

How to Buy at Auction

What is a Real Estate Auction?

A real estate auction is an open and transparent public offering of property at a predetermined date and time. It allows purchasers to register bids (offers) against each other, in the attempt to be the highest bidder. To allow the purchaser to satisfy themselves with the terms and conditions of the auction these are outlined in advance. Auctions are a cash and unconditional sale and both buyer and seller are bound by the terms in the documentation when a sale is achieved.

How do I prepare myself for an 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.

Do I need to register?

At Bayleys there is no formal registration required before you bid at auction. However, by law, you will have needed to have received a copy of the Approved Buyers Guide as set out by the Real Estate Agents Authority prior to bidding. You can obtain a copy from the salesperson representing the home you are intending to bid on.

What is a reserve price?

The reserve price is specified by the owner(s) of the property and must be in writing. It is the level at which the owners have instructed the auctioneer not to sell the property below. The reserve price is confidential between the owners of the property and the auctioneer. When bidding has exceeded the reserve price, the auctioneer will let the purchasers know by declaring the property 'on the market'. This means that the property will be sold to the highest bidder.

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 then be declared 'on the market' – the auctioneer will then seek any further bidding before selling the property. If the bid is 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 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 bid, nor have a representative bid on their behalf at the auction, other than the Auctioneer.

Can the property be sold prior?

If the property is marketed by auction and the advertisements contains the words 'unless sold prior' or similar, then there is always the possibility that the vendor may sell earlier than the advertised auction date. Therefore, to help protect your interest, it is recommended that you inform the marketing agent who can then contact you should the vendor wish to sell earlier than advertised. If you submit an offer prior to the auction, you will be provided with a copy of our Pre-Auction Offer Procedure to sign and you will need to provide a 10% deposit cheque payable to our trust account. If the offer is not acceptable, the campaign will resume as planned and the cheque returned. If the offer is acceptable to the vendor, the auction date may be brought forward to an earlier date, using your offer as the start/reserve price. This price will remain confidential until the start of the auction. Note that the auction has not been stopped but brought forward.

To view our upcoming auctions throughout New Zealand, please visit www.bayleys.co.nz/auctions