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## Doron F. Eghbali Residential Real Estate Law

### [Extreme CAUTION: Purchasing a New Condo at AUCTION](#)

Monday, November 29, 2010 by [Doron F. Eghbali](#)

Purchasing your condo at auction is replete with risks ranging from difficulty securing financing to problems with subcontractors suing you for work done for the general contractor. Let us explore this land mine in more detail and further educate ourselves.

#### **SOME OF THE INHERENT RISKS OF PURCHASING NEW CONDOS AT AUCTION**

**1. AUCTION EQUALS CAUTION:** The salient point is to understand the reasoning behind selling a condo at auction instead of more traditional means of selling a place. Builders do not turn to auction as a venue for selling their properties unless they know their buildings are not sold via more traditional routes and they have used far lower grade materials and amenities and have hastily finished their job to cut costs. This means the condo might not have been built with relatively best interests of buyer in mind.

**2. AUCTION EQUALS LEGAL TROUBLE:** Builders cutting corners to save money, might not have paid completely their subcontractors or might have reneged upon their contractual obligations because they do not have money to pay. This might cause mechanic's lien to be imposed on the property and even entangle buyer in undesirable and easily avoidable legal trouble.

**3. AUCTION EQUALS AESTHETIC AND HEALTH TROUBLE:** Builders cutting corners to save money, might cut back on maintenance of common areas such as lobby and pool or skimping on landscaping and pest control.

**4. AUCTION EQUALS LESS INDUCEMENTS FOR BUYER:** Builders cutting corners to save money, seek to minimize their losses as much as they can. Consequently, builders would be less amenable to offering you upgraded appliance package and financing assistance.

**5. AUCTION EQUALS TROUBLE WITH LENDERS:** Perhaps, the most troubling aspect of purchasing condos at auction could be securing financing, unless builders have made arrangements with a lender. This problem is acutely paralyzing if builder does not permit inspections. In fact, you **MUST** read all the rules before an auction to ascertain if you lose your deposit OR be responsible for other expenses if you do not have a pre-approval letter from a lender.

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