



# Seller's guide to auctions

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# Why auction?

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As the most open and transparent of all sale methods, a sale by auction puts serious sellers together in one place to determine true market value. Once a specified reserve price has been reached, the highest bidder becomes the successful, unconditional purchaser of the property.



## Understanding the process

Deciding to sell at auction is a big decision which offers great benefits for suitable properties. Here are a few common questions about the auction process.

### Should I sell my property by auction?

Auctions are often seen as the best way to achieve an optimal price within a timeframe. This is because the auction process creates a sense of urgency and demonstrated competition amongst buyers. Factors such as local supply, market sentiment and economic conditions can affect the decision to sell by auction, so it's best to discuss your property's nuances and suitability with your Bayleys salesperson.

### Can I sell before the auction takes place?

Yes, but there are a few considerations. Bayleys follows a protocol for pre-auction sales to ensure everyone involved is safe and informed. When an offer is made before auction day;

- The property must have specified 'if not sold prior' on all marketing material.
- The pre-auction offer must be completed on the prescribed auction documents.
- The buyer must be cash unconditional.
- The written offer will be presented to you the seller for approval.

If you approve the offer, the auction date will be brought forward and all interested parties will be invited to participate at the new date and time. At the auction, the opening bid (the existing offer amount) will be the starting point for bidding.

## What happens at the auction?

Opening offers are invited to start the bidding and after the reserve price has been met, the property will be sold to the highest bidder. Once the property has reached its reserve there will be no further opportunity for negotiation. Because of this, it's important to set a realistic reserve price you are comfortable with. If bidding does not reach the reserve the auctioneer will pause proceedings and liaise with you for further instruction. At this stage you have several options;

- If bidding comes close to but does not reach the reserve you might choose to put the property on the market. This means the reserve price no longer applies and you are willing to accept the highest bid made once the auction resumes.
- You can ask the auctioneer to pass the property in. The auctioneer will then notify bidders the auction has concluded and the reserve price has not been reached. The auctioneer will attempt to generate further bidding before closing the auction.
- If the property passes in, you can still negotiate with the highest bidder, though the offer is no longer required to be unconditional. While you aren't bound to accept any offers, negotiations can continue through your Bayleys salesperson.

### Can people bid virtually or over the phone?

Yes, virtual auctions are now commonplace in the wake of COVID-19 and all registered bidders are welcome to participate in the auction online or over the phone by conveying bids to a Bayleys representative live in the auction room.

### Will the auctioneer disclose the reserve price?

The reserve price is confidential and remains so throughout the auction. Once the property reaches its reserve price it will be declared as 'on the market for sale'.

### What happens to the buyer's deposit?

The deposit is payable immediately after the fall of the hammer and counts towards the purchase price of the property. Once collected it will remain safely in Bayleys trust account to be released once the settlement is complete.

Buying and selling at auction is a thrilling experience, the nervous tension, palpable excitement and the inevitable outcome offers added benefits that other sale methods do not.

Your Bayleys salesperson will ensure you have a firm understanding of the process and its benefits come game day.



### Benefits of auction

The auction process creates a competitive environment like no other to reveal true market value, whilst ensuring transparency and an even playing field for all parties.

**Competition:** A sale by auction is the perfect recipe for the premium price because it pairs serious sellers together in a competitive environment.

**Transparency:** During the auction process all parties are aware of live bidding levels which ultimately helps to deliver fair market value.

**Urgency:** By implementing a deadline, serious buyers are encouraged to take action for desirable properties.

**Opportunity:** Before the auction takes place you may consider offers and set the reserve price.

**Fair and equal:** When participating in an auction conducted by Bayleys, everyone is on a level playing field. In an auction arena, everyone is participating according to the same terms, understanding the sale and purchase agreement and its contents.

**No limits:** By not setting a price during the marketing campaign you aren't limited to an asking price that may be too high or too low, this ultimately attracts a wider buyer pool.



### Preparing yourself for auction

Whether buying or selling at auction there are a few key details to take care of before game-day.

- Carefully consider the reserve amount with comparable recent sales, the wider market, sentiment and your financial obligations in mind. Discussions with the auctioneer and your Bayleys salesperson will provide a good sounding board for this.
- Serious buyers may request a variation to the deposit amount, settlement and possession dates, carefully consider these proposals with your Bayleys salesperson.
- Ensure your solicitor has reviewed the sale and purchase agreement and any variations. Ensure there is scope to undertake tasks relating to the sale following auction day.

