



GREEN GUIDE

Your Guide to Buying At Auction



DAVID PALFREYMAN

AUCTIONEER

021 517 272

david@apolloauctions.co.nz

CAREER HIGHLIGHTS

Since 2005 David has been helping buyers and sellers of real estate. Firstly, as a salesperson, then in management and strategic roles which have seen him develop industry-leading expertise. Thousands of salespeople and agencies across Australasia have worked with David to improve their businesses with his training, coaching and auction practice. He loves to be a catalyst for people to achieve their goals. Whether you are a salesperson, business owner, buyer or seller; you're warmly invited to reach out to David for a confidential conversation.

David lives on Waiheke Island with his wife and two children. In-between enjoying the beautiful local beaches and world-class vineyards, he runs a specialised real estate consultancy firm and auctioneering practice.

If you want an auctioneer that will help you get the most out of the process and ensure peace of mind, book David today.



■ AUCTIONEER TIPS FOR AUCTION DAY

Purchasing a property is a major decision and all of the process associated with it can be quite daunting.

Auction day can be a nerve wracking day for all involved, but remember that the agent and auctioneer are there to assist you in your efforts to purchase and can often be your greatest allies on the day. A few tips that may help you secure the property:

Bid with Confidence

The wait and see strategy is a popular one amongst purchasers but ultimately does little towards achieving a purchase. It is the bidder who bids with confidence and without hesitation that in most cases controls the flow of the auction. You are much better to set the tone and show your competition that you intend to buy, than sit back and potentially be on the back foot.

Work with the Auctioneer

Although the auctioneer on the day is employed by the seller, ultimately they want to achieve the same outcome you do – a sale. Ignoring suggested increments, interrupting & continually questioning if a property is “on the market” are not helpful to establishing a working relationship between both parties. You are welcome to suggest any bid or amount you like, but remember the auctioneer may refuse a bid if it is not deemed in the best interest of the seller.

Vendor Bids

The auctioneer is legally allowed to make bids on the sellers behalf. A vendor bid must be disclosed by the auctioneer, who will use the words “vendor or seller” bid. It is not the reserve price and indicates a price at which the vendor will not accept. A vendor or seller bid is used in different circumstances to either start the bidding, or increase the bid to a level closer to the vendors expectations.

Vendor bids are helpful because it gives you a better idea of what number it’s going to take to buy the property.

Increasing your own bid

Why must an agent or auctioneer ask you to increase your own bid? This is a common occurrence in today’s market so don’t feel uncomfortable about it. At some point in the auction, the estate agent or auctioneer may come up to you and ask you to increase your own bid. This may occur as your current bid may not be at a price the vendor will accept. Therefore you may need to increase your own bid if you wish to purchase the property.

What happens if the property is passed in?

Most auctions I facilitate have conditional buyers (buyers that can’t bid under auction terms and conditions) waiting and hoping that the property passes in. Should the property pass in, everyone will have equal opportunity to submit their offer. If you can bid under auction terms and conditions, give it your best shot at the auction as it is the most transparent way to buy and, in most cases, less competitive.

I would recommend going and spectating at a few auctions prior to participating. Watch which purchasers are successful and the tactics they employ. Feel free to get in touch with the agency, or call the Apollo Auctions team and we can supply you with addresses, dates and times of upcoming auctions that are close for you to view.

REMEMBER

YOU DO NOT HAVE TO BID JUST BECAUSE YOU HAVE REGISTERED, BUT YOU MUST HAVE REGISTERED IF YOU INTEND TO BID.

On The Day

How to register

In order to register you will need to provide the agency with your name and address and some photo identification. A drivers license or passport is normally preferred. Additionally, the agent may also request further proof of your current address.

The Agency will record these details and **may** provide you with a bidder number.

How to Bid

Make sure that the Auctioneer can see you.

~~Remember to hold your bidder number high and call out your bid in a loud and clear voice.~~

You can call out an exact amount. For Example: "\$570,000"; or indicate an amount you wish to increase the previous bid by. For Example: "Another \$20,000"

If the Auctioneer calls the incorrect amount or misinterprets your bid, call out immediately to the auctioneer and clarify your bid.

“

Some buyers have secured excellent value at auction simply because a cash-unconditional contract was a high priority for the seller who chose to take the highest offer under auction conditions rather than consider conditional offers afterwards

FREQUENTLY ASKED QUESTIONS

FREQUENTLY ASKED QUESTIONS



Can I buy before Auction Day?

