

Why Bid At Auction?

At first glance, the prospect of bidding at an auction can seem daunting. For many buyers, it immediately brings to mind the prospect of a fast-paced, high-pressure scenario where the auctioneer (who sounds like he's calling a horse race) quickly pushes the price sky high.

The reality is quite different. Far from being an uncontrolled scenario where you may end up paying too much against your will, auction is a fair and transparent forum of exchange for both buyer and seller. While the atmosphere can sometimes be charged with excitement, there is no obligation for a prospective buyer to make a bid at any time unless they choose to do so.

The benefits for both parties spring out of the fact that the contract of sale for a property sold under the hammer is immediately unconditional. The successful buyer agrees to waive any cooling off period and the purchase is not subject to any terms like the sale of another property or finance approval. It effectively makes any bid on the property a "cash" offer.

The key benefit for the vendor in this arrangement is that there is virtually no chance of the contract falling over – it's a guaranteed sale. Just like the old adage of preferring a bird in the hand rather than one in the bush, many vendors would prefer to accept a lower price on auction day than delay the sale waiting for a conditional offer later that may or may not be for more.

Conversely, for prospective buyers, not every buyer is in a position to make an offer that is unconditional, meaning there may be less competition on auction day. For buyers who are willing to actively participate in the bidding process, it may mean that you are actually able to buy better than before or after auction day.

The danger of failing to bid in at auction on a property you would like to buy is that the playing field is no longer level after auction day. The contract post-auction will include a cooling off period and may include other special conditions if the buyer and vendors agree, which can artificially inflate prices or delay an outcome.

The best way to bid at auction is to come armed with as much information as you can and have a clear bidding strategy. For more details on these topics, please contact us at any time for the subsequent information sheets.