

***Ray White***<sup>®</sup>



To auction  
or not to auction?  
**That is the question.**

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## Introduction

Nothing churns the stomach more for most sellers than when his or her agent mentions “I propose that we auction your property. I think it will be in your best interests.”

Surely we can find a good buyer without having to go through all that publicity and exposure. Why do we need to tell the world when the agent should have a list of current intending purchasers? Surely our property will appeal to one of those? So say many impending sellers.

“What if the property doesn’t sell? How embarrassing will that be?”

One thing we have learnt over all the years we’ve been in business is that you cannot guarantee what is going to happen when a property is set to be auctioned. The only thing we can guarantee is to implement all the promises we have made to

promote and act in our sellers very best interests as to what we’re going to do: the quality of the marketing, continued follow up of interested parties and the actual conduct of the auction.

This booklet is designed to bring stories to life of vendors who went through the questioning process of whether taking their property to auction would be in their best interests. There is nothing more satisfying in this industry than when clients of the Ray White Group express their joy in achieving a result beyond their expectations.

Brian White  
Joint Chairman  
Ray White Group



3 Yerong Street, Ryde NSW

“ You can imagine our reaction when over 100 people turned up to the first inspection. ”

## Third time lucky

The first agent approached this property with an idea to sell with a price, the second wanted an “offers above” campaign, the third said demand was hot and an auction would be best.

It was with some sadness that Barry Hadaway decided to sell his Federation home in Ryde, Sydney before relocating to country New South Wales. It comprised a beautiful block of land with an appealing frontage – all round a fine family home.

There were a number of options that Barry considered when deciding to sell the property which included setting a price and seeking “offers above”. The alternative was an auction with Barrie Brown from Ray White Gladesville.

“I have confidence in Barrie. We had confidence that he would attract buyer interest. Initial expectations were for a value around \$920,000.”

He took the advice to market the property without a price. “You can imagine our reaction when over 100 people turned up to the first inspection. Special additional viewing times were hastily arranged. The same continued right throughout the marketing campaign.”

“Confidence in the outcome was building!” said Barry Hadaway. “It was a fantastic auction. Twenty registered bidders came from the 30 contracts issued. The bidding came down to just single thousand dollar bids. The result of \$1,007,000 was well over our reserve figure.”

“It’s a great feeling knowing that we fully tested the market and achieved a price beyond any expert opinion predicted.”



158 Coates Avenue, Orakei NZ

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“ There was a certain amount of trepidation. But on this occasion the market forces were with me, so I was confident because of the buoyant market. ”

## The seasoned vendor

One vendor, with substantial time in the property market, had been burned by the auction process.

Erin Sullivan has had substantial experience in buying and selling property. “I have owned about 15 houses and sold 15 houses and have become confident in what I expect from my real estate salesperson. I got to know (agent) Mike Zelcer and had become increasingly impressed with the level of service and the way he treated my enquiry,” Erin said.

“On deciding to sell my property at 158 Coates Avenue in Orakei I had become aware of the improving market. However I had been disappointed with a previous auction experience. But Mike gave me the confidence that I could well benefit from an improving market – all we needed was competitive bidding.”

“There had been plenty of inspections. I was confident that a price in the mid \$600s would be a pleasing result. I was gobsmacked when the bidding quickly went past that figure to reach a final figure of \$775,000. It was a wonderful outcome.”

Mike Zelcer commented that Erin has an excellent understanding of what she wants from an agent. “Whilst we had three presale offers, I was keen to let the market really test itself. Which is exactly what happened. It was a delight to see Erin so happy with the result,” Mike said.

“ The time from start to finish was four weeks. ”

## Selling a deceased estate

Auctions are said to be about attraction: attracting people to the inspection days, attracting buyers to the auction, attracting bidders to subtly raise their arm or nod their head. But what if the house itself isn't particularly attractive?

David Brittain had an unenviable task – being the executor of his aunt's estate. There were different opinions by the beneficiaries as to what price to expect and the method of sale to adopt.

The home was in its original condition and needed substantial renovation. It no longer fitted into the urban landscape of a first class suburb. Would buyers be interested in a house in this condition? The walls were cracking and all the facilities were out of date.

