

Auction v Private treaty - which is best?

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If you're preparing to sell your home, are you better off selling via auction or private treaty? We outline the pros and cons of each option.

Selling via private treaty

A standard residential property transaction is known as a Private Treaty sale. This is when you set the price you'd like your house to sell for, and your real estate agent negotiates individually with prospective buyers to achieve a sale as close to this price as possible.

Pros

There are many advantages to selling via private treaty, explains REISA President Michael Brock. These include:

- Greater flexibility for negotiation. For instance, a contract can be signed 'subject to' certain conditions such as a building inspection or finance approval.
- Flexibility regarding the length of time your home is listed for sale: unlike an auction, you are not working towards one specific date.
- Cost savings on the marketing and promotional expenses of an auction campaign.

Cons

- It may take longer to sell your home compared to an auction campaign.
- You might need to make your home available to prospective buyers for frequent viewings and inspections.
- If you or your agent mis-prices the market, you might list below the property's market value, meaning you lose money – or if you price it above the market value, your property might sit empty for weeks or months, generating little interest.

Selling via auction

An auction is when prospective buyers gather to bid on your property. The highest bidder at the end of the auction becomes the successful buyer, provided the bid matches or exceeds your reserve price. "A sale by public auction is arguably one of the most exciting, effective and rewarding methods of buying and selling real property," says Brock.

Pros

According to the Real Estate Institute of Queensland (REIQ), there are several advantages to selling your property via auction:

- An auction involves a three-pronged marketing push, as the vendor has the opportunity to sell their property before auction, on the day of auction, or in the event the property is passed in, directly after auction.
- You have the ability to set a reserve price and a settlement date to suit you.
- A written marketing plan with pre-agreed appointment times enables the sellers to arrange their lives during the lead up period.
- The auction process by its very nature creates a sense of urgency; buyers have a definite time frame in which they must act.
- The auction process encourages competitive bidding, which means there is no price barrier.

Cons

Before you sign on the dotted line for a comprehensive auction campaign, you need to be aware of the cons:

- In general auctions have a more expensive advertising campaign than private sales, with a \$5,000-\$10,000 average minimum budget.
- If the property does not sell, the vendor is still responsible for paying the advertising costs from their own pocket.
- Your agent may pressure you to dramatically reduce your reserve price during the high-pressure environment of an auction, in order to make the sale.
- The auction process may not suit private people who are uncomfortable having their home publicised across the internet and other advertising media.

So now that you know the pros and cons of each selling method, how do you decide which one is right for you?

"Both methods of sale have been working effectively for vendors for many years," says Brock.

"Your real estate agent will be able to offer you more advice on which method is most suitable for you and your property."