

Glossary of Auction Terms

The following is a glossary of real estate auction terms developed by the National Association of Realtors – Real Estate Auction Committee, and the National Auctioneers Association.

While it is a real estate glossary, most of the terms apply to all types of auctions.

AARE (Accredited Auctioneer, Real Estate)–The professional designation awarded by the NAA Education Institute to qualified real estate auctioneers who meet the educational and experiential requirements of the Institute and who adhere to a strict code of ethics and standards of practice.

Absentee Bid–A procedure which allows a bidder to participate in the bidding process without being physically present. Generally, a bidder submits an offer on an item prior to the auction. Absentee bids are usually handled under an established set of guidelines by the auctioneer or his representative. The particular rules and procedures of absentee bids are unique to each auction company.

Absentee Bidder–A person (or entity) who does not attend the sale but submits, in advance, a written or oral bid that is the top price he or she will pay for a given property.

Absolute Auction–An auction where the property is sold to the highest qualified bidder with no limiting conditions or amount. The seller may not bid personally or through an agent. Also known as an auction without reserve.

Accounting of Sale– A report issued to the seller by the auctioneer detailing the financial aspects of the auction.

Agent– A person who acts for or in the place of another individual or entity by authority from them.

Appraisal– The act or process of estimating value.

Apprentice Auctioneer–An auctioneer who is in training, operating under the supervision of a licensed or experienced auctioneer.

“As Is”–Selling the property without warranties as to the condition and/or the fitness of the property for a particular use. Buyers are solely responsible for examining and judging the property for their own protection. Otherwise known as “As Is, Where Is” and “In its Present Condition.”

Auction–A method of selling property in a public forum through open and competitive bidding. Also referred to as: public auction, auction sale or sale.

Auction Block—The podium or raised platform where the auctioneer stands while conducting the auction. “Placing (an item) on the auction block” means to sell something at auction. Auction Listing

Agreement—A contract executed by the auctioneer and the seller which authorizes the auctioneer to conduct the auction and sets out the terms of the agreement and the rights and responsibilities of each party.

Auction Marketer—An individual who contracts with sellers for the auction method of marketing property. In the case of real property, he or she may not actually conduct the sale but is directly responsible for all aspects of marketing the property.

Auction Marketing—The method of marketing real property utilizing the auction method of sale. Auction Plan—The plan for pre-auction, auction day and post auction activities.

Auction Price—The price of a property obtained through the auction method of marketing. Auction Subject to Confirmation (See “Reserve Auction”)

Auction Value—The price which a particular property brings in open competitive bidding at public auction.

Auction With Reserve—An auction in which the seller or his agent reserves the right to accept or decline any and all bids. A minimum acceptable price may or may not be disclosed and the seller reserves the right to accept or decline any bid within a specified time.

Auction Without Reserve (See “Absolute Auction”)

Auctioneer—The person whom the seller engages to direct, conduct, or be responsible for a sale by auction. This person may or may not actually call or cry the auction.

Auctioneer Subcontractor—An auctioneer hired by the principal auctioneer.

Ballroom Auction—An auction of one or more properties conducted in a meeting room facility.

Bank Letter of Credit—A letter from a bank certifying that a named person is worthy of a given level of credit. Often requested from prospective bidders or buyers who are not paying with currency at auctions.

Bid—A prospective buyer’s indication or offer of a price he or she will pay to purchase property at auction. Bids are usually in standardized increments established by the auctioneer.

Bid Acknowledgment—A form executed by the high bidder confirming and acknowledging the bidder’s identify, the bid price and the description of the property.

Also known as Memorandum. **Bid Assistants**—Individuals who are positioned throughout the attendees at the auction to assist the auctioneer, spot bidders and assist prospective bidders with information to help them in their buying decision. Also known as ringmen, bid consultants, bid spotters, or groundsmen.

Bid Caller—The person who actually “calls,” “cries or “auctions” the property at an auction, recognizing bidders and acknowledging the highest bidder. Commonly known as the auctioneer.

Bid Rigging—The unlawful practice whereby two or more people agree not to bid against one another so as to deflate value.

Bidder Number—The number issued to each person who registers at an auction.

