



# the auction guide

— FOR SELLERS —

THE  
AUCTION  
GROUP



# meet your auctioneer

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## Michael O'Brien

Forging a stellar career spanning 16 years, Michael O'Brien brings to The Auction Group a depth of real estate knowledge that can only be obtained from front line agency. A principal and auctioneer of many years, Michael's 'know how' approach greatly benefits partner agencies.

Michael's approach is simple - educate buyers, inform sellers around the auction process and reduce the associated unnecessary stress.

Subscribing to the belief that being an auctioneer isn't just about being a quality caller, Michael believes it's about skillfully negotiating to achieve the best result for his sellers.

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# frequently asked questions

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Now that you've made the decision to market your property via the auction method, you'll find the big day will be upon you in no time!

This guide has been designed to provide you with the answers to frequently asked questions about the marketing campaign and help you understand what to expect on auction day.

Importantly, it includes all the tips you need to know about how to best position yourself for a successful sale.

## **What is the reserve price?**

The reserve price is the minimum price you are prepared to accept on auction day. Once the property is sold under the hammer, there's no going back, so it's important you are comfortable to sell at the agreed reserve price, if that's the highest price achieved.

## **How do I set the reserve?**

Setting the reserve is all part of the art of the auction process – set it too high and you might lose the opportunity to spark competition between bidders and achieve a premium result. So while ultimately the decision is yours and yours alone, it's important you have enough trust in your agent to consider their advice. Throughout the campaign, they ideally will have been able to estimate how many buyers are truly in the running, as well as where those buyers sit in terms of price.

## **Do we have to attend the auction?**

It's not compulsory for you to physically be at the auction – you can choose instead to be on the phone with your agent. However, it's always best to be there in person. This way, you'll be able to see the auction unfold right in front of you. If it comes to a point where you're required to make a decision, you'll then be able to do so based on your own judgement, rather than relying solely on information passed to you second-hand. If for any reason you're unable to be at the auction in person, you will need to ensure that all parties on the title have signed the reserve form prior to the day.

## **If we can't attend the auction, how do we sign the contract of sale?**

If the reserve form has been completed and signed correctly by all parties on the title beforehand, the auctioneer is legally allowed to sign on your behalf.

Unless otherwise stated, the standard conditions of sale by public auction for real property generally include a clause that states: "The seller and the buyer agree to sign all documents and do everything else necessary to transfer the property to the buyer. The seller and the buyer each appoint the auctioneer their agent to sign the Contract of Sale on their behalf. This appointment is non-revocable".

## **On auction day, where will the auction be conducted?**

If the property is to be auctioned on-site, ultimately the decision lies with the auctioneer and will be made on the day. There are many factors to consider, including crowd size, the dimensions of the space and importantly, the weather.

## **Is it normal not to have any buyers registered before the auction day?**

Yes, this is very normal! In reality, most buyers do wait until auction day before they register to bid. The main reason a buyer would register before the auction day would be if they were going to be absent and needed to organise an authority for someone else to bid on their behalf.

These are the most common authorities that a buyer will use:

- Power of Attorney – Outlining their authority with the document
- Bidding Authority – Letter of Authority to bid for and on behalf of another person
- Bidding Authority – Letter of Authority from prospective buyer to convey telephone bids at auction

# frequently asked questions

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## **Do all buyers have to register to bid?**

While the legislation is different in some states, in Queensland and New South Wales, all buyers must be registered in order to make a bid. A buyer can register mid-auction if they wish to.

## **What is a vendor bid?**

A vendor bid is a bid made by the auctioneer on behalf of the seller. In Queensland, auctioneers can accept an unlimited number of vendor bids, but only up to the reserve price. Before the bidding reaches the reserve price, the auctioneer can bid on your behalf, or accept bids directly from you or your representative. In New South Wales, only one vendor bid is permitted.

The auctioneer must announce if a bid is a vendor bid. If a vendor bid is announced, buyers will know that the reserve price has not yet been reached.

## **Should I organise someone to bid at the auction to help move everything along?**

Definitely not! It is important that you do not organise or place someone in the crowd to make false bids - this is called dummy bidding and is illegal. Rest assured, the auctioneer will always have a strategy in place to keep the momentum of the auction going.

## **What happens if no one registers to bid?**

Even if there are no bidders registered, the auction will proceed as planned. This is because it's not uncommon for buyers to register during the auction. If no one registers at all, the property will be passed in and negotiations with any interested parties will commence post-auction.

## **What happens if only one person registers to bid?**

In this situation, the auction strategy changes into a straightforward negotiation, but under the auction contract. This still has advantages for you, as the contract is immediately unconditional with no cooling off period. It will be a matter of extracting the bid or offer from the one registered bidder and negotiating back and forth with you as the seller, until an agreement has been struck or negotiations break down.

## **If we have registered bidders but no one seems willing to make the first bid, where should the auctioneer start the bidding?**

During the campaign, your agent will have received substantial price feedback from the marketplace. It's not uncommon to start the bidding up to 20% less than these numbers, to encourage buyers to get actively involved in the process.