Absolutely. ~~In fact up to 50% of Auction properties are sold prior to auction day.~~

However, the acceptance of offers prior to auction day is a decision made entirely by the vendor.

If you wish to submit an offer prior to auction please ensure you have undertaken all research and your due diligence as your best chance to have your offer accepted is to do so under auction conditions.

What if my Offer is not accepted prior to Auction? Have I wasted my time?

Definitely not, it may be that the vendor's price expectation sits above the market's expectation. Or perhaps your offer is under-estimating the value of the property. Regardless, after the vendor has had the opportunity to see the full marketing campaign and see the interest in the property on auction day, both parties will often re-evaluate their expectation.

What if I want to bid on Auction Day but cannot perform under the standard terms and conditions of the Auction?

Property transactions are a process of negotiation and buying at auction is no different. If you wish to alter the terms of settlement, deposit, inclusions or conditions of the contract of sale, just speak to the Listing Agent. However ensure you do not wait until Auction Day as this may be too late, these conditions must be agreed upon by the vendor prior to you commencing bidding.

Although you are at liberty to request variations you may not always get your way especially if there is strong interest in the property. If your conditions are not agreed upon prior to auction do not be deterred. If the property is not sold at auction the vendor is often more receptive to conditional offers subsequent to the day.

Just as there are benefits to a seller who chooses to market their property by auction, astute buyers also may benefit by the process.

AUCTION IS THE MOST TRANSPARENT WAY TO BUY PROPERTY

These are some of the benefits to a buyer who chooses to buy at auction;

May encounter less competition for the property

If a buyer is in a position to purchase at auction they may actually find they have less competition than if they seek to purchase a priced property. This is because some buyers are not in a position to buy under the cash-unconditional terms of an auction.

If a property "passes in" at auction (does not sell), often several buyers come forward afterwards seeking to buy with a range of special conditions attached to their offer (finance approval, building and pest inspections) etc.

This then places buyers in competition with each other post-auction. Some buyers have secured excellent value at auction simply because a cash-unconditional contract was a high priority for the seller who chose to take the highest offer under auction conditions rather than consider conditional offers afterwards.

Competition at an auction is transparent

With an auction offers and negotiation are public - out in the open. With a private treaty sale (sale by price), if two or more buyers want the same property at the same time, it is standard practice that each buyer will not be aware of the offer being made by other buyers. This means all competing buyers are "shooting in the dark".

At auction all offers are made publicly (in the form of bids) and a buyer can choose to increase their offer only as much as they want to above the last highest offer. The buyer is free to withdraw from the bidding any time they feel the price has gone beyond the figure they are prepared to pay.

REINZ BEST PRACTICE GUIDE - AUCTION

DISCLAIMER: The information contained in this document is not intended to form professional legal advice or legal opinion on any particular matter.

1. General

- 1.1 When conducting the sale of a property by auction, members should not engage in any conduct which is misleading or deceptive or is likely to mislead or deceive. This principle applies to conduct prior to, at and after the auction.
- 1.2 Nothing in this Guide limits or diminishes members' obligations to report suspected misconduct or unsatisfactory conduct of a licensee to the Real Estate Agents Authority as required under the Real Estate Agents Act 2008 and/or its regulations.

2 Before the Auction

- 2.1 Members should not advertise a property as being for sale by auction unless there is intended to be an auction and unless a written auction authority form has been duly executed by or on behalf of the seller.
- 2.2 Members should provide a copy of this Best Practice Guide to prospective sellers prior to having them sign the auction authority.
- 2.3 Sellers should sign an acknowledgment of acceptance of the terms of this Guide, which should form part of the auction authority.
- 2.4 Prior to the auction, the member should make available for inspection the terms and conditions under which the sale of the property by auction will be undertaken.
- 2.5 If applicable, the member should specify in such terms and conditions of sale that the seller reserves the right to bid either personally or through an agent.
- 2.6 The member should make this Guide available for inspection prior to the auction.
- 2.7 Members should make reasonable endeavours to inform all interested parties if a property is to be withdrawn from auction or is to be sold prior to auction.

