

**BAYLEYS**

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## Your guide to **Auction**

[bayleys.co.nz](http://bayleys.co.nz)



# What is an **auction**?

An auction is an open and transparent process where buyers bid against each other to purchase a property. Once the reserve price is reached, the highest bidder becomes the successful buyer.



## Selling at **auction**

### Should I sell my property by auction?

Your Bayleys sales consultant may recommend that you sell your property by auction, rather than on the basis of an advertised or negotiated price.

Auctions can be seen as the best way to sell quickly or achieve a higher price, as the auction process creates a sense of urgency and a feeling of competition between potential buyers.

This may or may not be the case and will depend on the property market at the time, how many similar properties are available to potential buyers and how desirable your own property is. Be aware that an auction does not guarantee that someone will offer to buy your property.

### Can I sell my property before the auction takes place?

You can do this, but your agent must advertise the fact in their marketing that "Offers will be considered prior to auction". If you do not want to consider offers in advance of the auction, the agent will specify in any advertising that you are "not selling prior".

Bayleys take a strong stance to selling prior to auction and we follow a protocol that keeps everyone involved in the transaction safe throughout the process.

When an offer is made prior to the auction day, it needs to be:

- Undertaken in writing on the prescribed auction documents
- The buyer must be cash unconditional
- The written offer would be presented to the you for your approval
- If you approve the offered price i.e. you would sell the property for this price, then the auction date is brought forward and all interested parties advised of the new date and time

This would see the auction still run and the opening bid will be announced and the home will be on the market from that point. You see its still completely transparent and keeps the process pure.

Prior to the auction you will need to establish a reserve price with the auctioneer and your agent. This is the lowest price that you are willing to accept for your property.

### What happens at the auction?

Once bidding passes the reserve price, the property is sold to the highest bidder. You will not have the opportunity to negotiate further with that person. You therefore need to think carefully and realistically about the reserve price. For example, you may want to think about the price you would be prepared to accept from a buyer if you were not auctioning the property. At the same time, you need to avoid setting the reserve price at such a high level that bidding does not come near it.

If the bidding does not reach the reserve price, the auctioneer will pause the auction and ask you for further instructions. At that stage you can do a number of things:

**1** If bidding has come close to, but not reached the reserve price, the auctioneer may suggest that you agree that the property be put on the market. This means that the reserve price no longer applies, and you are willing to accept the highest bid that is made when the auctioneer resumes, and the last bidder before the auction was paused will be held to his/her bid. This approach may result in an immediate sale, but it carries a risk – once you have removed the reserve price and declared the property on the market, you must accept the highest bid, even if that is below your reserve price. You cannot negotiate on subsequent bids.

**2** You can tell the auctioneer that the property is to be passed in. This means that the auctioneer will tell the bidders that the auction is concluded, as the reserve price has not been reached. The auctioneer will usually make an attempt to generate further bids before closing the auction.

**3** If the property is passed in, you can negotiate with the person who made the highest bid, but you should be aware that the offer may not be an unconditional one. This negotiation will continue, through your agent, after the auction has closed. You do not have to accept any offer that is made during the subsequent negotiation, and if you cannot negotiate a price and conditions that are acceptable to you, you can discuss with your Bayleys agent other options for marketing your property.



Buying a property can be a daunting experience, whether it's your first time or you're a seasoned expert in the property market. There are many benefits associated with bidding at auction and through having a firm comprehension of these benefits and a clear understanding of the process, you will be fully equipped with the knowledge to ensure you are the successful purchaser on auction day.





## Benefits to buying at **auction**

### **Transparency**

In a traditional sale, where there is a multiple offer situation, you can be left 'in the dark' and may be simply asked to increase your offer. No details of the other offers can be given and there is a risk of substantially over-paying for a property or missing out completely. However, at an auction, buyers are fully aware of what others are willing to pay as bids are announced live, in a public arena. A buyer can choose to increase their offer only as much as they want to, above the last highest bid. If other bidders have surpassed

an amount that you would be willing to pay for the property, you are under no obligation to continue bidding.

### **Level playing field**

Everyone is on a level playing field when participating in an auction conducted by Bayleys. In an auction arena, everyone is bidding on the same terms. You know the closing date in advance, the terms and conditions, the required deposit and understand that the contract does not contain any conditions, but above all - you have the peace of mind that the seller is going to see and hear your offer.



## Prepare yourself to bid at **auction**

You will likely need to pre-arrange finance with a bank or lending institution and it is always recommended to provide a copy of the auction contract that the agent has given you, to your solicitor before the auction. Most auctions will require you to pay a 10% deposit which is required immediately after the 'fall of the hammer' so it is important that you have access to the funds to ensure you can pay this on the day. You may also want to talk to a building inspector, registered valuer or see the council regarding any renovations or works that have been undertaken on the property. Try to attend as many real estate auctions as possible prior to the one you intend to bid at, it will enable you to be much more comfortable with the procedure when it comes to your turn.

### **Know the terms**

Make sure you are familiar with the Terms and Conditions of Sale prior to bidding at an auction. Terms and Conditions vary slightly for each property. Please contact your Bayleys Sales Consultant for specific Terms and Conditions.

### **Changes to conditions prior to auction**

Typically things you can negotiate prior to the auction are:

- The amount of deposit payable at the fall of the hammer
- Settlement and possession date (they are one and the same) may be varied by mutual agreement with the vendor

Please see your sales consultant to arrange this.



