



Twiss-Keir Realty's  
Guide To Auction



Twiss-Keir Realty  
LTD. MIRENZ

# auction = action



- Auction has fast become one of the most preferred marketing strategies for Harcourts clients - with good reason. A positive statistical sale rate together with property being on the market for such a short time (on average less than 30 days) have many regarding auctions as the most successful 'non price' method of selling.

The auction is designed to attract genuinely interested, cash-in-hand buyers. These buyers are focused only on establishing the maximum price they are prepared to pay not how low their offer should be. As motivation on the big day is often bolstered by emotional commitments towards purchasing this also strengthens the natural form of competition between buyers. The buyer's fear that they have undervalued the property, and may lose out, often means that they will stray past their limit. Bidding for a house is action-packed and that's all in your favour.

The auction is also the least disruptive and intrusive method. Your home only needs to be opened at times that suit best and you remain in total control of the whole process. With assistance from your Harcourts consultant you'll set the terms, conditions and auction deadline.

The undisclosed minimum reserve price is set - one you're completely comfortable with. With your valued input, a professional marketing plan will be put in place to ensure your property gains the maximum profile within the first few weeks of market exposure. With all this in place the excitement of the big day sometimes never eventuates. That's because you always have the option to accept offers prior to auction.

## BUYER COMPETITION

While a price-marketed property offers buyers the opportunity to negotiate the purchase price, at auction they will be competing directly against other buyers. The purchase price is often a secondary issue compared with individual wants and needs, egos and emotions... and the competitive will to win.

# advantages of auction



- A confidential reserve price. This remains undisclosed so your property cannot be sold for less than you are prepared to accept
- An intensive, high profile auction marketing programme. This is designed to take full advantage of the high level of interest a property attracts during the initial period when it is first introduced onto the market
- Finding the true 'cash' buyer. Auction effectively filters out those who cannot realistically make a cash purchase decision
- Harcourts auctions achieve the highest price with the highest success rate
- Auction properties are on the market the shortest time - less than 30 days on average
- You set the conditions and are in complete control
- An auction date adds urgency and offers the buyer a reason to act
- Cash sale - no subject-to-finance uncertainty
- Deposit payable on the day of sale
- Buyer competing against buyer...not buyer negotiating against seller

Our commitment is to keep you totally informed throughout all stages of the auction marketing programme. Together we will work towards achieving the best possible result.

# buying at auction



- Register your interest with the salesperson so that you will be advised of any prior offers.
- Be in a cash position, arrange your finances.
- View and be satisfied with the LIM report and the title for the property.
- The preceding two points are very important as **NO CLAUSES OR CONDITIONS** will be included in the Auction Contract. Your bid or offer will be **TOTALLY UNCONDITIONAL**.
- The Auction document provides for a sale **BEFORE, AT, or AFTER** auction. Please read the section 'Before bidding at auction' on the back page of the auction contract, this explains the key points for you.
- While a vendor may supply a LIM report as a courtesy, it does not represent any warranty on their part. If any matter concerns you, seek legal advice before bidding or submitting a prior offer.
- Have your 10% deposit ready by auction day.
- Have your preferred possession date agreed with the vendor prior to auction.
- Have your own property appraised so that you will have an idea of its value.
- Bid confidently on the day.

# frequently asked questions



## Q1 Do I have to be in a cash position to bid?

The straight answer to this question is yes! To bid at an Auction you need to be bidding in cash. 10% only is required on the day of the Auction, balance is due on the possession date. However, as explained below, you may talk to the Auctioneer about extending the possession date and giving you longer to arrange money. Also with an Auction you may have a lead-up period of up to 4 weeks that also should allow you to get into a cash position.

## Q2 How do I work out the price?

The auction system allows you, the market, to firstly appreciate the house and then determine the price. We as marketers, find that some people become experts in a particular price range and they are able to indicate pretty well exactly what a home is worth. They do this by drawing on the experience of the homes they have looked at in that particular price bracket. If you need help with a guide to the price, ask the consultant for guidance. Whilst you will not get actual figures, a consultant will normally be able to supply you with a list of similar homes that have sold in the area which compare with the Auction home. You may also decide to get a valuation.

