



# Buyer's guide to auctions

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# Why auction?

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As the most open and transparent of all sale methods, a sale by auction puts serious buyers together in one place to determine true market value. Once a specified reserve price has been reached, the highest bidder becomes the successful, unconditional purchaser of the property.



## Understanding the process

Understanding the auction process means you'll be cool, calm and collected when it comes time to bid. Here are a few common questions about the process.

### Can I buy a property before the auction takes place?

Yes, but there are a few considerations. Bayleys follows a protocol for pre-auction sales to ensure everyone involved is safe and informed. When an offer is made before auction day;

- The pre-auction offer must be completed on the prescribed auction documents.
- The buyer must be cash unconditional.
- The written offer will be presented to the seller for approval.

If the seller approves the offer, the auction date will be brought forward and all interested parties will be invited to participate at the new date and time. At the auction, the opening bid (the existing offer amount) will be the starting point for bidding.

### What happens at the auction?

Opening offers are invited to start the bidding and when the reserve price has been met, the property will be sold to the highest bidder. Once the property has reached its reserve there will be no further opportunity for negotiation which is why the seller must set a realistic reserve price. If bidding does not reach the reserve the auctioneer will pause proceedings and liaise with the seller for further instruction. At this stage the seller has several options;

- If bidding comes close to but does not reach the reserve, the seller can choose to put the property on the market. This means the reserve price no longer applies and the seller is willing to accept the highest bid made once the auction resumes.
- The seller can ask the auctioneer to pass the property in. The auctioneer will then notify bidders the auction has concluded and the reserve price has not been reached. Interested parties are then invited to make an offer on the property.

- If the property passes in the seller can negotiate with the highest bidder, though the offer may no longer be unconditional. The seller is not bound to accept any offers and negotiations can continue through your Bayleys salesperson.

### I'd like to bid but can't be present at the auction, can someone bid on my behalf?

Yes, you may authorise a Bayleys representative to convey your bid live in the auction room provided you have completed the necessary documentation.

### I've never bid at an auction and don't feel comfortable calling out my bid, can someone do this on my behalf?

Yes, provided all required documentation has been completed and authorised before the auction commences.

### What's the reserve price?

All auctions conducted by Bayleys are subject to a reserve price which is the lowest price a seller is willing to accept. The reserve price is decided by the seller before the auction and remains completely confidential throughout the process. The only point any indication may be made is if the auctioneer announces the reserve price has been met and the property is now on the market for sale.

### I cannot bid under the auction terms and conditions, but I want to buy the property, what can I do?

If the property does not sell at the auction you may have the opportunity to submit an offer. In such circumstances the seller may be more responsive to a contract with contingencies, however, you may become involved in a multiple offer situation as there are often buyers in similar circumstances wishing to submit post-auction offers. If you're in a position to bid under the terms and conditions, buying at auction is the most transparent way to purchase property.

### What happens to my deposit if I win?

The deposit is payable immediately after the fall of the hammer and counts towards the purchase price of the property. Once collected it will remain safely in Bayleys trust account to be released to the seller once the settlement is complete.

### I'll be a registered bidder attending the auction but I wish to purchase the property with my partner, can I do this?

When signing the documentation upon a successful sale, your name will appear next to 'and or nominee'. After this, you can instruct your solicitor to put the property title in both names. Please note if you are signing the documentation you are individually responsible.

Buying and selling at auction is a thrilling experience, the nervous tension, palpable excitement and the inevitable outcome offers added benefits that other sale methods do not.

Your Bayleys salesperson will ensure you have a firm understanding of the process and its benefits come game day.



### Benefits of auction

The auction process creates a competitive environment like no other to reveal true market value, whilst ensuring transparency and an even playing field for all parties.

**Competition:** By bringing bidders together in one transparent situation, buyers are able to truly understand what it takes to purchase the property.

**Transparency:** In a traditional sale process where there is a multiple offer situation, buyers can be asked to increase their offer without additional information about the existing offer level. This can sometimes see buyers miss out or over/under-pay. During the auction process, all parties are aware of live bidding levels which ultimately helps to deliver fair market value.

**Urgency:** By implementing a deadline, serious buyers take action for desirable properties.

**Fair and equal:** When participating in an auction conducted by Bayleys, everyone is on a level playing field. In an auction arena, everyone is participating according to the same terms, understanding the sale and purchase agreement and its contents.



### Preparing yourself for auction

Whether buying or selling at auction there are a few key details to take care of before game-day.

#### Buying:

- Pre-arrange finance with your bank or lending institution so you know exactly what your price boundaries are.
- Most auctions require a 10% deposit payable immediately after the fall of the hammer, ensure you have access to these funds on that day.
- Discuss concerns or queries about the property with a building inspector, registered valuer or relevant professional.
- Try to attend as many live auctions as possible to get comfortable with the process and develop an auction bidding strategy.
- Ensure you are familiar with the terms and conditions of sale, feel free to discuss these with your Bayleys salesperson.
- If required, you can negotiate the deposit payable prior to the auction commencing, as well as the settlement and possession dates, these will require a variation to the contract that your Bayleys salesperson will be able to arrange for you.



## How to bid at auction

While there are different theories about what nets the prize on the day, the best advice is that clear, concise bidding with confidence ensures everyone (including your competition) knows you're here to buy.

- Before the beginning of the auction, the auctioneer will offer clear instructions explaining auction proceedings. Position yourself where you can hear and see the auctioneer.
- If you wish to make a bid, raise your hand so it is visible to the auctioneer and call out your bid in a loud, 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".
- Should the auctioneer misinterpret your bid, call out immediately to correct them.
- The auctioneer may refuse a bid, or suggest an amount to increase your bid by. The auctioneer is present to facilitate the property's sale and this should not deter your bidding.
- It is the responsibility of the auctioneer to maintain structure and momentum to achieve the best outcome for the buyer and the seller.



## Tips for bidding on auction day

Participating in an auction can be empowering and exciting, so have a good idea of your financial capabilities and enjoy the ride.

- Don't over-strategise: Worrying about the auction or how it will unfold will only create unnecessary stress. Try to enjoy the process by focusing on your objective which is to purchase the property.
- Put on your game face: To show your competition that you're serious about purchasing the property do not be afraid to make the first bid.
- Bid with confidence: Most often the successful bidder is the one that bids clearly and with confidence. Responsive bidding without hesitation can be intimidating and shows you have nothing to lose and everything to gain.
- Know your limits: Setting several limit levels can help to achieve some flexibility and ensure you don't miss out on your dream home for a mere \$1,000.



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