“We accepted the auction idea from our agent. We were nervous about the process but it would at least bring clarity to the other beneficiaries of the reality,” David said.

Auction day drew a crowd of 200 and they exceeded the reserve price by \$52,000. “We were all going to be happy with the price at \$380,000. We were impressed that our auctioneer did not declare the property was on the market until bidding was almost exhausted to the final price of \$432,000.”

The agent, Andrea Brown said David was keen to ensure he looked after the beneficiaries. “Auction was not his preference by any means but I was confident the ‘basic bones’ would appeal to many who would be able to restore it in a way that suited their personalities. It was incredible how the bidders gained confidence from other bidders to keep lifting their bids beyond the amounts they had previously said they would offer.”





4 Lachlan Avenue, Sylvania Waters NSW

“ We had an exciting, electrifying auction where five potential buyers bid, three of whom actually bid against each other right until the end. ”

## Achieving a record price

As a vendor, it is perfectly acceptable to test and question your agent on method of sale.

When John Basa from Ray White Sylvania Waters met with Dong Zheng regarding the possible sale of his property he was particularly excited.

“I sensed that Mr Zheng may well achieve a remarkable price for his property. Its location on one of the islands in the Georges Rivers estuaries gave it a deep water frontage,” John said.

“Our vendor Mr Zheng listened and tested me thoroughly on why and how we could achieve competitive bidding. It was my contention that we could actually achieve a record price if we were able to get bidders to compete and not rely on past sales as evidence of value.”

“I was delighted when Mr Zheng accepted my recommendation. We quickly created interest. Nothing like approaching an auction with five registered bidders.”

“Three of them bid on the day and we fully tested each inch of the bidders’ resolve to be the successful purchaser.”

“The result of \$3.47million was the highest price paid since 2010 in the suburb. It had previously sold for \$2.42 million in 2011.”

“The price also showed the impact of creative redecoration which the vendors had carried out,” John said.

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23 Bath Street, Battery Point TAS

“ She was not as anxious as me... at one point she turned and said ‘why don’t you go to the pub and have a beer.’ ”

## Mother settles son’s nerves

You know the anxiety of auction is getting to you when your 82-year-old mother sends you to the pub to settle you down!

Harry Reason’s mother could no longer take care of herself properly. She’d battled cancer and was in need of more regular care. The 82-year-old widow would have to sell her old two-bedroom cottage in one of the most historic suburbs in Tasmania, Battery Point. Here many of the homes are classified by the National Trust juxtaposed against the popular social setting of Salamanca.

The home at 23 Bath Street needed “quite a bit doing to it” in the words of Harry Reason. Their agent suggested the auction method. With property values unpredictable in the area at the time, he told Harry “it really depends on the day.”

Throughout the campaign, 14 people showed genuine interest in the cottage. It came to auction day and 21 people turned up to either observe

or bid. Initially, the agent’s expectation was in the low \$300,000 range, “maybe \$310,000 or \$320,000, it could possibly get to \$330,000 with some competition.”

“The agent’s advice was that it was better for us to be off site for the auction. He said they would keep in touch via phone so we went to the care facility my mother is living in,” Harry says.

Harry’s mum showed some nervousness but she was outdone on the day. “She was not as anxious as me!” Harry says, “At one point she turned and said, ‘Why don’t you go to the pub and have a beer.’”

But the anxiety was soon over. The reserve was set at \$315,000 and the final price was \$390,000 – 24 per cent over the reserve!

“ The vendor had total confidence in my ability and ideas. ”

## Tears of joy at an offsite auction

It's one thing to market without a price, it's quite another to go to auction without a reserve. But desperate times call for desperate measures.

Peter Vink's vendor was very ill and lived outside of New Zealand. He needed a cash injection for his medical treatments and to tidy up his affairs in general. It was time to sell his investment in the Tutukaka Whangarei area.

“He was undergoing chemotherapy the day the auction was being held and so I had him and his partner on the phone so that they could hear what was going on throughout the auction,” Peter said.

