

GUIDE TO SELLING AT AUCTION

Sales at auction are often described in terms of Three Phase Marketing.

A buyer can purchase at any one of these phases, depending on their personal circumstances, and with the approval of the owner of the property (referred to as the 'vendor').

The three phases of selling at auction:

At Phase 1 the property is advertised as being 'For sale now or at auction on (a set date)'. The advertising campaign begins around four weeks before the auction. You can inspect the property and decide what you are prepared to pay for it during this time.

You don't have to wait until the day of the auction to make an offer; many properties are sold during Phase 1. If you make an offer before auction it needs to be 'unconditional'. That is, you don't have to wait for finance approval, or a building inspection, or to sell your own house.

If you intend to bid for the property at the auction, you must have the money available on the day of the auction. If you need to borrow money, arrange it as soon as you can, because approval for a loan can take several weeks. Also, the successful buyer at an auction must be able to pay a deposit for the property immediately (see below). Now is also the time to arrange things like a building inspection if you want one.

Phase 2 is the auction. The property is offered for sale strictly on a cash and unconditional basis (you have the money available now, and such matters as the building inspection have already been taken care of).

All prospective buyers are encouraged to bid for the property. Bidding continues until the 'reserve' price has been met. The reserve price is the lowest amount that the vendor will accept; it is known only by the vendor and the auctioneer. When bidding gets over this price the property is said to be 'on the market' and will be sold to the highest bidder on the day.

Making a bid at auction is quite simple:

1. Set yourself a limit on how much you will pay for the property – this might be limited by the amount of money your lending institution has approved.

2. Indicate that you wish to place a bid by attracting the attention of the auctioneer: put up your hand, call out or nod your head.

3. The auctioneer will normally determine the amount each bid will increase by, but you can nominate your own amount, which will be subject to the auctioneer's approval. If you are the successful bidder, you will need to sign the contract of sale and pay a deposit immediately (unless prior arrangements have been made), which is usually 10 per cent of the purchase price. The deposit can be paid by cheque.

During bidding the auctioneer may make a bid on behalf of the vendor to keep the auction flowing. The auctioneer must make it known that that is what's happening; it only happens when bids are below the reserve price. Once bids have exceeded the reserve price and the house is on the market the only bids made will be from other prospective purchasers.

If you can't make it to the auction you can send a representative to bid for you. Your representative must present a letter to the auctioneer before the bidding starts, stating his or her authorisation to bid on your behalf and to sign the contract using a nominee clause so that the sale can be transferred into your name before settlement.

Phase 3 is reached only if the property is not sold at the auction because bids did not reach the reserve price (that is, it is 'passed in'). In that case the owner may nominate an asking price or a price range and prospective buyers may make written offers to purchase the property. The person who made the highest bid at the auction usually has the right to negotiate first.

Any offers to purchase in this phase may be submitted on your terms – for example, subject to obtaining finance or selling your own property.

Buying at auction allows you to offer what you think a property is worth and, incidentally, it can be a lot of fun. If you follow these guidelines you'll be able to bid confidently at auctions. We wish you the best of luck!