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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.
- ✓ Auction 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 committed to purchase the property. You will usually 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 for sale by auction. The advertising may include the words 'unless sold prior', which means the property may be sold before the auction date.

Before, during and 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 prior to the auction or before making a pre-auction offer. 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. These documents include the auction terms and conditions and the sale and purchase agreement, which includes details such as:

- the deposit amount that the successful buyer must pay
- 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.

See a lawyer or conveyancer (</buying-a-home/thinking-of-buying/building-your-support-team-when-buying/>) early to help you through the auction and settlement processes.

Confirming your finances

Because auctions are unconditional, you need to confirm your finances before you attend the auction. If you win the auction, you will usually 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 of agreement. 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 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.

Sellers may signal that they are willing to accept a pre-auction offer by including the words 'unless sold prior' in their advertising. This doesn't mean that it won't be sold ahead of an auction if this wording isn't included — a seller can choose to sell by signing a sale and purchase agreement at any stage in the selling process.

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

If the auction is held earlier than advertised, the pre-auction offer the seller has accepted 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. Make sure to also check the auction's terms and conditions to understand whether you can withdraw a pre-auction offer. If you can't, your pre-auction offer will become the first bid when the auction starts, at which point you can then notify the auctioneer that you wish to withdraw it.

Planning to bid if you can't attend the auction

If the auction is going to be held in person and you aren't able to attend, there are a few ways that allow buyers to still place a bid.

Telephone bidding

If you're interested in bidding by phone on the day, you should register your interest with the agent. You'll likely be asked to sign a telephone bidding authority form — this acknowledges a buyer's intent to bid by phone and permits an agent to bid on their behalf. It's usually given to the auctioneer who will let all other bidders in the room know that telephone bidders are present. Telephone bidding authorities will be approved by the seller in advance of the auction.

Once registered, buyers should receive an auction pack, which includes information such as the conditions of sale, a copy of the sale and purchase agreement and the record of title.

Telephone bidding can also take place online via video conferencing, which allows buyers to see other bidders who are present and the auctioneer. It's recommended to check your internet connection before you start bidding and to do a test run by viewing an auction for another property beforehand so you know what to expect.

Nominate someone to bid on your behalf

You may prefer to have someone you know and trust in the room bidding on your behalf, for example, a family member or your lawyer or conveyancer. If so, we recommend you choose someone who is experienced with bidding at auctions or has bought property before. You should make sure that they have your written permission to bid on your behalf and know the maximum amount you're prepared to bid to.

At the auction

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

When you arrive

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

If you're bidding at an online auction, registration may also take place online. Make sure you find out from the agent if you need to download a specific app or software to be able to participate in the auction.

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 the listing agent to help, but remember that the agent always works for the seller, not the buyer.

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 auction
- announce any important issues with the property
- state whether the seller may bid during the auction (a vendor bid)
- state whether there are any telephone bidders present.

Vendor bids

Before the bids reach reserve, the seller or their representative can bid on the property to encourage buyers to bid 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.

Buyers bidding by phone will be updated by the agent assigned to them about what is happening in the room and told each time a bid is placed. If you are bidding by phone, you should make it clear to the agent at which point you would like them to place a bid for you.

If you are bidding at an online auction, be aware that there could be a delay on your screen. You may need to refresh your page to see the most recent bids. Check with the agent what the correct process is for the system of software you will be using before you start bidding.

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 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.
- 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, even if you are bidding by phone or online. 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](https://www.settled.govt.nz/buying-a-home/making-an-offer/understanding-the-sale-and-purchase-agreement-when-buying/). (<https://www.settled.govt.nz/buying-a-home/making-an-offer/understanding-the-sale-and-purchase-agreement-when-buying/>)

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. 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/](#)) .

[Watch on youtube](https://www.youtube.com/watch?v=A-dmU53Y02Y) (<https://www.youtube.com/watch?v=A-dmU53Y02Y>)

Test your knowledge of
auctions



What to do if you have a problem

If you have a problem with a real estate agent that you can't resolve directly with them, find out how the Real Estate Authority (REA) can help you on the REA website (<https://www.rea.govt.nz/make-a-complaint/>) .

There are other 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/>) .

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