



The Friendly Auction System

revolutionising
the way property
is transacted

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PRD nationwide

CONTENTS

Why was Friendly Auction Created?	3
Steps for preparing to buy at auction	4
Buyer's 5 main concerns	5
How we have addressed the concerns	6 - 10
Frequently asked questions	11 - 12
Summary& Additional Tips	13
Thinking of selling by Friendly Auction?	14

>2



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Part of the PRDnationwide team & Director Mark Kentwell.

- > In 2005 the directors of PRDnationwide Newcastle began re-modelling the way auctions are conducted to make it friendlier on all parties.

Through extensive consumer research it was discovered that many buyers had a fear or dislike of standard auctions and therefore would avoid them. This may have been from a negative experience for them or a friend in the past, or a sensationalised media story based on a minority. We found this unfortunate, knowing how transparent a well run auction could be.

We also knew that it would not be best for the vendors of a property to sell using a standard auction system if some buyers were turned off by the process.

Rather than give up on such an effective process altogether like many agents, we went about addressing the main areas of concern to create a better way to transact property.

>3



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> STEPS TO PREPARING TO BUY AT AUCTION

Purchasing a property is a process that requires your attention and involvement regardless of whether it is for sale or auction.

Your Friendly Auction Agent can always help you through the steps as they are the only person that can be in touch with ALL OF THE PARTIES all the way through.

- 1: Enquire & physically inspect property
- 2: Make agent aware of your interest and provide all contact and email details
- 3: Obtain copy of draft contract and inspection reports if available
- 4: Conduct second or subsequent inspections and bring along any other decision makers
- 5: Advise a Friendly Auction accredited solicitor (or your solicitor) of your interest in the property and forward a contract for their perusal
- 6: Advise a Friendly Auction accredited lender (or your own broker/ lender) of your interest and commence lending enquiries and have the lender contact a Friendly Auction Agent immediately
- 7: Advise agent of your ongoing interest and progress with preparation like finance approval
- 8: Meet agent prior to auction for summary and advice for the auction
- 9: Confirm your deposit with the agent at least 3 days prior to the auction
- 10: Attend auction, register to bid and bid only where you are comfortable.



The 5 main objections from buyers about auctions were:

1:

Having no idea of price and the agent won't help me

2:

Having to pay to get pest and building inspections done prior to bidding at auction because there is no cooling off period in auction sales

3:

Needing finance approved before attending auction and having to deal with banks in a time frame to get approval

4:

Needing to obtain legal advice prior to the auction and pay costs

5:

Not liking the pressure of auction or having to make a decision on the spot



>5



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> How we have addressed buyer's concerns:

1: Having no idea of price and the agent won't help me

Where ever possible, we provide a price guide. Whether it be verbal or printed. This guide is updated constantly throughout the campaign and any buyer who has shown serious interest will be informed of this guide. The guide takes into account buyer feedback to date, where the vendor would like to see bids above and other recently sold properties. Agents who subscribe to the Friendly Auction.

Agents who subscribe to the Friendly Auction System know to use realistic price guides and not under or over quote. We always aim to keep genuine buyers up to date on where the latest buyer feed back has been. In some cases a property will have a 'Buy now' price issued, this is the price or minimum price that the vendor will accept for an unconditional sale (no cooling off period) prior to the auction.

If multiple parties offer this price then the agent will issue an 'Ethical Multiple Offer Form' for the buyers to declare their final price.

If the buyer doesn't believe that the 'buy now' price is reasonable they can simply come to the auction and the vendor may consider their bid if it is the highest in the auction, even if it doesn't reach the 'buy now price'. The vendor may set their reserve at a different figure than the buy now price if the property makes it to auction.

The Friendly Auction overcomes the price issue of standard auctions.



> How we have addressed buyer's concerns:

2: Having to pay to get pest and building inspections done prior to bidding at auction because there is no cooling off period in auction sales

Friendly Auctions aim to provide, wherever possible a pest and building report for the prospective buyers to view. These are always conducted by a licensed inspector and a panel of reputable inspectors are used to ensure the opinion is neutral. The buyer still has the option to get their own inspections done if they wish, but by having the report there for viewing, the buyer can save hundreds of dollars and still bid well informed.

Question: If the vendor's have paid for the report, how can we be sure it doesn't favour the vendor?

Answer: The report is conducted and written in exactly the same way, regardless of who it is ordered for. Our company is pushing for pest and building reports to be made compulsory to be supplied on every sale, whether it be private treaty or auction. It is like a 'road worthy certificate' that you would provide with a car that you sell. The reports will show all defects that can be detected by the inspector. Some solicitors will suggest to get your own report done and that is fine if you wish, but the report is there for you if you want it. Bear in mind that these inspectors are the same reputable inspectors that many law firms and conveyancers recommend for buyers in the area.