## Q3 What about selling my house?

One of the benefits of buying at auction is the fact that if the home does reach auction you may have up to three months with prior permission from the vendors, to organise and get your own home sold. The fact that you own a home is not detrimental to your bidding at auction. Talk to your consultant about whether they might have somebody "waiting" for a home like yours as an early sale might be closer than you think. Its worth remembering other buyers will be in the same position you are, and if you get a cash offer on your home, you are in an extremely strong position to either buy the Auction property before Auction or on the Auction day. If you believe your home is "saleable" you may also consider talking to the Auctioneer via your sales consultant about extending the possession date on the Auction property, thus giving you extra time to get your home sold.

# frequently asked questions



## Q4 How do I borrow money when I don't know the price?

Most lending institutions are now conversant with modern auction techniques and once you have worked out the price you believe the property is worth, as in question 2, when you discuss this with banks or lending institutions, you will find they believe it quite acceptable to agree to lend you up to a certain "bidding price". You will then know just how high you can bid at the auction. Overall though, the fact that you are borrowing money should not prevent you from bidding or buying at an Auction.

## Q5 Can I have someone else bid for me?

Yes! Anyone may bid for you on the auction day. They may, if they are a professional person, require written advice as to how high you wish them to go. Other bidders (if you find it too traumatic) would be your solicitor, the real estate consultant, perhaps an experienced member of your family or valuer. With the permission of the vendor and with prior notification, you may also bid by phone.

## Q6 What are the normal conditions that I would buy under?

10% of the purchase price is required to be paid on the auction day if you are the successful bidder. That is; you need your cheque book and the ability to have a balance in your account to cover the deposit once it is banked.

It is considered if you bid at auction that you have bid unconditionally and for cash, i.e. if your bid is successful, you have brought the home. There is no subject to finance, or subject to the house sale, you have bought the house. There is nothing to be wary of so long as you have done your homework and have sought the correct advice along the way. You are essentially making a cash unconditional offer.

Possession is as per the Particulars and Conditions of Sale, and can be up to three months after the Auction date, particularly if you have a property to sell. Some owners will consider variations and these are recorded individually on an "Aside Agreement" to allow potential buyers to be able to bid on the day.

Chattels are normally mentioned in the Particulars and Conditions and you look for them and make sure they tie in exactly with what you believe is being left in the home.

GST will also be mentioned in the Particulars and Conditions and you should check that this tallies with what you believe. Note that on residential homes there is normally no GST payable.

# frequently asked questions



## Q7 Can I buy before Auction Day?

Some owners may consider selling before Auction day, some may not. They would normally need to believe that the offer was a very good one to convince them to sell prior to auction. Because the property is going to auction, if an acceptable pre-auction bid is tabled all interested parties are contacted.

## Q8 What is A Vendor Bid?

The conditions of sale state that the vendor has the right to bid himself or through an agent or through the auctioneer. This bid may be used to start the auction or by the auctioneer during the auction to increase the bidding. The auctioneer will disclose all vendors bids. If someone else will be bidding for the vendor, other than the auctioneer, that person will be identified before the auction.

Vendor bids WILL NOT be exercised once the reserve has been reached.

## Q9 Particulars and Conditions of Sale

This is the contract that you will sign if you are the successful bidder on the day. It is simply a contract that spells out the conditions under which you have bought the home (see Q6), and binds you to the purchase of the home. It also binds the seller to sell to you as per the auction bidding.

The Particulars and Conditions are available prior to the auction. If you have any doubts on wording and the clauses included, you should consult the sales consultant concerned or your solicitor.

**Note** that if you buy before an Auction or at the Auction you will use the normal Particulars and Conditions of Sale Agreement, with some clauses deleted to make the contract unconditional. If the property is "passed in" and you are then interested in offering on the property, the standard Sale and Purchase Agreement designed by the Law Society and Real Estate Institute will probably be used.