“The vendor's solicitor strongly argued against the no reserve auction idea almost right up to auction time itself with the vendor at the last minute informing their solicitor that if they did not follow my instructions then they would be fired!”

Over two weekends, 45 groups visited the open-for-inspection and 50 people attended the auction.

“The vendor had total confidence in my ability and ideas but was also aware that the highest

bidder on the day regardless of amount would be the new owner.”

Enthusiastic bidding arose from the 14 registered bidders.

“The vendor would have settled for a figure around \$400,000 and as it turns out the highest bidder would have bid up to \$500,000.”

The auction was both exciting and entertaining and ended with successful bidders jumping from their seats with arms in the air and tears of joy in their eyes.

“...There were hugs all round and calls of congratulations from under bidders to the highest bidder. The vendor was ecstatic, his solicitor very impressed.”



1 Ngunguru Heights Rise, Tutukaka Whangarei NZ

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“ You really did a wonderful job and as such have enabled us to purchase the property our hearts are set on... ”

## The right advice for the right people

As the family expanded, a sale was inevitable. But getting the best possible price in order to buy their dream family home with acreage was not going to happen unless they went to auction, according to the agent.

Jade and Jason wanted seven kids. They already had two little ones and their freestanding cottage in the inner west was starting to feel a tad small.

Their home was a neat property typical of the area with timber floors, skylights and a manicured garden. It was likely to attract one of the many young families eager to break into the inner west market.

Jade and Jason wanted to buy a place in Mount White - north of Sydney - where they could have a really big block, a couple of acres, for the growing family.

They had to sell 19 Emma Street in Leichhardt where they had been for about three years. So they contacted the agent, David Eastway, who had sold it to them in the first place.

Sydney's inner west is serious auction territory. The region has the highest auction clearance rate in Sydney. David was well-known for his auction results but Jason and Jade decided against the process.

The auctioneer was there the day Jade and Jason voiced their opposition to auction.

“When I went there for the photos they decided they weren't comfortable marketing the property without a price. At that point, David said 'I'm not the agent for you,'" the auctioneer James Price said.

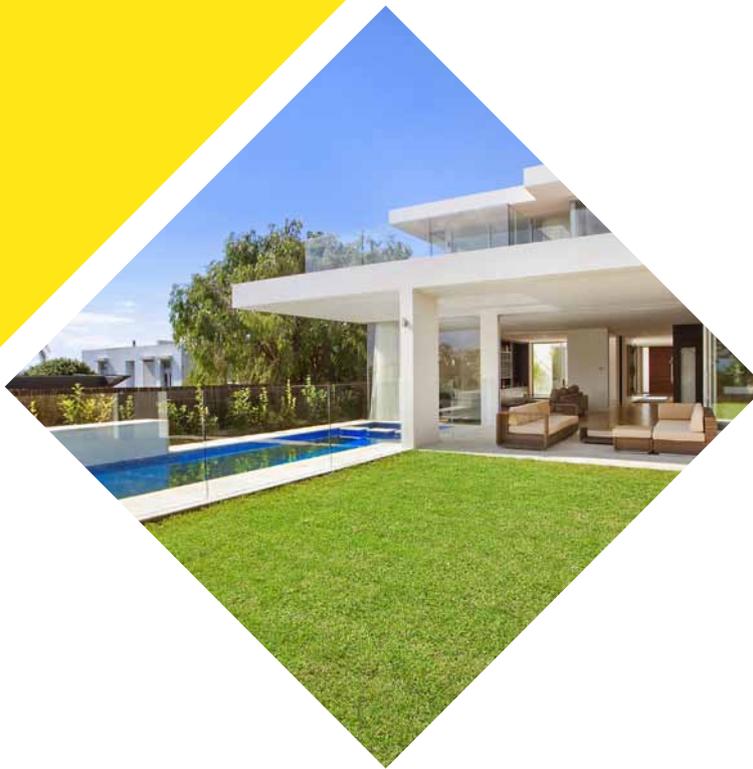
“David explained that they simply wouldn't sell for a premium unless they went to auction and he promptly collected his keys and politely excused himself from their house, and presumably from the sale.”

David had explained to the vendors, “We need to market this property properly and we need to market without a price.”

