

Rules for Buying or Selling a Property at Auction

Real estate agents love auctions, but an auction is often not the best alternative for either the vendor or purchaser.

These are some “rules” Carolyn Deigan, the principal of CLS Legal, has developed over the years for buying or selling at auctions.

Buying a Property at Auction

- Always have your solicitor review the contract and make any necessary preliminary enquiries before the auction.
- If you are bidding on a property at auction, **never** bid until the property has reached the reserve.
- Do not let the agent convince you to put on a bid for the purpose of having the property passed in your favour.
- If the property is passed to another bidder, i.e. not sold under the hammer, then you identify yourself to the agent as an interested purchaser and they will negotiate with you. They do have an obligation to submit all offers to the vendor.
- If the agent is pressing for a bid - to have the property passed in your favour - tell them convincingly that you will only bid when the property is on the market and that they would be better spending their time convincing the vendor to reduce the reserve.
- Do not assume that because dummy bidding has been legislated against in most states that it does not go on. Until the property has reached the reserve you cannot be sure that any other bid is genuine.
- Auctions are designed to make the agent's job as easy as possible - the Vendors pay for the agent's advertising, the advertising often does more to advertise the agent than the properties, an auction can be used effectively to create uncertainty and fear in the vendor – called “conditioning” - and to also create uncertainty and fear in the purchaser.
- It is preferable not to set a round figure – so, for example, if you are prepared to pay about \$1,000,000 for a property then your maximum bid should be, for example, \$1,025,000 to top any other buyer whose maximum is \$1,000,000.
- Once the property has reached the reserve, bid strongly and quickly in smaller increments than the auctioneer had been accepting up to that point. If the bids are well within your budget – and strong quick bids haven't slowed down any competing bidder – then increase the increment. You must give other bidders the idea that you are there to be reckoned with.
- Never tell anyone in the auction room which property you are bidding on or the amount you are prepared to bid. This may sound trite but many a time an over talkative bidder has given their game away.

Selling a Property at Auction

- If you are a Vendor selling at auction, do not auction your property unless there is something unique about it or its location that will guarantee several genuinely interested, motivated parties in the room.
- Purchasers are usually more likely to negotiate genuinely on a private treaty sale than at auction. The fact that a property is passed in without a bid or a low ball offer DOES AFFECT the market and future prospective purchasers.
- Make sure that your Contract for Sale is complete, making it easy for prospective purchasers to make an informed decision. It is worth spending the money to have a survey and Building Certificate attached to the contract if you have done work on the property. Remember if you have done any work within the past 6 years you MUST have a copy of the Home Owners Warranty attached to the contract. It is also a good idea to have a building and a pest report available for a free standing dwelling or a Strata Inspection for a strata property.

Contact us at CLS Legal at info@clslegal.com.au for further information or assistance with the sale or purchase of your property or if you have any questions about the contents of this document.

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