



Buying by auction

A property auction is a fast-paced, public sale. The property is sold to the buyer with the highest bid after the seller's reserve price is reached.

Summary of important things to know

- ✓ Buyers should register their interest with the agent and ask to be informed if another buyer makes an offer before the auction date.
- ✓ Auctions bids are open so you know what everyone else is bidding. If you haven't been to an auction before, it's a good idea to attend one as a spectator so you can see how they work.
- ✓ If you win an auction, you are legally committed to purchase the property. You must pay the purchase deposit on the auction day.
- ✓ The auctioneer will not reveal the reserve price.



Identifying properties for sale by auction

The property will be listed as 'by auction'. The advertising may include the words 'unless sold prior', which means the property can be sold before the auction date.

Before, during and after the auction

Before the auction	At the auction	After the auction
(/buying-a-home/making-an-offer/buying-by-auction/#1458-before-the-auction)	(/buying-a-home/making-an-offer/buying-by-auction/#1460-at-the-auction)	(/buying-a-home/making-an-offer/buying-by-auction/#1463-after-the-auction)

Before the auction

Researching the property

Auctions are unconditional, so you need to learn as much as you can about the property. Ask your lawyer or conveyancer to review and help you understand any information you get before the auction.

- Work out the value of the property.
- Do a title search.
- Get council information.
- Check the house, land and neighbourhood thoroughly.
- Get a property inspection report.

Learn more about researching the property [here \(https://settled-reagovtnz.cwp.govt.nz/buying-a-home/researching-the-property/\)](https://settled-reagovtnz.cwp.govt.nz/buying-a-home/researching-the-property/).

Let the agent know

If you want to bid for a property at an auction, your first step is to let the agent selling the property know that you are interested.

The agent will have legal documents for you and your lawyer or conveyancer to review and sign. These documents include the auction rules and the sale and purchase agreement and include details like:

- how much purchase deposit the successful buyer must pay at the auction
- the settlement date (the date the remainder of the sale price is payable and the keys are handed to the new owner).

The documents may also include reports or further information about the property, for example, a land information memorandum (LIM) or building inspection report.

Confirming your finances

Because auctions are unconditional, you need to confirm your finance before you attend the auction. If you win the auction, you need to pay the purchase deposit on the auction day. Your lender may want to know specific details about the property before you attend the auction, even if you already have pre-approved lending.

Changing the agreement or adding sale conditions

If you want to change anything in the agreement or put any conditions on the sale, you need to arrange it before the auction by using a document called a variation. Talk to the agent and your lawyer or conveyancer about any changes. The seller then decides whether they are happy to accept any changes or conditions you propose.

Understanding the pre-auction offer process

A pre-auction offer is an offer that is made for the property before the auction date. If the seller is willing to accept the offer, the auction may be held earlier than the advertised date, or the auction may be cancelled if a sale and purchase agreement is signed.

If you've registered your interest with the agent, they should notify you if another buyer makes a pre-auction offer and the offer is accepted by the seller. If you haven't told the agent that you're interested, you won't be notified.

If the auction is held earlier than advertised, the pre-auction offer becomes the first bid at auction. The property can sell any time after that first bid. If you want to make a pre-auction offer, speak to your lawyer or conveyancer and the agent selling the property.

At the auction

Auctions may be held at the property being sold, at a real estate agent's office or at an auctioneer's rooms. This information is included in the advertising for the property.

When you arrive

You may need to register your interest to the agent when you arrive. You may get a bidder's number and be told when the auction will start.

Getting help if you need it

If you would like support at the auction, plan this ahead of time. You can ask a friend or family member to attend the auction with you. You can also ask a real estate agent to help, but remember that the agent always works for the seller, not the buyer (unless you are paying a buyer's agent). Remember the maximum price you are prepared to pay (but don't tell the agent this information).

Before the auction starts

Before the auction, the seller will set a reserve price. This is the minimum price the seller is willing to accept for the property. The auctioneer will not tell you this price.

Before the bidding starts, the auctioneer will:

- read aloud the terms and conditions of the sale
- announce any important issues with the property
- state whether the seller may bid during the auction (a vendor bid).

Vendor bids

Before the bids reach reserve, the seller or their representative can bid on the property to encourage buyers to get their bids closer to the reserve price. This is called a vendor bid. The auctioneer must make it clear when a bid is a vendor bid.

Vendor bids are only allowed when:

- the property has a reserve price
- the reserve price hasn't been reached
- the bid is clearly identified by the auctioneer as a vendor bid.

Bidding at the auction

At the auction, buyers put forward the price they're willing to pay for the property as bids. Each bid must be higher than the previous bid. The auctioneer decides the minimum amount you can increase your bid by.

The auctioneer works for the seller to get the highest bid possible. Bidding often starts below the reserve price, and anyone can make the first bid.

When bids reach or go above the reserve price

Once the reserve price has been met, the highest bidder wins the auction. The winning bidder signs a sale and purchase agreement and pays the purchase deposit. The auctioneer may be able to sign the sale and purchase agreement on behalf of the highest bidder if this is stated in the auction conditions.

When bidding doesn't reach the reserve price

If bids don't reach the reserve price, there are usually three options:

The seller may decide to lower their reserve, and the auctioneer will sell the property to whoever makes the highest bid.

The auctioneer may take the highest bidder to another room to privately negotiate a higher bid. If the seller accepts this new higher bid, everyone comes back out into the auction and the auction continues. The higher bid becomes the new reserve so the property can sell at any time.

The property may be passed in. This means the property has not sold at auction, so the seller may decide to try a different way of selling their property.

After the auction

If you win the auction, you'll be asked to sign the sale and purchase agreement and pay the purchase deposit as soon as the auction is over. The auctioneer may also be able to sign the sale and purchase agreement on your behalf if this is stated in the auction conditions.

Read about the sale and purchase agreement [here \(buying-a-home/making-an-offer/understanding-the-sale-and-purchase-agreement/\)](#).

Any conditions you agree to before the auction need to be met in the timeframes you and the seller have agreed to. The conditions must be clearly agreed upon by all parties involved before anyone bids.

If the property is not sold, the highest bidder may be able to negotiate with the seller through the agent after the auction. Depending on the real estate agency's policy, the auction rules may still apply for some time after the auction, so you may only be able to make an unconditional offer.

Pay the agreed amount

You must pay the remaining amount agreed for the property on the settlement date stated in the sale and purchase agreement. You usually pay the remaining amount through your lawyer or conveyancer, and on settlement day, you will get the keys to the property.

Read about settling and moving in [here \(buying-a-home/settling-and-moving-in/\)](#).

Getting help if things go wrong

Unfortunately, sometimes things go wrong when buying property. There are steps you can take and organisations that can help you when you need it.

Find out more about getting help if things go wrong here ([/buying-a-home/settling-and-moving-in/getting-help-if-things-go-wrong-when-buying/](#)).

Understanding auctions



Test your knowledge of auctions

Take the quiz (</auction-quiz/>)

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