



Is auctioning a property the best sales method?

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Is auctioning a property the best sales method?

As you all know, auction is a property sale process made by 'public outcry'. An auction sale invites the public to compete for the purchase of a property by making competitive and progressively higher bids in an event at a specified place and on a specified date.

Usually an auction is held after an advertising campaign of between 3 to 5 weeks, either on-site or in rooms. Prospective purchasers make increasing offers until the property is 'knocked down' to the highest bidder. The auctioneer is authorised to accept the highest bid so long as it meets or betters the price set by the vendor - the reserve price. If the reserve price has been met or bettered, on the fall of the hammer the highest bidder is deemed to have made an oral contract for sale. The purchaser is then required to enter into and exchange the contract for sale without a cooling-off period. For all practical purposes, the vendor has a sale.

If the bidding does not reach the vendor's reserve price, then the

property is said to have been 'passed in'. This is the process where the auctioneer ends the auction without a sale having been made.

All residential property auction sales are subject a set of conditions of sale, which must be prominently displayed at the auction. They can be found in the bidders guide, which is given to every registered bidder.

Most sales agents know all of the requirements for an auction sale, and they use a qualified and experienced accredited auctioneer to manage the process on auction day. However, many vendors will ask their agent what are the advantages and disadvantages of selling their property via auction. Based on the number of questions that the College receives in relation to this issue - we thought we should list the major points here in our newsletter.

Advantages

- The vendor could expect that the competitive nature of the auction might realise a higher than expected price for the property.
- The auction program is both intensive and organised, so that the vendor has a straightforward program of inspections, with the



sale taking place on a specific date.

- The vendor potentially has a sale on the fall of the hammer at a set date in the future that they can plan towards.
- If a bid is accepted then a definite exchange of contracts occurs on the spot, free of any conditional cooling-off period that normally applies to private treaty.
- Intensive marketing means that even if a sale is not made at auction, it is likely that the property will be sold within a relatively short time after the auction as a 'pool' of potential buyers are attracted.
- The vendor gets the benefit of 'corralling' a genuine number of buyers together and having them compete against each other.
- It allows purchasers an orderly schedule to follow in undertaking pre-purchase investigations and arranging finance.
- The purchaser can confidently make their purchase decisions based on a transparent process unfolding before them.
- The agency gets the benefit of vendor-funded advertising.

Disadvantages

- The vendor pays for the advertising of the property in addition to the agent's fee.
- The vendor pays an auctioneer a fee whether the property sells or not.
- Purchasers may not wish to buy under auction conditions.
- Purchasers may suspect 'dummy bidding'.
- Certain properties - unique properties or properties for which there is a high demand - sell successfully at auction.

As a sales agent, you need to understand what works best in your local area, the specifics of the property that you are listing, and then assist your vendor to evaluate whether the property would best be offered for sale via auction or via private treaty. As a professional agent, this is where you discuss the advantages and disadvantages with your vendor.

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