## **What does it mean when the auctioneer says 'on the market'?**

When the property is "on the market", it's a clear message to all in attendance that the reserve has been met and the highest approved bidder will be the buyer at the conclusion of the auction. It will often spark a new round of bidding activity, particularly from anyone who might have been hanging back until this point.

## **Does a property have to be announced on the market when the reserve is reached?**

No, there's no legal requirement for the auctioneer to announce when the price reaches or exceeds the reserve. Some auctioneers will actually try to spark more competition by stating up front that they won't be saying when the reserve is reached, but from our perspective at The Auction Group, we believe it's always best practice (and gets the best result) to do so.

## **If the property doesn't sell on auction day, where do we go from here?**

If the property doesn't sell at auction, it doesn't mean the auction process has failed - a large percentage of these properties still sell in the days or weeks post-auction day. Critically, your agent will want to continue building on the momentum of the auction day and will recommend their preferred strategy to you, based on how many interested parties there are. If a successful post-auction offer is accepted within 48 hours, your contract will still be on auction terms and immediately unconditional. If not, it's time to position your property with an asking price and go from there.

# auction day strategy

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Keep in mind the bidders are entering into a contract of sale that heavily favours you as the seller. Why? Because the contract is immediately unconditional and heavy penalties will apply to the buyer if for any reason they are not able to proceed.

The key piece to understand is that you are in full control of the outcome at all stages through the auction and the only people privy to the reserve will be you, your agent, and your auctioneer.

Deciding on the reserve should only be done after a thorough discussion of the following;

- **Campaign overview**

The marketing period is the perfect time to analyse the general market in your specific area and price segment. By collating data on recent sales and new listings, your agent will give you a good snapshot of where your property sits and how much competition there is for buyers, right at the point of auction day.

- **Inspections and feedback**

Your agent's role is to extract the thoughts and opinions of everyone who inspects your property and deliver that information to you in its most undiluted form. The most important aspect of this is of course the price feedback. You do not want any sugar coating at this point – you'll be making tough decisions based on the volume of inspections and the information those potential buyers have divulged.

- **Offers prior**

Of course, any offers submitted prior to auction day should also be reviewed. The terms of the offer are equally as important as the price. If an offer has been made on a conditional basis (like subject to the sale of another property or finance approval), it will be a pointer as to what might hold back a particular buyer on auction day.

## Devising your auction day strategy:

There are lots of different strategies that can be employed when conducting an auction and your agent will talk through all the different options.

It's important to understand a couple of things. Firstly, as long as the bidding is less than the highest indication of price obtained from the market or the reserve price, it's best to leave your auctioneer in control of the strategy on the day as they will need to make decisions in real-time. At this stage, your auctioneer can place bids on your behalf

as required until we reach the point where the highest bidder is in excess of the highest price feedback or the reserve price.

Secondly, if the reserve price is reached, and subject to your final approval, your auctioneer will call the property "on the market", which sends a clear message to all buyers that the property is to be sold imminently to the highest bidder. Anyone who's been holding back will now be forced to either bid or miss out.

If the bidding stalls below the reserve price, your auctioneer will pause the auction and seek your instructions. It's ultimately your decision if you feel as though the highest bid requires further consideration, even though it's under your reserve. Lowering your reserve at this point and allowing the property to be called "on the market" may well result in further bidding.

Critically, once the auction is announced as being 'on the market', the buyers are at the helm and it's anyone's guess where the bidding will cease and the gavel will fall – but be aware the sale will be binding on both you and the highest bidder.

## Planning vendor bids:

A vendor bid is a bid made by you or on your behalf as the seller and must be disclosed to all buyers. From a legal perspective, in Queensland your auctioneer is allowed to accept or place an unlimited number of vendor bids, right up until the reserve price is reached. In New South Wales, only one vendor bid is permitted.

Building momentum is the key to any successful auction and vendor bid/s are a wonderful tool to use. In the absence of a starting bid, a well-executed vendor bid may kick-start the bidding. Or the auctioneer might find themselves in a situation where there is only one bidder actively participating – vendor bid/s could be used here to keep the bidding flowing. It may be that the bidding falls well short of the reserve price. In this case, a vendor bid could be used to give clarity to the market, indicating where the post-auction negotiations should start.

Some sellers want to have an agreed plan as to how and when vendor bid/s will be placed. While it's definitely good to discuss options and preferences, it's far better to allow your auctioneer the freedom to decide in the moment based on what is actually happening. After all, it's impossible to predict accurately beforehand how buyers will behave on the day.

# tips for auction day

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One of the most common questions we are asked by owners is what they can do to help on auction day. Below are our tips for making auction day as easy and stress free as possible, while maximising the chances for the best possible outcome.

## 30 minutes prior:

Typically half an hour before the auction, the final open home will be held. This last open home is designed to give interested buyers one final look through the property, as well as allow for any last minute buyers who've never seen the property enough time to properly inspect before registering. You might be surprised to hear that it's not unheard of for the successful buyer to have never seen the property before auction day.