3. At the Auction

- 3.1 The auctioneer should conduct the auction at all times with integrity and in compliance with the law of New Zealand and this Guide.
- 3.2 The terms and conditions of sale should be on display and available for inspection, together with this Guide, at the auction. Any portion of the terms and conditions of sale relating to the description of the property will be read aloud by the auctioneer at the commencement of the auction of that property.
- 3.3 Before commencement of the bidding for a property, the auctioneer should announce whether the seller has set a reserve price. The reserve price, if any, should not be disclosed to bidders.
- 3.4 Before commencement of the bidding for a property, the auctioneer should announce whether the seller has reserved the right to bid one or more times at any level below the reserve price at the auction and, if so:

■ REINZ BEST PRACTICE GUIDE - AUCTION

- (a) Whether the member has been appointed to bid on behalf of the seller and, in such case, that all bids made on behalf of the seller will be made and declared by the auctioneer; or
- (b) Whether the seller or some other person will be bidding on behalf of the seller and should identify that person in which case any bid made by that person should be declared by the auctioneer.

Neither the member nor any salesperson engaged by the member should make or assist any other person to make any bid on behalf of the seller in contravention of any announcement by the auctioneer pursuant to this clause. The member, or any salesperson engaged by the member, should immediately advise the auctioneer of any bid which they believe to be made in contravention of this clause.

- 3.5 Where the seller does not provide the auctioneer with a written reserve prior to the auction, the auctioneer should announce that the property is to be sold without reserve and no bid should be made by or on behalf of the seller at the auction.
- 3.6 In making a bid on behalf of the seller at the auction, the auctioneer should exercise his/her independent judgement.
- 3.7 Where in advance of the auction, any contractor/employee of the member or the auctioneer has been requested to bid for a prospective buyer, whether that buyer is present or absent, the auctioneer will announce that fact and identify those contractors/employees who will be so bidding.
- 3.8 The auctioneer should ensure that the amount of any bid is clearly stated.
- 3.9 The auctioneer may refuse any bid.
- 3.10 The auctioneer should resolve any disputed bid in accordance with the terms and conditions of sale governing the auction. If such terms and conditions do not specify how disputed bids are to be resolved, then the auctioneer should resolve any disputed bid in accordance with the Particulars and Conditions of Sale by Auction 4th Edition (or any document approved by the REINZ in substitution thereof).
- 3.11 Under no circumstances will a bid by or on behalf of the seller be exercised by the auctioneer at or in excess of the seller's reserve price.
- 3.12 The auctioneer will always clearly announce if the property is about to be sold under the hammer.
- 3.13 Subject to the reserve price being reached, the highest bidder should be the buyer.
- 3.14 If the seller so instructs, the auctioneer will announce during the course of the auction that in the event of the property being passed in the highest bidder will have the first right of purchase of the property at the seller's reserve price.

4. After the Auction

- 4.1 If a property is passed in at auction, no post auction advertising for the property should make any reference to any seller bid made for the property at the auction.

WHAT'S THAT MEAN?

Agency

An agency is the relationship, which exists at law between two or more persons whereby one (the agent) is authorised to act on behalf of the other (the principal) to do certain specified acts. A common form of agency occurs in the sale, purchase and leasing of real estate

"As Is"

Selling the property without warranties as to the condition and/or the fitness of the property for a particular use. Buyers are solely responsible for examining and judging the property for their own protection. Otherwise known as "As Is, Where Is" and "In its Present Condition."

Auction

A preferred marketing option where you list your property without a price, supported by very intensive marketing leading buyers to the auction day where they must bid against each other to successfully purchase your property in an unconditional situation. / A public sale of property in which prospective purchasers bid until the highest price is reached.

Auctioneer

Person holding an auctioneers license and able to conduct and call auctions.

Bid

Bold the word 'bid' to keep format the same

A verbal offer to purchase

Building Inspector

An authorised person who is responsible for checking buildings in the course of construction and completed buildings to ensure that they have been constructed in accordance with building control provisions.

~~Caveat Emptor~~

~~'Buyer beware' that the risk in a property transaction lies with the purchaser.~~

CMA

Current or Competitive Market Analysis (CMA), is a written price comparison of your property with others that are for sale or were recently sold..

Chattels

Items of property that can be physically removed from your house or business because they are not attached to it in some way. Examples may include fridges, curtains, carpets, easily removable light fittings and wall heaters, and sometimes furniture. If chattels are to be included in the sale, the seller should specifically state this in the Sale and Purchase Agreement.