Jade and Jason compromised and the property was marketed without a price.

Now, post auction, they are pleased with the method chosen.

“We are incredibly grateful for your strategy, advice and professionalism. You really did a wonderful job and as such have enabled us to purchase the property our hearts are set on,” Jade and Jason wrote to their auctioneer.



## What the auction stalwarts say...

- Auctions are a well established and proven practice for selling real estate
  - Potential buyers are in one place at one time with strong desire to purchase on the day
  - Competitive bidding means there is no price barrier
  - A definite sale will occur under the hammer, assuming the reserve price is reached
  - A set date of sale encourages potential buyers to act quickly
  - Auctioneers can often identify the most likely buyer to negotiate with, if not sold on the fall of the hammer
  - You have the right to set the reserve price, below which the auctioneer is not permitted to sell
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# From the auctioneer's mouth

Sam Kelso, an auctioneer who has worked in QLD and NSW, shares the five reasons he would auction his own home.

There is a constant battle over whether to embrace or fear the auction process. I have auctioned two of my own properties but we also sell a lot of properties by private treaty here at Ray White. Here are five reasons as to why I would auction my own property.

## 1. Control

The biggest misconception with auction is that it is out of your control. In fact you are in far more control with an auction than you are with private treaty. You set prices, hear lots of feedback on your property and create urgency for prospective buyers. Meanwhile, with private treaty the buyers are in control and time is infinite. You might not sell for a long, long time.

## 2. Opportunity to create an emotional environment

The first thing a buyer does is ask for a price. The quickest way to burst a buyers price bubble is to tell them a price they are not happy to pay. Auction allows the buyer to fall in love with the property first and then worry about price.

## 3. Buyers who are ready to buy

You know if a buyer bids at auction they are serious about buying the property. They have a 10 per cent deposit and will usually settle in 40 days.

## 4. Structure

The best part about an auction is there is an end-date. This allows you to plan the next month ahead leading up to the auction. You know how many opens you will be having, how many meetings and you know the auction date. The problem with a private treaty is it's all up in the air until someone enquires.

## 5. Potential to sell for a premium

Very rarely, in my experience, does a property that is listed with a price magically sell for more than it was listed for. Why would you pay more than the advertised price for anything? The record prices in most areas are set by auctions. Why? Two people who have fallen in love with the house are battling it out to win it. It gives you the opportunity to sell for more than you ever thought it was worth.



### Why sell at auction?

Well marketed auction properties tend to attract more genuine buyers and sell 30 per cent faster than those sold by private treaty. Simple things, such as picking your auction date, serve to create a sense of urgency and provide a competitive atmosphere on auction day. That is ultimately essential if you are looking at getting the best price for your property.

### How does your real estate agent prepare your property for auction?

- The agent will formulate a marketing campaign to get your property maximum exposure: a good real estate agent will run a multi-faceted campaign that is designed to maximise your sale price and attract the right set of buyers

- Organise as many open-for-inspections as possible
- Help conduct research on the market to help you reach a reserve price.

### The auction process

Apart from implementing a highly focused marketing campaign, you will make decisions around the following:

- Pick your auction date and select your “open days”
  - The contract of sale is on your terms and the conditions of the sale are predetermined
  - Settle on a reserve price (your marketing campaign can be used here as it is a key indicator of the market’s mood).
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# Frequently asked questions

## Selling prior to auction

Potentially one of the biggest attractions to the auction process is that they offer extra opportunities for the sale of your property – an offer can be made before, at or after the auction. Should a buyer make an offer prior to auction, you would have to consider two main questions:

- Will the buyer still turn up on auction day?
- Are there other interested parties?

