ElephantAdvisory

Auction tips

It’s no surprise when you read any of the surveys around the real estate process, that auctions are high on the list of fears for buyers when purchasing a property.

The fear of the auction is one thing, but there is an underlying factor of not wanting to overpay as well. We have all heard the story of some auctions making the news because someone paid $250k over the reserve.

This is more common than not because emotion took over and kept the buyer's hand in the air. There was no rational thought, they just “had” to get the property.

Now we don’t want you to ever fall into this category, the whole point of the information we put out is because we want you to make the right decision, and to make the right decision you need a plan and to be well informed.

Welcome, Your P-L-A-N to winning at the auction.

P-repare
L-ook
A-ssertive
N-ever

Let’s kick things off,

PREPARE

Prepare, prepare, prepare. This is the most important part of the process and where we see the difference between those winning and losing at auction.

This means collecting all the information and using your evaluation tools to help establish your WALK AWAY PRICE. Knowing your walk-away price/number before the day of the auction will put you in a much better headspace allowing you to focus on the task at hand, which is the auction and not trying to do maths on the fly, as there can be a lot going on.

Pro tip- Set a max price which is not a round number eg. $857k or $933k instead of or $855k or $930k.

Attend auctions held by the auctioneer who will be conducting your auction, so you know how they operate.

LOOK

Review the other the bidder/s to get a sense of their body language. If you attend enough auctions you will see when buyers hit their limit or are getting close to it.

They look confident at the beginning, but when their bid is smashed by someone else, you quickly see them become restless. So watch others as you place your bid.

ASSERTIVE

When making bids, be aggressive enough where you make other the bidder/s feel as though you have an endless amount of money, even if it’s your last dollar. Bidding with confidence and firing back quickly will hopefully throw any competition off their game.

Pro tip - You can also change the amounts up, say the increments are $5,000 and the current bid is $750,000 make your bid $4000 or $6000 to put attention on you.

NEVER

Exceed your walkaway price. Now, what’s the point of setting a walk-away price if you don’t adhere to it. Make sure you stick to your guns and move one.

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Some more info around auctions and the rules

Cooling off period?

There are no cooling-off periods in Victoria for the residential property sold at public auction. Auction conditions also apply 3 clear business days before and after the auction, meaning if an auction was to be held on Saturday, and you submit an offer on Wednesday, you wouldn't have a cooling-off period. But if you submitted the offer on Tuesday you would.

What happens on auction day?

Hopefully you will have your walk-away price established, have completed all your checks, reviews with the conveyancer/solicitor, and a building inspection. Now there will usually be an open for inspection 30mins before the auction where the auction conditions/ rules are displayed somewhere in the property. Some auctioneers will ring a bell to notify everyone the auction is about to begin, others will come and gather every one together and let them know where the auction will be taking place

The auctioneer will run over the auction rules before starting the auction. Depending on who is at the auction, there might be a few crickets until someone musters the courage to make the first bid.

If the auction isn't moving and you are there to buy, put your hand up and get it going. The worst thing that can happen is the property is passed to you, and you get to see the reserve price and start negotiations before anyone else.

There are really only are two outcomes, either the property is passed in as above or someone wins under the fall of the hammer.

Vendor bid?

A vendor bid is a bid that can be made by the auctioneer on behalf of the vendor. It isn't an actual bid to buy the property, it's more about telling everyone at the auction that the seller is not happy with the amount of the last bid, and is used to keep the action moving forward.

What happens if the property is passed in?

If the property does happen to pass in, this doesn't mean it just goes on the market come Monday. If you are the highest bidder at the point when the auctioneer passed the property in, you have first option to start negotiating the purchase of the property.

1) Try to distance yourself from the agents. This might mean staying outside or at the front of the property. The purpose of this is to establish your position and have your support around you so you can make confident decisions. The last thing you want to happen is to be cornered into a room with 2 or 3 agents trying to push you up.

2) Get the reserve price, and establish where that sits in relation to your walk away price. Is it lower (perfect), or is it higher, if the latter then you will need to negotiate with the seller to see if you can agree on a price.

3) Create your strategy, again, never exceeding your budget, here is a quick example. Let's say your max price is $783,000 and the seller has a reserve of $800k. So before talking price ask the agent to see what the ideal settlement time is for the vendor? (You might know from when you completed the evaluating process, but ask on the day because it will be raw and honest) Say it's 90 days. Ok so make your offer of $775k (knowing it passed in at $770k) and a 30-day settlement. You know the settlement time frame isn't going to suit them, but they might come back and say $790k but it has to be 90 days. OK great, next offer, $775k 90 days. They could bite again and say $785k 90 days. This would be amazing, you come up to $780k 90 days and there is a good chance it's accepted. If not, you still have $3k up your sleeve where you would go up in $500 increments until you maxed out or agree on the price.

We actually love buying property this way as we know the sellers price and we have no possibility of "made up competition". It's an extremely emotional day for the sellers, the auction campaign is usually 4 weeks all leading up to this one day. The selling agent and the seller want to sell the property on the day. They don't want to have to re-list, conduct more opens and the seller would have nightmares about telling the neighbours it didn't sell, as if there is something wrong with it.

It's a great opportunity to secure the property if it's in your price range, so understand the process and make sure you are the one it's passed in to.

4. Do not let the agents know your budget!!! Obvious one, but do not give this away.

5. Get your poker face on. Try not to give too much away through your facial expressions and body language. Keep cool calm and collected, the party can start when you are signing the contracts.

Can I make it subject to finance?

The short answer is YES.

However, you need to have it approved by the seller before the auction. Essentially you create a side contract with any conditions you have made, and you will be bidding on this contract, not the one displayed on the property.

Having an option 2.

To take more emotion out of the purchase and especially on auction day, have other properties to look at so you aren’t putting your heart and soul into getting this one property.

As the saying goes, “Don’t put your eggs in one basket” meaning you shouldn’t concentrate all efforts and resources in one area incase it ends up not working out.

Thank you for taking the time to read through this.

It's a huge moment and from the Elephant team, we wish you all the best and we hope this helps on auction day.

Team Elephant