Conditional Contract

Any contract that includes conditions that must be satisfied before the parties become bound to carry out the terms of the contract. The contract is called "conditional" until the conditions listed are satisfied. Both the buyer and the seller can put conditions in the offer. Buyers often ask for conditions about checking the Certificate of Title, and getting finance or a building consultant's report. A conditional contract is still legally binding, but the obligations under it are suspended until it becomes unconditional.

Commission

The fees for selling the property - payable by the seller, to the real estate company.

Contract

A contract is a legally enforceable agreement. Used in Real estate to mean the Sale and Purchase Agreement.

Cooling Off Period

A short statutory period after the contract is made, during which the purchaser may cancel the contract unconditionally. Does not apply in the case of auctions.

Deposit

Percentage of total consideration, or an agreed amount, paid on exchange of contract for purchase of an asset.

WHAT'S THAT MEAN?

Excluded Fixtures

Items that are presumed to stay with the property when sold but have been specified on the contract as not remaining.

Fixtures or Fittings

Items of property that are attached to the house or business because they are permanently attached in some way (by nails or wires for instance). Examples are the stove or oven, built in furniture, light fittings, fitted carpets and TV aerials.

Freehold

A freehold property has a clear title of ownership and is not subject to lease.

Included Chattels

Moveable items you decide to sell with the property, such as pool equipment, fridge, freestanding glasshouse, shed or playhouse, dishwasher etc. These are noted in the contract if they are included in the sale.

Leasehold

Sometimes land is subject to a lease. The owner of the land leases to the tenant for a fixed rental sum for a fixed period, eg. # years.

Listing Authority

A contract between the owner and the real estate company marketing the property, detailing the length of the agency, commission rate and any additional costs. The type of marketing method to be used is assigned and a summary of information about the property is detailed on the listing authority.

Marketing Fees

Money paid by a seller that goes directly to increase advertising spread.

Marketing Program

A promotional package put together to give a property exposure to the market. It may include advertisements to be used, a calendar of dates for advertisements, open homes, buyer contact and service.

No Price Marketing

Usually called 'Auction', 'Tender' or 'For Sale by Negotiation'. The price is not revealed to buyers during the marketing promotion. MWP - Marketed without a Price.

On the Market

During a real estate auction when the bid has reached the vendor's reserve price the property is announced as 'on the market' and is going to be sold at that auction.

Passed-In

If a property is not sold at auction because the owner's reserve price has not been reached, it is passed in.

Reserve Price

The reserve price is the minimum price the seller will accept for their property at the auction. This is kept confidential between the seller, listing agent and auctioneer.

Trust Account

A legislatively required bank account where monies are held by an agent for or on behalf of another person e.g. deposits, rental etc.

Valuation Report

A document that records the instructions for the assignment, the purpose and basis of the valuation, and the results of the analysis that led to the opinion of value. A Valuation Report may also explain the analytical processes undertaken in carrying out the valuation, and present meaningful information used in the analysis. Valuation Reports can be either oral or written. The type, content and length of a report vary according to the intended user, legal requirements, the property type, and the nature and complexity of the assignment. The terms, Valuation Certificate and Valuation Report, are sometimes used interchangeably.

Vendor Bid

A type of bid at an auction which is made by the auctioneer on behalf of the vendor and clearly disclosed as either a Seller or Vendor bid.

■ THINGS TO CONSIDER

- ❑ Bidding at auction is unconditional.
- ❑ Ensure you have your finance arranged prior to the Auction. Know your limits.
- ❑ Always speak to the Listing Agent about the deposit required at least a week before the Auction.
- ❑ Only bid within your means but bid strongly and confidently.
- ❑ If the property is passed in, the property is then on the open market and the highest bidder does not have first right to buy the property.
- ❑ You have the best chance to buy the property for the best price at Auction as the terms and conditions are favourable to the seller, therefore it has been shown they are more likely to accept a sales figure on the basis of the terms.
- ❑ If the property is passed in you are able to make an offer with conditions on it; however, you need to act quickly as typically, the ideal time to submit conditional offers is immediately after the Auction has concluded.
- ❑ The Auctioneers decision is final in all matters relating to the Auction.
- ❑ Make sure yourself and any other decision maker is available for the Auction and only rely on the judgement of yourselves. Do not allow other parties who are not purchasing the property to distract or influence your decision.
- ❑ If you are not sure about anything, ask your Marketing Agent or the Auctioneer, as they are there to help.