



Preparing for Auction

Most bidders at auction do not have the experience, skill, knowledge, or confidence to bid well. Knowing *when* to bid and *how* to bid can secure the property at a fair and reasonable price.

The only way to learn is by observation and attending as many auctions as you can. Study the auctioneer's actions – most are very predictable. Their job is to create pressure and excitement to ensure a sale under the hammer. But if you are able to read the auctioneer and to size up the other bidders, you have a distinct advantage.



Bidding at Auction

The most important bidding rules at auction are:

- ✗ **Never bid until the property is for sale.** It does not make sense to bid for something that is not for sale.
- ✓ **Don't go above your financial limit.** If you cannot trust yourself to bid wisely, appoint someone else to do so for you.
- ✗ **Don't yield to pressure to bid, or to increase your bid.** Learn to maintain a calm, collected state of mind.
- ✓ **Be alert, observe everything, and size up your opposition.** When you can read the auction crowd, you are way ahead of your competition.
- ✓ **If you are one of only two bidders, listen, observe but keep quite – it is to your advantage!**

Auctioneers like to start the bidding between 5 and 15 percent below the reserve price to lure inexperienced bidders, who then believe they are bidding for a bargain. Auctioneers also start with \$100,000 bids, then decrease to \$50,000, \$25,000, \$20,000, \$10,000 then \$5,000–bids, because it is easier to call out each bid, and most importantly, to remember the last bid when the figure is rounded off.



It is possible to **thwart auctioneer tactics** designed to escalate bidding and extract bids by using the following ploys, at the right time, and under the right conditions. Bear in mind, no two auctions are identical.

- ✓ Try to upset the auctioneers bidding style by calling your own, non-rounded bids. For example, call for a \$12,500 or \$6,500 bid if the auctioneer is asking for a \$10,000 bid. The next bid called by the auctioneer could be either for \$7,500 or \$3,500, which you would follow with a \$5,000 bid, thus helping to slow down the bidding.
- ✓ If the auctioneer does not want to take a bid that is less than what he or she is calling for, simply ask: "Isn't a higher bid in the best interest of your client? Why won't you accept it?"
- ✓ Frustrate, raise or quash the hopes of other bidders by timing or delaying your bids to coincide with theirs.



Properties Passed in at Auction

It is to your advantage if the property is passed in at auction and not sold on the same day because the vendor is likely to be out of sorts and wondering why the property has not sold. Under these conditions, a vendor may accept a lower price, and you may be able to learn the reserve price without having to lodge a bid.

When a property is passed in, real estate agents usually approach the highest bidder. If you did not make a bid at all, or you are not the highest bidder, say to the agent: "I am interested, please inform the vendor, and keep me informed." If the agent shuns you, get your solicitor to write to the vendor's solicitor the next business day or contact the vendor yourself.

It is worth noting that if a property is passed in, but sells later on the day of the auction, there is no cooling off period.