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Auction Fact Sheet

Buying a Property at Auction

An auction is when prospective buyers come together and bid on a property with the highest bidder being successful, subject to the bid exceeding the seller's reserve price. Auctions can be very emotional, and it is important not to get swept away by the exciting atmosphere and offer more than you can afford.

How does an auction start?

The auction will begin at the allocated time with the auctioneer welcoming people, and announcing that he or she will start the auction. Some details about the property will be read out such as the address and some of the key features of the property. The auctioneer will then ask for an opening bid. The vendor may make a vendor bid to get the ball rolling.

How to bid at Auction

Once the auction is in progress you can make a bid at any time, either verbally or non-verbally, by raising your hand or nodding your head (and displaying your bidder number, if applicable in your state or territory). The auctioneer normally informs people of the increments that you can bid. At the beginning it's not unusual for bidding to be made in \$10,000, or sometimes \$20,000 increments. When you feel like slowing the increments down, you can offer an increase of \$5,000 or less (e.g. \$1,000). However, the agent can ask that bids be kept at \$5,000 increments, but if bidding stalls, they may accept \$1,000 and even \$500 increments.

What happens when bidding stalls?

When bidding stalls, the auctioneer consults with the vendor to ask if the reserve price has been reached. The auctioneer will then announce either that "the property is now on the market" or that it has not reached its reserve. If it is 'on the market' bidding continues until it stalls. The auctioneer will then solicit final bids, repeating the highest bid. If there are no further bids he or she will say "Going, going, gone" or "Going once, going twice, going three times, sold!" and bring down his or her hammer (or hand) on the word "gone" or "sold". The property is then sold to the highest bidder. When bidding does not reach the owner's reserve price the property is not sold. The house is then considered to be passed in. If the house is passed in, the highest bidder usually has first opportunity to negotiate with the seller and the agent.



What happens if your bid is successful?

As the successful bidder, you will be required to sign the contract and pay a deposit on the spot, usually 10 percent (however, you can negotiate with the seller to put down a smaller deposit prior to the auction.). So don't forget to take along a cheque book, deposit bond or some other means of payment. It's best to check with the real estate agent before you attend an auction as to what form of payment and how much is required on the day. Auctions automatically waive any cooling-off period. So be aware that once you sign the contract, if you do not continue with the purchase, you will lose your deposit. You may also be liable to the vendor for the deficit realised on the sale of the property within 12 months of the auction and reasonable costs associated with that sale, or you may be sued by the vendor for breach of contract.

Once you've exchanged contracts you can breathe a sigh of relief and congratulate yourself on your new purchase!

Auction Tips

- Attend a few auctions to get the feel
- Set a price you want/can spend
- Stick to your limit—remove emotion from your decision making
- Take a support person with you to make sure you stick to your limit
- If you need help ask the agent who is selling the property
- Make sure you have pre-approved finance
- Don't be afraid to bid aggressively to eliminate potential buyers
- Be prepared as anything can happen and prices can go up quickly

There are a few types of finance available to clients who want to bid at Auction.

Pre-Approved Finance: You know how much you can borrow, and what you can afford to bid up to confidently .

Deposit Bonds: Particularly useful at Auctions, where generally you need to put down 10% deposit on the property to secure the house.

Before you go to Auction, call your Mortgage Specialist, and get your finance first.

