

Buying property at auction

You need to prepare before buying a home at auction.

There is no cooling-off period for buying at auction. If you are the successful bidder at the auction, you will have to settle the contract even if:

- the house doesn't pass inspections
- you change your mind
- you can't afford it.

The cooling-off period also does not apply to a private treaty contract:

entered into within 2 business days of an unsuccessful auction of that property in which the buyer was a registered bidder at the auction.

The terms of sale usually require you to bid on an unconditional basis. This means you cannot have any conditions, such as:

- subject to finance
- subject to the completion of another sale.

Before the auction

Before the auction, make sure you:

- inspect the property
- arrange your finance
- get a property valuation
- do your own research of the market
- get a copy of the contract
- get legal advice about the terms and conditions in case you're the successful bidder.

Make sure you ask the agent about:

- how much deposit they will ask for (as a percentage of the winning bid)
- how you'll need to pay it (a personal cheque, bank cheque or deposit bond is usually okay).

It's illegal for a seller or their agent to give you a price guide for an auction property. This is because they cannot know how high the bidding will go.

A property may appear on a listing website when you search by price. This is only for the purposes of the web search, and is not designed as a price guide. The website should give you a statement that explains this.

Sometimes, an auctioneer may offer you a comparative market analysis (CMA). This is a document that offers you information about what similar properties have sold for in the same area. They can only give you this document with the seller's approval.

Remember to do all the necessary checks, such as a:

- a title search
- a building inspection
- a pest inspection
- a land tax clearance search
- a swimming pool inspection (if relevant).

At the auction

Set a budget before the auction and stick to it.

If you are the successful bidder, you will have to settle the contract, even if you can't afford it.

Registered bidders

If you want to bid:

- ask the auctioneer if there have been late changes to the contract (they must announce the terms at the start of the auction too)
- ask any questions you have about the property
- register with the auctioneer.

Only registered bidders can bid on the day. The auctioneer will give you a unique identifier such as a numbered paddle.

Auctioneer responsibilities

An auctioneer must have a current and valid licence. An auctioneer licence is the only type of licence that permits a person to auction real estate (not a real estate agent or chattel auctioneer licence). However, it is possible that a person has more than one type of licence.

They will need to either:

- display their name prominently at the site of the auction
- announce their name at the start of the auction (but only if displaying would be impractical).
- It might be impractical to display a sign if, for instance:
 - you are outdoors in inclement weather, such as in heavy wind
 - the auctioneer is moving around a large outdoor area.

They need to announce the conditions of sale. These might include:

- the required deposit
- inspection details
- any other relevant details.
- They may use the unsigned sale contract to disclose the conditions of sale.

Reserve price

The reserve price is the minimum sale price that the seller will accept. The seller sets the reserve price in writing with their agent before the auction. A seller doesn't have to set a reserve price, but most will choose to have one.

The auctioneer is allowed to tell you whether or not the seller has set a reserve price. However, the auctioneer must not tell you the reserve price itself.

Once the reserve price is reached during bidding (or no reserve price is set), the property will be 'on the market'. The auctioneer does not have to announce when a property is on the market, but they are allowed to do so if they wish. If an announcement is made, it must be truthful.

Once a property is on the market, it means the auction must result in a sale. The winning bidder must purchase the property, and the seller must sell.

If the property doesn't reach the reserve price, you can negotiate with the seller after the auction. If this leads to a sale within 2 days of the auction, you will not get a cooling-off period.

If you reach an agreement more than 2 days after the auction, you will have access to a cooling-off period.

The successful bidder

If you are the successful bidder, you must sign a contract immediately.

There are very serious legal consequences if you cannot settle the sale on time. You may be forced to pay:

- the amount of your winning bid, regardless of whether you had access to the money
- the cost of re-auctioning the property
- any shortfall between your offer and the winning bid at the next auction.

Vendor bids

In NSW, auctioneers can accept 'vendor' (seller) bids, but only up to the reserve price.

Before the bid reaches the reserve price, the auctioneer can:

- bid on behalf of the seller
- accept bids from the seller (or their representative).
- The auctioneer must announce if a bid is a vendor bid.
- If a vendor bid is announced, you know that a reserve price has been set, and that it has not yet been reached.

Once you reach the reserve price, any more vendor bids will become 'false bids'.

False bids are illegal.

Dummy bids

A dummy bid is an attempt to raise the bidding, after the reserve price has been reached, by:

- the seller
- their family or friends
- the auctioneer
- any other 'planted' individual.

Dummy bids are illegal.

116 Mayne Street GULGONG NSW 2852
Mob - 02 6374 2393
Email selling@mcgregorrealstate.com.au
www.mcgregorrealstate.com.au

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