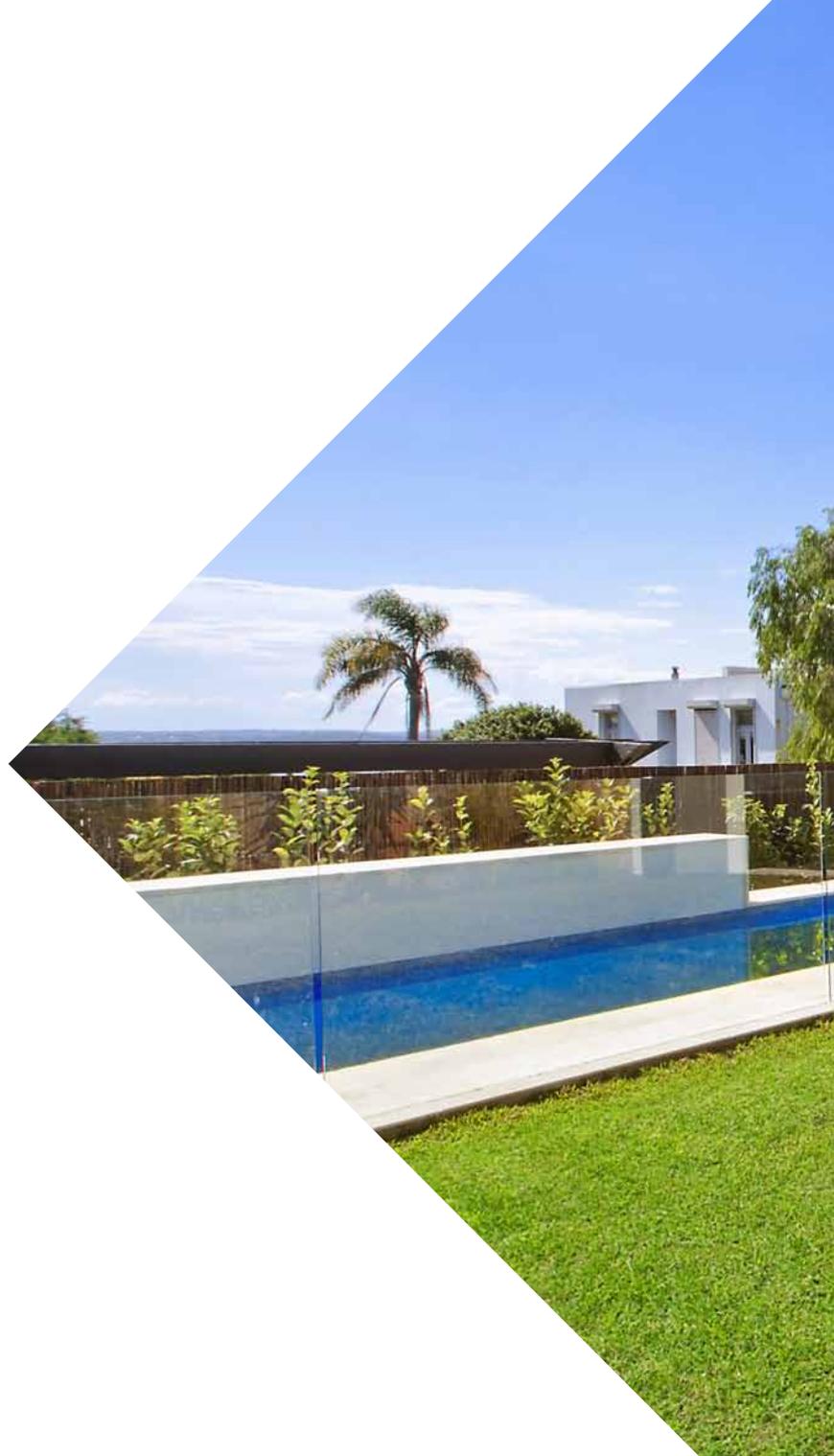
While the answer to the first question will depend largely on the buyer's motivation, your real estate agent will be able to help you answer the second question because they will have spoken to all interested parties.

## What to expect on auction day

Before the auction begins, the auctioneer will arrange one last open house inspection. Your real estate agent will also be required to display legal documentation which the auctioneer will detail in an announcement. The auction will then start by the auctioneer asking for an opening bid. They will then set an amount by which all bids must rise. Once the reserve price is reached, the property is considered to be on the market and will go to the highest bidder. If your reserve price is not reached however, the auctioneer will confer with you to determine if you are happy to sell at a lower price.







To auction or not to auction? **That is the question.**