots!

- Make a note of all UNSOLD lots / last bid.
- Ask for the reserve price at the Rostum
  - it's there to be sold so don't be shy!
- Go to the ONLINE or Physical legal pack and to figure out 'why' that house is being sold in that way.
  - Many legitimate reasons:
    - Repossessions - Mortgage provider selling
    - Probate
    - Poor condition
    - Build construction issue
    - Defective leases
    - LPE1 dispute and so on
- I make it a mission to find out the reason **WHY the house is being sold?**

# During the auction - UNSOLD Lots!

- Then its **AGAIN** the same process:
  - Work out the **TOTAL PRICE TO PAY** for the property:
    - Auction house fees
    - Purchase price (may have VAT)
    - Legal fees
    - Bridging legal fees (if using a bridge)
    - Exit fees from bridging company
- **Approach the desk to put your offer in**
  - I tend to offer lower than the reserve price!
  - Auctioneers can sell at the reserve price on the today or they have to ring the seller.
  - Let them ring!

**After the auction**

# After the auction

- **Once you 'win' a lot you have to:**
  - pay 10% of the price
  - pay auction fees
  - provide your solicitor details
- **Contact your solicitor:**
  - Aim to use a firm which specialises in meeting 'short' auctions timelines
  - send the exchange contracts documents to them
  - send legal pack and searches
- **Contact your broker / finance house to get your finance in place (if not buying in cash):**
  - Use a specialist firms who can meet Auction timelines
  - Brokers who have good relationship with lenders, underwriters are KEY and worth their broker fees!
  - If suitable you can get a normal BTL/HMO mortgage quote
  - Get a Short Term Lender quote (aka bridging finance)
- **Start to plan the works and your tradesmen so that in 28 days work can start**
  - minimise the time on the ST finance and cost incurred

# Recycle your cash



# Refinance your cash out

- Complete the purchase via cash/bridge/mortgage.
- Complete the refurbishment works.
  - 6 months ownership rule is no longer.
  - Refinance less than 6 months is now possible to recycle your cash.
- **My Objective:**
  - At the bare minimum:
    - Recycle 100% of my cash out of the deal for the next project.
  - Best case:
    - Recycle 100% funds and take some profit



# Bridging Finance tips

- Lending Products Example:

- LTV - 65%- 75% for ST loan
- Interest rate for short term loans (0.75% - 1.25% per month)
  - Assume 50% increase in time for bridge as it will take time for you to refinance out.
  - So 3 months = 6 month
  - Work your sums on that assumption

- Warning:

- Some bridging company have cut off dates and will charge you a full month even if you can refinance 1 day after that cut off.
- Some STL don't charge an entry/exit fees but not always the cheapest options.
- Some STL take forever to complete!
- Different quirks:
  - Expensive surveyor fees too c. £750
  - Floating charges on all assets!
  - Min loan amount

**Example of a auction  
purchase and recycled  
funds**











Purchase Price	£206,000	
Stamp Duty	£7800	
Legals	£1000	
Short Term Finance		
Shawbrooks	75% LTV	£154,500
Arrangment Fess	1.95%	£3,013
Total borrowed		£157,513
Rate of Interest	0.7% per month / Revised to 0.75% as classed as heavy refurb	£1100
Total Cost of STL	£1100 * 3 months + Legals (£900) and broker fees (£500) and Valuation £375 =	£5000

# Recycled cash

- 3 months work
- Revalued at £395,000
- 6 bed HMO (awaiting PP for 7th bedroom) = £ 33,000 gross income p.a
- 75% LTV remortgage = £297,000 - (£214+35k works= £250k).
- STL costs was £5,000 inc all fees ( 3 months) so not as expensive as i used to think!
- Pure Profit = £297k - £249k = £48,000
- 100% funds recycle
- Completed 3 houses over these 3 months by split my cash for deposits on each of them.
- So profit achieved over the period was better than buy with cash

**“if you believe you can, you will”**



**Thank You**

*QUESTIONS????*