

How to Win When Bidding at an Auction



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Going to an auction can be a very stressful process!

Being prepared is the key to taking the stress out of the auction process. Below are our tips for bidding at auction which might help take some pressure out of the process and more importantly, lead you to winning at the auction!

Disclaimer: This publication avoids the use of legal language and provides general information about buying a property.

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The Rules

1 Set your maximum limit before you go to the auction

By maximum, we mean your very last dollar that you are willing to pay for the property. That includes the loan your broker has organised, the cash savings you have..... whatever you can call on, but it must be a limit that you will not go a dollar over. After all, you don't want to miss out on the property you love for the sake of \$1,000, which works out to be less than 30 cents a day over a period of 10 years.

2 “Do not sell the property until you talk to me first”

After you register to bid, have a quiet word to the agent and say these words. This puts them on notice that you are a serious bidder and, in their mind, gives you the last right of refusal to bid. If they forget this in the rough and tumble of the auction process, you can always motion towards them to come and see you before the hammer falls. By the way, once you register, don't go flaunting your bidding paddle, hide it for now.

3 Stand at the back

Whether the auction is being held in an auction room or the back yard of the property being auctioned, stand behind everyone else. That is, make sure all the other bidders are in front of you or at worst within your direct vision. This way, you can see who is bidding and observe the interaction between partners as they are bidding. For example, are they bidding without talking to each other? If so this would suggest they have a lot of money left to bid with. Whereas if they are talking between bids and making up their mind whether to make another bid, you know they are nearing the end of their maximum bid. You can only observe this if all the bidders are in front of you.

By having all interested parties in front of you, you will also observe people entering and leaving the bidding process, so you know who might be left as a potential bidder.

4 Do not bid early

This may mean that sometimes you do not get to bid at all which is fine because the property will have sold above your maximum limit anyway. The agent will always try to hassle someone to make the first bid but don't let it be you. If you do bid first, that just signals to all the other bidders you are interested, and you don't want that in the initial stages.

So, when should you bid? The best time to bid is when the remaining bidders are going up in small increments and the bidding is down to a two-horse race. If there are more than two parties bidding, then the auction still has a way to go. Invariably the auctioneer will call 'going once, going twice' several times to try and elicit a bid from the floor. Once the bid amounts have gone from thousands at a time, down to hundreds at a time and the two-horse race is almost exhausted, that is when you make your first bid.

5 Your first bid MUST be in smaller increments than the previous bidder

So, for example, if the previous bidder went up by \$1,000, you go up \$500. If they went up \$500, you go up, \$200. If you bid \$200 and then they bid \$5,000 to try and blow you out of the water, if it is still within your maximum bid, only go up as much as your last bid – in this case \$200. Even if they auctioneer says you need to make a higher bid, simply say "I withdraw my bid if \$X is not sufficient". But don't worry, they will take your offer.

Bid quickly

After your first bid, the other bidder will probably turn around to see who this new party is. They will more than likely turn to each other to discuss if they should keep going. If you see them talking, you know they are wondering if they should start using their credit card to make up the shortfall. In other words, they thought they already had their dream home and now they must discuss where are they going to get more money from to bid a little bit more.

One more thing that is critical to do at this point, if they do make another bid, you need to bid immediately but only by the amount of your last bid. Given we are at the pointy end of the process this should not be more than \$1,000. The reason why you MUST bid immediately after their bid is because it sends the clear message "Oh no, they don't even need to think about it.....they can pay much more than us".

At this point, if you can keep to this strategy and stay within Rule # 1, your maximum bid, you will win the auction.

Good luck!




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