

Understanding the auction process – part one

CONSUMER COLUMN

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It is not surprising that Australia leads the world in house sales by auction. As a sales method, auctions can generate exposure, achieving maximum marketing impact; competitive bidding means no price barrier; a sale at auction is unconditional and therefore definite; and inspections of the property are controlled through open house days or appointments.

Real Estate Institute of Queensland managing director Dan Molloy said the most important aspect of any property transaction, including auctions, whether you're selling or buying, is doing your homework.

The auction for sellers:

From a seller's viewpoint the auction process begins when the seller signs an appointment with an agency giving it permission to take the property to auction. Before signing an appointment, sellers agree on the marketing program and budget, which is the key to attracting a wide range of interested potential buyers, with the agent.

"Sellers should also take note of the agent's credentials. Agents representing an REIQ accredited agency are bound by the Institute's Standards of Business Practice and sellers have the added security of knowing the agent can be subject to disciplinary action via the REIQ's Real Estate Industry Professional Standards and Consumer Complaints Tribunal," Mr Molloy said.

Once the listing appointment is signed, there are three key periods in the auction process.

The first is the period prior to the auction day when the marketing program is put into effect, advertising begins, and inspections or open house days take place. The REIQ recommends sellers discuss with their agent the best number of open homes and optimum time of day to present the property.

During this period, the agent will also prepare the contract of sale for the information of prospective buyers and for display on auction day. The REIQ's standard residential contracts are approved by the Queensland Law Society, are proven documents and, being written in plain English, give sellers peace of mind knowing that buyers will bid with confidence about the standard terms.

Next, is the auction day itself. At this stage the auctioneer will request written advice from the seller as to the reserve price. The reserve price will have been determined with help from a comparative market analysis provided by the agent. From this analysis a price range will have been established and a reserve price nominated.



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If the highest bid reaches or exceeds the reserve price, the property is sold 'under the hammer' (i.e. - at auction) and the Contract of Sale is signed immediately by the buyer and the seller.

Should bidding not reach the reserve price, the auctioneer may look to the seller for further instructions with regard to the reserve price, before 'passing the property in' (i.e. - not selling under the hammer).

Following an auction where the property has not sold under the hammer, the real estate agent's exclusive agency continues for the remainder of the agency period up to 60 days) to achieve a private treaty sale.

"The real estate agent will follow up all enquiries made before and after the auction day and continue to promote and market the property, endeavouring to achieve a sale as soon as possible," Mr Molloy said.

If you're thinking of buying or selling a property make sure you choose an REIQ accredited agency.

"It is important for consumers to be aware that not all real estate agents are REIQ accredited agencies. The REIQ accredited agency logo is displayed in the front window of accredited agencies and serves as a visual safeguard to help consumers make informed and confident choices," Mr Molloy said.

For a list of REIQ accredited agencies in your local area visit www.reiq.com.au or phone 07 3249 7347.

Next week - the auction process for buyers

ENDS

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