

## WHY CHOOSE TO AUCTION YOUR PROPERTY

In Queensland, selling property by auction is less popular than it is in other states, however, in recent months it is gaining popularity.

There are many pros to choosing auction as your method of sale:

- You have some certainty around when the house will sell (unless it is passed in)
- Competitive bidding means no upper price barrier;
- A defined campaign period (usually four weeks)
- A sale at auction is unconditional;
- Inspections are controlled through open house days or appointments

If you are considering selling your property at auction, here are some helpful tips that can improve your chances of an outstanding result.

### Understanding auctions – for sellers:

The auction process begins when the seller signs an authority with the agency that gives permission to take the property to auction. This process also involves the sellers signing off on the marketing plan presented by the agent, which is key to attracting potential buyers.

Whether the house is sold at auction or not, the seller will usually pay for the agreed marketing costs separate to the commission, (unless otherwise negotiated at the time of signing the contract).

Sellers should also take note of the agent's credentials as only licensed real estate agents and auctioneers are trained to sell real estate and those who are members of the REIQ are bound by our Standards of Business Practice.

Once the listing authority is signed, there are three key periods in the auction process.

The first is the period prior to auction day, when the marketing campaign begins, with advertising placed and open houses scheduled. It is advisable to have as many appointments or open days as possible (even though this can get tedious) as this is the key to attracting bidders at the auction.

Next, is the auction day itself. At this stage the seller will have a reserve price ready to pass to the auctioneer on the day of the auction. The reserve price is usually set using a comparative market analysis and in discussions between the agent and the seller.

If the highest bid reaches or exceeds the reserve price, the property is sold 'under the hammer' (i.e. - at auction) and the Contract of Sale is signed immediately by the buyer and the seller.

Should bidding not reach the reserve price the auctioneer will look to the seller for further instructions before 'passing the property in' (i.e. – not selling under the hammer). At this point the seller can reconsider the reserve price.

If the property passes in, the real estate agent will usually follow up all enquiries made before and after the auction day and continue to promote and market the property endeavouring to achieve a sale as soon as possible.

## **Understanding auctions – for buyers:**

From a buyer's point of view, open houses and inspections by appointment are the best time to make enquiries, get a copy of the Contract of Sale, take a good look around the house and clarify small particulars (eg – is the dishwasher included in the sale? and in the case of a rental property, do cosmetics such as curtains belong to the tenant or the landlord?).

It is also the time when building and pest inspections should be conducted. A reminder though – inspections can only be held at the permission of the current owners and are generally done so at the buyer's cost.

Although inspections are an additional cost, buyers seriously considering the purchase are encouraged to conduct inspections if possible, as properties sold at auction are unconditional and therefore due diligence should be conducted beforehand.

It's important to arrive early on auction day. This gives the buyer the chance to make sure there are no late changes to the contract and get themselves ready to bid. Potential buyers will also be asked to register as a bidder with the auctioneer before the auction begins.

The auction will begin with the auctioneer reading the details of the property contained in the Contract of Sale and will also read the Conditions of sale by auction. Then the auctioneer will call for bids.

Buyers should raise their hand to make a bid, and call out a bid if they want to move a bid by larger or smaller amounts. A good tip is to stand where you have a good view of other bidders.

It is important that buyers know their highest price range before the bidding commences and not get carried away with the moment. If the buyer succeeds at auction they must be prepared to sign a Contract of Sale immediately. Usually a deposit of 10% is required unless otherwise agreed prior to the auction.

If the reserve price has not been reached during the course of the bidding and the property is passed in for sale by negotiation, bidders are able to negotiate to buy the property. However, there is no guarantee you will secure the property post-auction even if you are the highest bidder.

Overall, there are many pros and cons to buying and selling at auction and the number-one golden rule to doing well at auction, whether you're a buyer or a seller, is to do your homework and be prepared for all eventualities.

Good luck!

**-ENDS-**