

Auction Vs Tender (or Deadline Sale)

Auction vs Tender or Deadline Sale? What method of sale should I choose? This is a question is often asked. Ultimately all processes are quite similar, apart from the actual moment in time that the negotiations are taking place. i.e. the auction vs. the time of opening the tenders or submitting of offers via a deadline sale.

A tender or deadline sale is a more passive form of selling. As a vendor, you are inviting buyers to submit their offer and also allowing them to include conditions to that offer that may suit them or allow them to “walk away” from the sale at a later date.

Often buyers will submit offers that are at a level that they are happy to pay, hoping that it will be enough to secure the purchase, which sometimes is not their best offer. Buyers are sometimes hesitant at a tender or deadline sale, fearing that they will pay more than they need too rather than enough to beat all other buyers to ensure they secure the sale.

Under strict tender conditions, buyers are unable to withdraw their offer for 5 days once tenders close and they need to attach to the contract a cheque for the deposit. These terms are sometimes perceived to be onerous to buyers and it could deter them from making an offer.

Auction is often the preferred method over tender or a deadline sale because of the transparency during the negotiation period. As all negotiations are in the open, buyers and sellers alike can see the interested parties. This can often lead to buyers or under bidders increasing their offer, to beat the opposition. Buyers openly compete and negotiate against each other, rather than against the vendor. This often leads to a premium price being achieved.

The vendor sets auction conditions. All that needs to be finalised is the purchase price, eliminating unnecessary conditions. Auction prioritises the buyers, firstly working with cash buyers, giving the vendor a better chance to sell at the best price the market will pay at that moment.

Both have a higher profile marketing campaign, and both have eliminated the pricing issue, allowing buyers to compare the property with other competing properties they have looked at, rather than comparing the property immediately with their budget or what they perceive they can pay.