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Myerson **Commercial Property**

**Our Guide to Purchasing a Commercial
Property at Auction**

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Welcome

Why Myerson?

At Myerson, we are commercial property experts. Putting our clients, their properties and their business at the heart of everything we do means we establish long term relationships and act as trusted advisers.

As a Top 200 UK Law Firm, we are also proud to be ranked in many legal disciplines as '**Top Tier**' in the prestigious international directory **The Legal 500**, providing a truly bespoke and personal service.

Our specialist Commercial Property team handle the full range of property-related assignments. We have particular experience in sales and purchases of real estate for business owners and investors, landlord and tenant work and commercial property development.

Our Commercial Property solicitors are part of one of the largest commercial property teams in the North West, and have the knowledge and experience to advise and assist on a wide variety of commercial property matters.



Purchasing a Commercial Property at Auction

What is the auction process for a purchaser?

If you have found a property available at auction that you want to bid on, you will need to check how you can make a bid at the auction. This might be in person, online or by telephone. You may also be able to make an offer before the auction takes place and if the seller accepts and contracts are exchanged (and the deposit paid), the property would be removed from the auction.

If you make a successful bid at auction, contracts are exchanged immediately and the deposit must also be paid straight away. The deposit is usually 10% of the purchase price.

The completion date for the purchase is normally 20 working days after exchange of contracts, but you will need to check the special conditions in the auction pack. You will be legally bound to complete the purchase of the property following the exchange of contracts.

What is meant to be in the auction pack?

The seller's solicitor will prepare the auction pack and upload this to the auction portal in advance of the auction. The pack is meant to include:

- Title documents
- Replies to standard enquiries
- Searches (for example, a local authority search, highways search and environmental search)
- Copies of any leases and ancillary documents (for example, any rent deposit deeds and deeds of variation)



- Energy Performance Certificate
- Special conditions
- Draft transfer deed

Sometimes the auction packs are very limited, which makes it difficult to know what you are dealing with. Caution should be exercised if there is little information in the auction pack.

When should I instruct a solicitor?

This will depend on whether you would like a solicitor to review the auction pack. A review of the auction pack is recommended to ensure you are aware of the risks of purchasing the property. Your solicitor will need enough time before the auction to review the pack and report to you.

However, if you don't want to instruct a solicitor to review the auction pack and only want them to deal with completion, you will need to instruct them as soon as possible after contracts have been exchanged at auction.

Funding

If you will need funding to purchase the property, you should speak to a mortgage broker before the auction. The funding will need to be arranged very quickly and there will be limited time to deal with this after the auction.

The funder will need to instruct a solicitor- they may jointly instruct the solicitor who is acting for you on the purchase, or they may instruct a separate solicitor. The funder will have to carry out a valuation of the property and will also have strict requirements for the legal due diligence process, which will all have to be completed before the completion date for the purchase.

Can I extend the time for completion?

Some purchasers find that they will not be ready to complete by the completion date and may wish to extend this. This would have to be agreed by the seller and would be at their discretion. If the seller does agree, both parties would need to enter into an agreement to vary the auction contract which can be dealt with by their solicitors.



It is important to note that if the seller does not agree to an extension of the completion date and you do not complete on the completion date, you will be in breach of contract. The seller can serve a “notice to complete” giving you 10 working days in which to complete. If you do not complete during this window the seller can terminate the contract and you will lose your deposit.

Can I change the purchasing entity?

When you exchange contracts at the auction, you will need to tell the auctioneer what the purchasing entity will be and that entity will enter into the contract as the buyer. The seller is then only obliged to sell the property to the purchasing entity that is named in the contract.

Buyers sometimes decide that they want a different entity to complete the purchase. Most auction contracts do not allow the buyer to nominate a different entity to complete the purchase, so this would have to be agreed by the seller, which is at their discretion. It is recommended that an agreement to vary the contract is entered into to change the purchasing entity. This can be dealt with by the solicitors.

What are the costs involved?

As well as paying your own legal fees, the fees of any surveyor you have instructed and the fees of your lender if you are obtaining funding, the seller will usually require that the buyer pays the cost of any searches they have included in the legal pack. They may also require that the buyer contributes to their legal fees. These costs will be added on to the completion statement and paid by the buyer on completion. The auctioneer will often require that buyers pay a buyer’s premium and an administration fee at the point of exchange of contracts as well.

As with any other property purchase, you will also need to pay Stamp Duty Land Tax if the purchase price is over the threshold and a Land Registry fee for the registration of the transfer.



You're in safe hands!

If you would like further information about how we can help you with **purchasing a commercial property at auction**, or if you have any questions, please don't hesitate to contact a member of our **Commercial Property** team today.

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