

REIA Consumer Fact Sheet

Buying at Auction

What you do before buying at auction

When buying at auction, many of the steps leading up to the purchase are the same as making a traditional purchase, therefore, it is important that in conjunction with this fact sheet you also read *Buying a home*.

Before buying at auction it is important to:

- organise your finances before making an offer or bidding at auction. Make arrangements to cover the deposit should your offer or bid be successful, and arrange to have the appropriate mortgage funds available for settlement.
- If you are buying at auction, you will be able to inspect the contract prior to and at the auction.
- You may be required to pay your deposit and sign contracts on the day of the auction
- Always set yourself a price that you do not want to go beyond and stick to it.
- Take an objective person to the auction: buying a home an auction is fast paced and can be very emotional, therefore, it is important to take something with you that you trust and can help you make objective decisions in the heat of the moment.

Bidding

The real estate agent will be able to provide you all the information you need on how to make a bid, however, some important tips to remember are:

- Be at the auction venue early so you have time to register for the auction and settle before the auction starts.
- Once registered, you will receive a bidding card with a number on it, this allows the administrator to correctly register your bid, therefore, once the auction has started it is important to hold your number clearly in the air and use a clear voice when informing the auctioneer of your bid.

Vendor bidding

Vendor bidding is a counter bid from the auctioneer to ensure a property reaches a price at which it can be sold.

Vendor bidding is a legal and ethical process. In most States and Territories, vendor bids and the identity of the bidder must be declared before the auction commences, or each time such a bid is made. Only auctioneers or other identified and legally permitted persons should make vendor bids at auction on behalf of the vendor. All governments should introduce legislative provisions for the inclusion of standardised bidding clauses that detail vendor bidding provisions in conditions of sale.

Dummy bidding

Dummy bidding is fictitious or false bidding at an auction by non-genuine bidders in the crowd, with no real intention to buy the property and without adequate disclosure of their interest.

The REIA supports legislation being put into place by most states and territories that prohibits misleading and deceptive practices such as dummy bidding.

Reserve price

The reserve price is the price below which the auctioneer is not permitted to sell the property. If a property is not sold at auction because the owner's reserve price has not been reached, it is passed in. If the reserve price is not reached, the highest bidder may be given the option to enter into negotiations with the vendor. The agent will guide this process if it is necessary.