

# Auction Answers

## ***Are real estate auctions only for distressed property?***

This is a major misconception about auctions. The fact is auctions are the primary sales method when selling valuable assets such as vintage vehicles, multi-million dollar homes, and priceless pieces of art.

## ***What is the auctioneer really saying?***

The auctioneer's chant is a sequence of increasing numbers and "filler words". The auctioneer's chant is simply a statement followed by a question. For example: I have 5 dollars. Would you bid 10?

## ***What is an "Absolute Auction"?***

There are different types of auctions (i.e. Reserve, Minimum Bid, etc.). An "absolute auction" is an auction where the property is sold to the highest bidder. Unlike a reserve auction, there is not a reserve price that must be met to complete the auction sale.

## ***What is an "Auction with a Reserve"?***

A "reserve" auction means that a price has been set between the seller and the auctioneer that must be met to complete the sale. Reserves are often used to provide the seller with security that they receive a certain amount of money to meet their sale goal.

## ***What does "Minimum Bid" mean?***

Minimum bids are routinely used at auctions to provide prospective buyers with an initial price range of where bidding will begin. If an auction has a "minimum bid" of \$50,000; prospective bidders will know that the auction will start with an opening bid of \$50,000 and that the asset will not sell for anything less than \$50,000. Often times, auctions are advertised with an "opening bid", this should not be confused with a "minimum bid". An "opening bid" simply means a price where the bidding opens.

## ***Why sell at auction?***

Auctions are the perfect answer when you need to accelerate the timeline for selling your assets. Auctions help reduce holding costs and determine the market price of an asset when the value is unknown or when comparable pricing is unavailable.

## ***Am I required to have cash-on-hand at the auction?***

Cash payment is not required at auctions. Auction companies accept multiple forms of payment: cash, check, or credit card. When attending real estate auctions, auction companies may at times require a specific down payment on-site in the form of a cashier's check to qualify as a bidder. Financing is available on auction day with many auction companies where lenders can qualify you for loans on-site. It is important that prospective bidders read all documents regarding the sale prior to auction day.

## ***Aren't auctioned properties sold at a discount?***

This is one of the biggest misconceptions with auctions. The competitive bidding of an auction and the bidding of prospective bidders sets the price and market value of an asset. The item will not sell for more than the highest bid and will not sell for less than the high bid. You, the consumer, and other bidders determine the market value of an item when you buy at auction.

***Can I inspect the property I am interested in bidding on before the auction?***

We encourage you to view the property before auction day. Due diligence on the part of the bidder is important with auctions. Contact the auction company managing the auction and inquire about times when open houses will take place, as well as any paperwork available on the property. Auctioneers want you to feel comfortable on auction day. Always feel free to call and ask questions.

***What is a 'buyer's premium'?***

A 'buyer's premium' is commonly used in auctions today as a form of payment for the auction company conducting the auction. The 'buyer's premium' is an advertised percentage of the high bid or flat fee added on to the high bid to determine the total contract price to be paid by the buyer.

***"If I scratch my nose or wave at a friend, will the auctioneer think I'm bidding?"***

We hear this misconception a lot! In fact, to bid at an auction or for your bid to be received by the auctioneer, you typically need a bid paddle or bid card. You will receive this bid paddle or card at registration and it will have a number on it. This number allows the auction company to know who is bidding from their list of registered bidders. If you mistakenly bid or the auctioneer misinterprets your movement as a bid, immediately notify either the auctioneer or their staff.

***Can I attend an auction and participate as a spectator and not bid?***

Absolutely! We encourage people to explore auctions by attending one as a spectator. There is no better way to learn about auctions than to watch one firsthand.

***Who's the person yelling in the audience at an auction?***

The person you see and hear working amongst the crowd of bidders is known as a 'ringman'. This individual is part of the auction team and is an extension of the auctioneer. The job of the 'ringman' is to convey bids back to the auctioneer from the crowd. When bids are received in the crowd the 'ringman' will yell to signal the auctioneer that they have received a bid and to increase the bid amount. These individuals are also there to help answer questions you may have while the auction is being conducted.

***What does "As Is, Where Is" mean?***

One of the most common statements made at auction, "as is, where is" simply means the property is being sold without warranty and that there are no contingencies based on the status of the asset being sold. It is important that you inspect all auction properties before you bid, both real estate and personal property. Photos may not show all the details or potential faults with the asset and it is your job as a well informed bidder to thoroughly inspect and know what you are bidding on BEFORE the start of the auction. Once you bid and buy an asset at auction, you are the new owner.

**We hope you will attend one of our Auctions in the near future.**