## How to **bid**

- Prior to the auction commencing, the auctioneer will give clear instructions explaining where (on the property) the auction will take place and when the proceedings will begin. Make sure you position yourself where you can hear and are in clear view of the auctioneer.
- If you wish to make a bid, raise your hand so the auctioneer can see it and call out your bid in a loud and clear voice
- You can call out an exact amount, for example: "\$570,000"; or indicate an amount you wish to increase the previous bid by for example: "another \$20,000"
- If the auctioneer misinterprets your bid, call out immediately to correct the auctioneer and clarify your bid
- The auctioneer may refuse a bid or alternatively suggest an amount for increase. Do not let this deter your bidding. The auctioneer is present to facilitate the purchase and sale of the property.
- It is the responsibility of the auctioneer to maintain structure and momentum in order to achieve the best outcome for the buyer and seller





## Tips for bidding on auction day

### Don't strategise too much

Try not to get caught up in worrying about what may happen or how the bidding may unfold. Focus on what you are there to do and that is purchase the property. Don't be afraid of being the first person to bid. This will show the competition that you are serious about purchasing the property.

### Bid with confidence

Sometimes bidders may sit back and wait. They want to 'get a feel' for what is about to unfold. More often than not, it is the bidder that bids with confidence and without hesitation that walks away with the keys to their new home. If someone bids, retort straight away with another bid. You have nothing to lose and everything to gain. Show the competition your passion to purchase the property.

### Set yourself a base limit

If you are going to set yourself a limit make sure that limit has some flexibility. As strange as that may sound, all too often buyers miss out on their dream home for as little as \$1,000.00, when the winning bidder is also at their limit. In a very short time you will be happy for bidding that little bit extra to win the bid and purchase the property.

### You may be asked to increase your own bid

Don't be deterred if at some point in the auction, the agent or auctioneer asks you to increase your own bid. This may occur as your current bid may not be at a price at which the seller will accept. Therefore, you may need to increase your own bid if you wish to purchase the property.

### What happens if the bidding doesn't meet the reserve price?

In the first instance, it is likely that the auctioneer will 'pause' the auction and approach the highest bidder to

let them know that the reserve price hasn't been met. The auctioneer will give the purchaser an opportunity to increase their bid to a level at which the owner may consider selling the property. If the level that the bid is increased to is acceptable to the owner, the auction will recommence at the level of the increased bid and the property will be declared 'on the market' - the auctioneer will then seek any further bidding before selling the property. If the bid is still not acceptable, the auction will still recommence at the level of the increased offer, however the auctioneer will seek further bidding before the property is passed in (see below).

### What happens if the property doesn't sell?

If the highest bid offered to the vendor in the auction room is not accepted then the property will be 'passed in' and the auction concluded. This will allow the vendor to consider any post auction offers which may or may not contain conditions.

### What is a vendor bid?

Under law, the auctioneer can bid on behalf of the vendor at the auctioneer's discretion. Vendor bids must be clearly identified to purchasers as being vendor bids and can only be placed below the level at which the owners have set their written reserve price. Vendor bids are most commonly used to start the bidding, if none of the purchasers choose to. Simply what the auctioneer is indicating is that the property is not for sale at the level of the vendor bid. At Bayleys, our owners are required to give a written undertaking that they will not personally bid, nor have a representative bid on their behalf at the auction (other than the auctioneer).



## Frequently asked questions

### I am interested in bidding on the property; however I will not be able to make it to the auction. Can someone else bid on my behalf?

Yes, provided all required documentation has been completed and authorised prior to auction day. You may authorise a Bayleys representative to convey your bids via telephone conversation. This process would allow the authorised representative to participate in the auction (whilst speaking to you on the telephone), bid and purchase the property on your behalf.

*\* Should you be unable to attend the auction and wish to utilise any of these options, you must ensure all relevant documentation has been completed and all parties are authorised by the Bayleys sales consultant, prior to auction day.*

### I am attending the auction but I have never bid at auction before and don't feel comfortable participating. Can I have someone else bid and negotiate on my behalf?

Yes, provided all required documentation has been completed and authorised prior to the auction commencing.

**What is a reserve price?** All auctions conducted by Bayleys are subject to a reserve price which can be described as the lowest price the seller is willing to accept. The reserve price is decided upon between the seller and the auctioneer prior to the auction and is a completely confidential agreement between the seller and auctioneer. The only point at which any indication of what the reserve price may be, will be given, is if the auctioneer calls "we have reached reserve price" or "we are on the market" during the auction.

### I want to buy the property but I am unable to bid under the auction Terms and Conditions

If the property does not sell on auction day you may have an opportunity to submit an offer afterwards. In such circumstances, the seller may be more receptive to a contract with contingencies; however, at the same time, there is a risk of becoming involved in a multiple offer situation, as there are often other buyers who may be in similar circumstances and wish to submit offers after auction. Therefore, if you are able to position yourself to bid under auction terms and conditions, even only up to a specific amount, buying at auction is the most transparent and certain way to purchase property.

### If I am the successful bidder at auction, what happens to my deposit money?

The deposit will count as a credit towards the purchase price of the property and placed in escrow.

Please note that it is the purchaser's responsibility to obtain finance. If you plan to use a mortgage to purchase the property, we recommend that you apply to obtain finance immediately, as the closing of an auction contract is not contingent on time taken to obtain or the ability to obtain sufficient finance.

### I will be attending the auction and will be registering to bid. However, the contract needs to be in both my name and my partner's name. Is this okay?

We will put the contract in your name along with the words "and or nominee". You can instruct your solicitor to put the property title in both names on settlement. However if you sign you will be individually responsible.