

Buying Property Auction or Private Sale

Whether you decide to buy at auction or direct from the owner or through the owner's real estate agent, you will need to consider a number of issues:

Auction	Private Sale
There is no cooling off period when you buy at auction. Contracts are binding on fall of the hammer.	Private sale contracts may offer a cooling off period of 5 business days (shorter or longer by agreement of the parties). Can be expressly excluded by use of a signed Section 66W Certificate in the contract.
The full deposit (usually 10% of the purchase price) is payable at the auction. Contract may allow release to the vendor, direct money be held in solicitor or agent's trust account or be placed on deposit.	The full deposit (usually 10% of the purchase price) is payable on exchange of contracts. Negotiations prior to exchange may exclude release of deposit to vendor.
All property inspections / reports have to be completed before the auction at your cost. If you are not the successful bidder you have to rationalise these costs as part of good buying tactics – the property is after all worth a large sum.	If you have a cooling off period you can use this extra time to complete independent property inspections /reports. You can then decide whether to proceed based on this information or not if a defect is found (after payment of penalty fee from deposit).
The vendor will have given the auctioneer his reserve price. You are unaware of this until it is declared by the agent in the bidding.	Contracts will state the vendor's asking price.
Questionable agent practices of underquoting to potential bidders to get them to the auction or planting dummy bidders. This is illegal. Recent legislation aimed at stamping out these practices has not resulted in many prosecutions.	Gazumping may occur. The contract is not legally binding until exchanged. Before this date you may experience another buyer's higher offer being accepted by the vendor, particularly in a bullish market.
Terms of the contract are final on the fall of the hammer.	Parties may negotiate contract terms up until contracts are exchanged.
Bidding at auction requires strong commitment to stay within your price range and not get caught in the 'heart over head' auction drama.	Price range more likely to be kept. Postcode price guide / valuations considered without presence of vendor's agent.
Once reserve met and the property is officially on the market this is the only time to consider bidding. You now know the vendor's lowest price and this could work to your advantage, especially if a mortgagee sale. May pave the way for a 'good buy' if not sold at auction.	Vendor may not negotiate on asking price. Alternatively, if listed on the market for some time or a deceased estate the vendor may be prepared to close on offers.

The information contained in this article is provided by way of information only and not intended to be legal advice. You should always obtain individual legal advice.