Approximately 80% of bidders at PRDnationwide's auctions in 2009 used the reports provided, many in consultation with their solicitor. We aim for the reports we provide to be done within 60 days of the date of marketing campaign commencement.

By providing a report the vendors show they aren't hiding anything, in fact we urge you to take all factors into account when deciding on your price. This is not a luxury you get in most private treaty sales. Most of the time the price you pay in private treaty may be higher than you would after seeing the reports. Many sales fall over this way and all parties have incurred costs by the point of breakdown. The Friendly Auction System overcomes this.

>7



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> How we have addressed buyer's concerns:

3: Needing finance approved before attending auction and having to deal with banks in a time frame to get approval

Friendly Auction Finance Assist - another first, takes the pain out of finance approval for auction properties. If you are interested in one of our auction properties, our team will help you through the finance process to maximize your chances of being able to bid or offer.

We have done the hard work in sourcing all of the 'Auction Buyer Friendly' banks, building societies, brokers and credit unions in your area. We can provide you with a list of contact persons who will often complete your approval process in half the time of others in the market*. We provide them with a full information and valuation kit, which dramatically streamlines the process of the application. If you don't end up buying the property, then in many cases you will be pre-approved for the next property you may be interested in.

Question: What if my bank or broker doesn't appear on the list of Auction Buyer Friendly Lenders?

Answer: We can still send them the full info pack and valuation kit, they may even want to apply to become an accredited Auction Buyer Friendly Lender.



> How we have addressed buyer's concerns:

4: Needing to obtain legal advice prior to the auction and pay costs

Just like with the Auction Buyer Friendly Lenders, we have assembled a panel of Auction Buyer Friendly Legal Specialists. These reputable solicitors and conveyancers will happily see you for FREE prior to an auction and review the contract for sale for you ahead of the auction. You will only then be charged the company's standard conveyancing rate upon settlement of sale if you are successful in purchasing the property. This will allow you to bid with confidence and no surprises around things like: title, the waterboard and drainage diagram, special conditions in the contract and what the zoning of the area permits in relation to further development etc.

Once again, the Friendly Auction System has overcome the issue of needing legal advice prior to bidding.



> How we have addressed buyer's concerns:

5: Not liking the pressure of auction or having to make a decision on the spot

The Friendly Auction System overcomes the issue of having to make a decision on the spot by giving the buyer more information than private treaty sales (and other auctions) earlier.

Think about how little time you have to decide on a well priced Private Treaty (for sale) property when you see it listed. In many cases if you are lucky enough to get to the first open home in time, there may be offers on the property before you even get there. Then, you have to decide, often as little as 30mins and as often less than one day at the outside whether you wish to make an offer or not.

In private treaty sales you don't get to find out what the other offer is, you often don't have a chance to read the contract first before offering and in most cases don't get to see a pest and building inspection report either before deciding on what price you will pay. Now that's pressure.

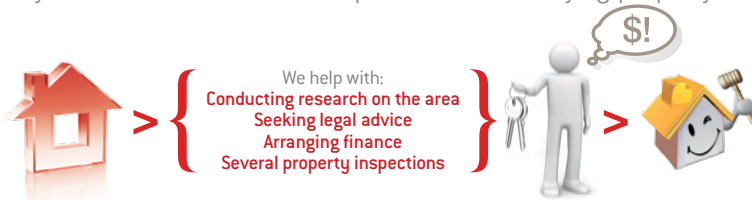
So many buyers surveyed were disappointed they didn't get time to decide on an offer or to research a property properly before it was sold as a private treaty sale.

In Friendly Auctions, you have up to 4 weeks to decide on the price you are prepared to go to, to conduct research on the area, to seek legal advice, finance and often to inspect several times. Even if you didn't see our large promotion campaign early and got to the property in the last week of the campaign, we still have more information for you to help you make informed decisions than in private treaty sales.

Our Friendly Auction Days or Evenings are run professionally and are designed to be fun and low stress. Sure you are buying a property and there are formal proceedings involved, but this is part of every sale. We aim to make the process as easy and memorable as possible.

Friendly Auctions take most of the pressure out of buying property

>10



With the Friendly Auction System we allow up to 4 weeks from start to finish.

> Frequently Asked Questions

Q. Can I buy prior?

A. Any property can legally be sold prior to auction though this may not always suit the vendor. We understand you may have reasons for offering prior to the auction, so here is a check list to make your offer most appealing to the vendor:

1. Be prepared up to at least step 7 of the “steps to preparing to buy at auction” checklist provided in this booklet.
2. Offer above the indicated price guide on the property (if a guide is given).
3. Provide your offer on a signed contract for the property, with a 66W certificate from your solicitor (waiver of cooling off period) & authority to exchange contracts.
4. Provide 10% deposit with your offer allowing exchange of contracts.