## 10 minutes prior:

If you're going to be physically attending the auction, it's best to leave the property during the open and simply take some time to relax, making sure you're back ten minutes before the scheduled auction time. If you haven't already done so, this would be the perfect time to hand the reserve form to your auctioneer and agent. Remember, the reserve document **MUST** be provided to the auctioneer/agent fully signed by all parties on the contract, before the auction can start.

## 5 minutes prior:

Five minutes prior to the start of the auction, your auctioneer will make a general pre-auction announcement. Known as the warning call, this will include the following information:

- The location of the registration facility
- The requirement for all buyers to be registered prior to bidding
- The terms of the contract eg: 10% deposit, 30 day settlement
- The necessity for buyers to bring up any questions they may have prior to the start of the auction

## 2 minutes prior:

Just before the auction commences, your auctioneer and agent will brief you with the final information. This will include the crowd size, the number of registered bidders, whether all expected bidders are in attendance as well as any last-minute arrivals.

This is also when you will be informed of any requests for variations. For example, a bidder may request a 5% deposit or a different settlement period and by law, we would need your approval before that buyer would be allowed to bid under the new terms. It's also important to note that if you do agree, we must then allow everyone to bid under these new terms.

## Auction:

When the auction commences, it's a good idea for you to be positioned in a spot where you can hear the auction, but not necessarily be seen. This is because the auctioneer may pause the auction at some point to privately discuss your options, or ask for instructions. Also, if the auction is going extremely well, we don't want bidders seeing you celebrating before the hammer has even fallen!

## Post Auction:

If you have sold, it's time for congratulations! You will be required to complete the contract of sale by signing and initialing as directed by your agent or auctioneer. The buyer will also sign, pay their agreed deposit and the contract will then become unconditional.

If the property is passed in, your auctioneer and agent will discuss a post-auction strategy immediately after the auction. This may involve further negotiation with interested parties, either on the day or over the coming weeks.



## RESERVE FORM

The sale of \_\_\_\_\_

Auction date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

I/we hereby wish to nominate that the reserve price for the above mentioned property to be held on the above date will be \$\_\_\_\_\_

I confirm that the terms of auction are \_\_\_\_\_% deposit and a \_\_\_\_\_ day settlement period.

Should the reserve price not be reached, I further authorise you to refer to me for my consideration any bid above \$\_\_\_\_\_

If I am not present at the Auction and my reserve is not reached, I authorise you to adjust my reserve by verbal instruction with confirmation from a third party.

I/we further authorise the Auctioneer to sign the contract of sale on my/our behalf.

*(Cross out if this does not apply)*

Yours sincerely,

Seller \_\_\_\_\_ Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Seller \_\_\_\_\_ Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

*(To be signed by all the sellers named on the title search)*



## CONDITIONS OF SALE BY PUBLIC AUCTION (QLD)

1. The highest approved bidder will be the buyer subject to: the reserve price; and, the seller's approval
2. Finance, buyer inspection and cooling off provisions do not apply
3. The seller may bid, either personally or by a representative
4. The bidder warrants their ability to enter and complete the contract of sale in accordance with its terms
5. Any person bidding on behalf of another person must provide the Auctioneer with a copy of their written authority before the auction; otherwise the bidder will be taken to be acting on their own behalf
6. The Auctioneer has the discretion to refuse to accept any bid from any person. A bid will be taken to be accepted and irrevocable unless the Auctioneer, immediately after it is made, refuses it
7. The decision of the Auctioneer is final in all matters relating to the auction and no bidder has any right of recourse against the Auctioneer or seller
8. Without affecting condition 6, if there is any dispute over a bid, the Auctioneer may: — re-open bidding and resubmit the property for sale starting with the highest bid previously accepted; or — determine the dispute in any other way the Auctioneer considers appropriate in his/her absolute discretion
9. Immediately on the fall of the hammer, the bidder of the highest bid accepted must sign, as buyer, the Contract of Sale in the form displayed or circulated with these conditions of sale and pay the deposit to the nominated stakeholder
10. The deposit payable under the Contract of Sale is 10% of the successful bid or any other percentage or figure nominated in the Contract of Sale
11. The seller and the buyer agree to sign all documents and do everything else necessary to transfer the property to the buyer. The seller and the buyer each appoint the Auctioneer agent to sign the Contract of Sale on their behalf. The appointment is non-revocable
12. If the buyer does not pay the deposit, at the seller's option: — the result of the auction will be treated as invalid and the property may be resubmitted to public auction at the risk and expense of that buyer; or — the seller may affirm the Contract of Sale and pursue their legal and other remedies against the buyer as they see fit
13. All bidders must be registered. The Auctioneer may register a person as a Bidder only if the person has provided their name, address and satisfactory evidence of identity. Bidders must use their numbered identifier whilst bidding

Special conditions (if any) are inserted here.

Seller \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_