

Burchell Higgins

PROPERTY SALES

Buying Property at Auction

An auction is where potential buyers gather to publicly bid for a property. It is usually conducted by an estate agent, acting as an auctioneer and is governed by strict rules.

Buying property at auction is very different to other property purchases. The bidding process is public and if the hammer falls and you are the highest bidder, you have to sign the contract right there and then. This means you must be sure you are bidding on a property that you can buy.

We've put together a list of important things you need to know before you start bidding.

Auction language

Understand the following auctions terminology:

Reserve price

Passed in

Fall of the hammer

How does an auction work?

To participate or bid at an auction, potential buyers must register with the vendor's agent and be given a bidder's number. The auctioneer oversees the bidding process. They take bids from potential buyers and keep track of the current bid price.

Before auctioning a property, the seller will nominate a reserve price, which is usually not advertised. If the bidding continues beyond the reserve price, the property is sold at the fall of the hammer. If you are the successful bidder, you must sign the contract of sale and pay the deposit on the spot (usually around 10 per cent of the purchase price).

Difference between an auction and private sale?

Auctions differ from private sales as there is no cooling-off period:

- after the seller and buyer exchange contracts

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- if contracts are exchanged on the same day as the auction after the property has been passed in.

If you are bidding at an auction, you must be ready to exchange contracts and complete the sale. Otherwise, you will lose your deposit and may be liable for any damages suffered by the vendor.

Visit the bidder's guide for more information

What happens on the day of auction?

On the day of the auction, the property may be open for inspection. Use this opportunity to take a final look at the property, the contract and auction rules.

Agents must give all potential bidders a copy of the [Bidder's guide](#) before the auction. The guide contains important information you need to know, such as how you register to bid and what kind of identification you must provide to register.

Agents are also required by law to have a list of the following auction conditions clearly visible for all potential bidders:

- the highest bidder is the buyer, subject to any reserve price
- the auctioneer is entitled to make one bid only on behalf of the seller
- before the auction, the auctioneer must announce that the auctioneer is permitted to make one bid on behalf of the seller
- the auctioneer must announce immediately before, or in the process of making the bid, that he/she is making a vendor bid
- the auctioneer can refuse a bid that is not in the interest of the seller
- the auctioneer has no authority to accept a late bid (a bid after the fall of the hammer)
- if there is a disputed bid, the auctioneer is the sole arbitrator and makes the final decision
- the successful buyer's name must be given to the auctioneer as soon as possible.

Pre-auction offers

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Sometimes the vendor agrees to consider pre-auction offers. You can make a pre-auction bid through an agent before the auction. The negotiation process is the same as buying by private sale.

What can I do to prepare for an auction?

Before you bid at an auction, consider the following:

Do I know the market?

What kind of property am I buying?

Am I ready to go ahead with the purchase

What is my maximum purchase price?

Is this a property I really want and can buy?

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