

# Buying Residential Property at Auction

## *How to get the edge!*

A Hands-on, Easy to Read Guide for Real Estate Buyers



### **WHY AUCTION REAL ESTATE?**

Real Estate Auctions have become one of the most popular methods of buying and selling property in Australia with substantial benefits for both Vendors and Purchasers. Auction is used as the preferred method of sale by Beneficiaries, Government, Banks, Administrators, Executor & Trustee Companies, Corporations and Private Vendors and has been proven to be the best method of establishing true market value.

### **WHAT IS AN AUCTION?**

Auction is a process which allows interested parties to make competitive bids, which establishes the current market value of the property at that time in an open, transparent and public forum.

### **WHY BUY AT AUCTION?**

Auction offers you the option of increasing your offer while being aware of your competition, as opposed to a situation where you are competing against unknown offers negotiated behind closed doors, leading to the possibility of being informed "Sorry, you missed out".

### **IF YOU HAVE FOUND A SUITABLE AUCTION PROPERTY YOU WISH TO PURCHASE WHAT SHOULD YOU DO?**

- Inform the Agent of your interest, leave your contact details and request to be kept informed in the event that prior offers are to be considered.
- Familiarise yourself with the local area, services and facilities.
- Attend similar Auctions to better understand the Auction process and compare prices.
- Ensure your finance is approved prior to bidding and that you have organised ready access to 10% deposit.
- If you have any doubts about the structural condition or any other aspects of the property, organise a building inspection prior to bidding.
- Check the contract, title and Section 7 statements which will be on display at the Agent's office three clear business days prior to the Auction or on site 30 minutes before commencement of the Auction.
- If you require any variations to the standard terms and conditions, this must be negotiated prior to Auction with the Agent and ensure approval is evidenced in writing.
- Advise the Agent if you have instructed a third party to bid on your behalf at the Auction. The person bidding on your behalf will be asked to sign the contract as purchaser unless you are there to sign the contract personally. Auctioneers who are Members of the Society of Auctioneers and Appraisers (S.A.) Inc. have Proxy Bidding Forms available for this purpose.



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## **DO I NEED TO REGISTER TO BID AT THE AUCTION?**

Yes, you must register providing your name, address and contact telephone numbers and proof of identity for residential properties only. The Society of Auctioneers & Appraisers (S.A.) Inc. has Bidder's Registration Forms available to Members.

## **DO I REQUIRE A BIDDING NUMBER TO BID?**

Yes. Agents provide bidding numbers to identify you as a bidder for residential properties. The Society of Auctioneers and Appraisers (S.A.) Inc. have bidding numbers to use available to Members.

## **WILL THE AUCTIONEER ANNOUNCE WHEN THE RESERVE PRICE IS REACHED?**

No, the reserve price is confidential and will not be disclosed.

## **WILL THE AUCTIONEER BE USING VENDOR BIDS?**

If the bidding is competitive with multiple bidders, the Auctioneer may not use Vendor Bids at all. However, if no-one opens the bidding, the Auctioneer may exercise his or her right to bid on behalf of the Vendor and these bids will be clearly identified as "Vendor Bids", ensuring total transparency.

## **WILL THE AUCTIONEER USE ONLY ONE VENDOR BID?**

No, not necessarily. Depending on the competition, the Auctioneer may use up to three Vendor bids to encourage Buyers into the selling range for residential property.

## **IF I AM THE ONLY BIDDER WHY SHOULD I BID?**

If the Auctioneer has stated that the highest bidder shall have the first right to negotiate, at either the reserve or amended reserve, as the highest Bidder you will secure the first right to negotiate with the Vendor prior to the Agent entering into any negotiations with any other interested parties. It is imperative that you bid to take advantage of this negotiation position, otherwise you could be just one of several interested parties attempting to negotiate after Auction.

## **WILL THE AUCTIONEER ANNOUNCE THE PROPERTY IS ON THE MARKET AND GOING TO BE SOLD?**

Not necessarily. If you intend to hold back from bidding waiting for this announcement, you run the risk of losing the property as the Auctioneer has no legal obligation to make this announcement. If you wish to purchase the property, you must bid.

## **WILL THE AUCTIONEER ALWAYS HAVE A MID-AUCTION CONFERENCE WITH THE VENDOR?**

No, depending on Auction activity and the Vendor's instructions, the Auctioneer may simply call three times and sell to the highest Bidder without any further reference to the Vendor.

## **DO COOLING OFF RIGHTS APPLY AT AUCTION?**

No, you will be required to sign an unconditional contract and no cooling off period will apply.

## **DO I HAVE AN INSURABLE RISK FROM THE FALL OF HAMMER?**

Yes, as purchaser you have an equitable interest in the property from the fall of the hammer and we strongly advise you to organise insurance preempting your purchase of the property.

## **WHAT DO I NEED TO DO AFTER PURCHASING THE PROPERTY?**

You will need to immediately sign the contract and pay a deposit of 10%.



## **I HAVE NEVER ATTENDED AN AUCTION BEFORE, HOW DO I BID?**

- Establish a limit of how much you intend to spend in purchasing the property.
- Bid clearly and precisely by holding up your bidding number such that the Auctioneer can clearly see it and don't leave your bid to the last second or you may be missed.
- Bid strongly and with confidence. This shows people that you are serious about buying.
- Bid quickly - if you hesitate others think it is your last bid, which encourages them to keep going. Likewise, under-bidders should realise that others bidding quickly and aggressively are trying to scare you off.
- Start bidding when the figure is below or within your price range.
- Don't be shy about opening the bidding at a figure to suit you.
- The Auctioneer will set the bidding increments depending on the price bracket of the property. Bid in these increments if you can and don't be afraid to nominate a higher or lower increment, however the Auctioneer has the right to accept or reject the bids in the best interest of the Vendor.
- When the bidding slows or stops at a figure acceptable to the Vendor, as a precaution and to assist underbidders and any last minute bidders, the Auctioneer will give the first call, then a second call and finally a third and final call, then brings the hammer down "SOLD".

This **Buying Residential Property at Auction - Helpful Hints Guide** has been prepared exclusively by The Society of Auctioneers & Appraisers (S.A.) Inc. as a hands-on, easy-to-read Auction Guide for prospective Real Estate Purchasers and has embraced recommendations and guidelines from Legislation in South Australia.

The Society of Auctioneers & Appraisers (S.A.) Inc. is the Professional Body representing Practitioners in the specialist fields of Auctioneering and Appraising in South Australia.

Before you appoint an Auctioneer or Appraiser make sure they are a Practising Member of the Society. For a full list of Members, visit the website [auctioneers.com.au](http://auctioneers.com.au)