By following these 4 steps you are demonstrating your serious intent to purchase & that you are not just testing for the vendor’s reserve price. These 4 steps are similar to the terms of auction sale. You don’t have to follow these steps but it is recommended to give you your best chance of tempting the vendor to cancel the campaign they have invested in and any chance to sell to another buyer.

Q. What if my offer isn’t accepted prior to auction & I have followed the steps? Have I wasted my time?

A. Not at all. The vendor just may not be ready to sell prior or have intended to sell prior. Often an offer that was not accepted prior to the auction may be acceptable or strongly considered at the auction.

After the vendor has had the marketing campaign to consider the feedback from the market they are often more flexible on price at auction than prior. This can be advantageous to you as the buyer to be registered and bidding as the vendor may be more inclined to sell under the hammer to gain a result.



> Frequently Asked Questions

Q. What if I cannot perform under the standard auction terms but still wish to participate?

A. After performing as many as possible of the 10 steps outlined in “steps preparing to buy at auction” checklist you should provide a request to the agent in writing of what terms you require to be able to buy. Eg. Lower deposit, longer settlement. The agent will then speak to the vendor & their solicitor and see if it is possible to participate under these terms.

Q. How can I pay a deposit?

A. The standard contract deposit for private treaty or auction properties is 10%. You can pay this by bank cheque, personal cheque, deposit bond, cash (consult agent first), or direct deposit prior to auction.

Due to it being difficult to predict the exact amount of deposit required as the auction doesn't have a fixed price the Friendly Auction agent can request a fixed deposit amount to be agreed with the vendor or an arrangement to pay a small portion of the deposit after the auction to make the deposit exactly 10%.

TIP: Always speak to the agent as early as possible (at least 7 days) about the deposit and how you will pay it as some arrangements like deposit bonds can take some time to be approved.



So there you have it, a smarter and friendlier way to transact property.

Feel free to speak to your PRDnationwide sales representative about any other questions you have. If we can't answer it on the spot, we'll get right back to you.

If you are considering selling your property by Friendly Auction please let us know, it would be our pleasure to show you the full range of options available.

If you are a professional who would like to be included on our pest, building, legal or finance panel, please contact PRDnationwide via email to discuss.

PRDnationwide
Sell Smarter!



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> SUMMARY/ADDITIONAL TIPS

> Always listen to your Friendly Auction Agent

We have helped literally thousands of buyers through this process and can advise you on how to maximise your chances of securing a property with as less stress or fuss as possible.

Your Friendly Auction Agent is the only person legally allowed to communicate with buyers, sellers, lenders, buyer's solicitors and vendor's solicitors. We operate by a strict code of ethics and treat every buyer with equal respect.

Even though we are empowered by the vendor, we know the key to a successful sale is to make sure every buyer has equal chance of paying their best price.

> Be Pro-active

Whether buying by private treaty or by auction you have to work through the process of preparation. Those who FOLLOW THE STEPS EARLY always have the best chance. Don't leave things to the last minute, always ask for help if you need it.

> Don't be fearful

Although buying through AUCTION may seem like a daunting process, it is actually not a lot different than FOR SALE (Private Treaty) except that, you generally get more time to prepare.

Regardless of which method you use to buy through there are always decisions to make and papers to sign. We aim to make this process as smooth as possible.

> Conduct your own research

Your Friendly Auction agent will aim to provide you with as much useful information as possible. However some questions may not be easy to answer as the information may not be easy to obtain. Use resources like report data, domain.com.au, home price guides, PRDnationwide research and others to obtain information.

Be wary of 'opinions' of well meaning third parties that have no financial interest in your decisions.

DISCLAIMER

The information contained in this guide and provided by PRDnationwide Newcastle and Lake Macquarie is to be considered as general information only. PRDnationwide Newcastle and Lake Macquarie bare no responsibility for the accuracy of its contents. Each party should rely on their own independent enquiries.





Do you have a property to sell?

If you are planning on selling your property and you find the following benefits appealing, please contact us today.

Benefits of Selling with The Friendly Auction System:

- Access to a wider price range of buyers for your property through not having to worry about choosing a fixed price up front
- Maximum exposure for your property from high profile, proven effective marketing tailored to your property
- A greater chance of selling in the peak selling period of 4 to 6 weeks while competing properties stay on the market unsold
- Your sale contract is unconditional, less fall-over sales
- There is no ceiling on the price that can be achieved
- Because buyers get longer to decide the maximum they will pay there is no fear you have missed anyone in the market
- You get genuine, accurate market feedback from your Friendly Auction Agent and therefore can make the right decisions in the right time frames.

**Don't take the risk of selling your property with anyone
but a genuine Friendly Auction accredited agent.**

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