

LICENSING, REGULATION AND ALCOHOL STRATEGY

Methods of Sale of Property

The decision to sell by private sale, auction or tender will depend on many factors including the seller's available time frame and personal preference.

This fact sheet outlines the main ways that real estate can be bought and sold.

Methods of Sale

There are three main ways that real estate can be bought and sold:

1) Private Treaty

A private treaty sale is when a property is offered for sale at a negotiated price. The normal practice is for the seller to set a price. The property is advertised and offers are invited from prospective buyers. The sale is negotiated between the buyer and the seller, usually with the assistance of an agent. Unlike an auction, the potential buyers do not know what others may be offering for the property.

In a private treaty sale, the seller and buyer agree on a sale price through negotiation. The contract of sale can be conditional, that is, the buyer can purchase the property subject to the availability of finance, satisfactory pest and building reports, or other conditions with the seller's approval. A buyer has a cooling-off period, usually three business days, during which time the contract can be rescinded.

2) Auction

An auction is a public sale conducted by a licensed auctioneer. It is advertised for a specific date, time and place.

Many properties are sold by auction particularly when demand is high. The seller will establish a "reserve price" that they are prepared to accept for the property. The reserve price is not disclosed. Prospective buyers bid at auction and the property is sold to the highest bidder, provided that the reserve price has been reached or the seller accepts the bid. If the property is "passed in" because it failed to reach the reserve, the highest bidder may be given the right to further negotiate with the seller or the seller may choose to put their home up for sale by private treaty.

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At auction, the price of the property is determined by competitive bidding. The contract is unconditional, that is, the buyer cannot make it subject to finance or inspection and there is no cooling off period.

The auction process can be very emotionally charged and if you are unsure about bidding at an auction, you should consult a specialist to act as your advisor.

3) Sale by tender

A sale by tender invites competitive tenders from potential buyers. All the offers are considered at a specified time.

Deciding on a Method of Sale

The real estate agent will recommend a method of sale based on the type and location of the property, nature of the market and the seller's time frame and personal preference. Recommendations should be supported by recent sales data.

Before deciding on the method of sale, the seller should understand the pros and cons and understand each process and the costs involved. If you do not understand anything, ask for clarification or seek legal advice.

Agent's Commission

Regardless of the method of sale of your property, the agent will charge a fee for his services. You can negotiate the amounts of any commissions, fees or other expenses that you may be required to pay. Agreed amounts should be specified in the sales agency agreement and include any additional costs for sale by auction.