Bidder Package—The package of information and instructions pertaining to the property to be sold at an auction event obtained by prospective bidders at an auction. Sometimes called a bidder packet or due diligence package. Bidder’s Choice A method of sale whereby the successful high bidder wins the right to choose a property or properties from a grouping of similar or like-kind properties. After the high bidder’s selection, the property is deleted from the group, and the second round of bidding commences, with the high bidder in round two choosing a property, which is then deleted from the group and so on, until all properties are sold.

Bookkeeper or Clerk—The person who is responsible for the accounting and paperwork at an auction sale.

Broker Participation—An arrangement for third-party brokers to register potential bidders for properties being sold at auction for a commission paid by the owner of the property or the auction firm.

Buyer’s Broker—A real estate broker who represents the buyer and, as the agent of the buyer, is normally paid for his/her services by the buyer.

Buyer’s Premium—An advertised percentage of the high bid or flat fee added to the high bid to determine the total contract price to be paid by the buyer. CAI—Certified Auctioneers Institute. The professional designation awarded to practicing auctioneers who meet the experiential, educational and ethical standards set by the NAA Education Institute.

Caravan Auctions—A series of on site auctions advertised through a common promotional campaign.

Carrying Charges—The costs involved in holding a property which is intended to produce income (either by sale or rent) but has not yet done so, i.e., insurance, taxes, maintenance, management.

Catalog or Brochure—A publication advertising and describing the property(ies) available for sale at public auction, often including photographs, property descriptions, and the terms and conditions of the sale.

Caveat Emptor—A Latin term meaning “let the buyer beware.” A legal maxim stating that the buyer takes the risk regarding quality or condition of the property purchased, unless protected by warranty.

Clerk—The person employed by the principal auctioneer or auction firm to record what is sold and to whom and for what price.

Collusion—The unlawful practice whereby two or more people agree not to bid against one another so as to deflate value or when the auctioneer accepts a fictitious bid on behalf of the seller so as to manipulate or inflate the price of the property.

Commission—The fee charged to the seller by the auctioneer for providing services, usually a percentage of the gross selling price of the property established by contract (the listing agreement) prior to the auction.

Conditions of Sale—The legal terms that govern the conduct of an auction, including acceptable methods of payment, terms, buyer’s premiums, possession, reserves and any other limiting factors of an auction. Usually included in published advertisements or announced by the auctioneer prior to the start of the auction.

Contract—An agreement between two or more persons or entities which creates or modifies a legal relationship.

Cooperating Broker—A real estate broker who registers a prospective buyer with the auction company, in accordance with the terms and conditions for that auction. The broker is paid a commission only if his prospect is the high bidder and successfully closes on the property. Also known as a participating broker.

Critical Path—Sequence of key tasks to be done by auction contractor or other designated parties on specified dates, leading to desired goals.

Dual Agency—The representation of opposing principals (buyers and seller) at the same time.

Due Diligence—The process of gathering information about the condition and legal status of assets to be sold.

Estate Sale—The sale of property left by a person at his or her death. An estate auction can involve the sale of personal and/or real property.

Graduate, Personal Property Appraiser (GPPA)—The professional designation awarded by the NAA Education Institute (formerly American Marketing Institute) to

qualified property appraisers who meet the educational and experiential requirements of the Institute and who adhere to a strict code of ethics and standards of practice.
Groundsman—(See “Bid Assistants”)

Hammer Price—Price established by the last bidder and acknowledged by the auctioneer before dropping the hammer or gavel.

Listing Agreement—See Auction Listing Agreement.

Listing Broker—A real estate broker who has a listing on a property and cooperates with the auction company by allowing the auction agreement to supersede his/her listing agreement.

Market Value—The highest price in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Memorandum—Sometimes also referred to as a “Bidder Acknowledgment,” or “Broker Acknowledgment,” the memorandum is signed by those parties either on the auction floor or in the contract room.

Minimum Bid Auction—An auction in which the auctioneer will accept bids at or above a disclosed price. The minimum price is always stated in the brochure and advertisements and is announced at the auctions.

Opening Bid—The lowest acceptable amount at which the bidding must commence.

Multi-Property (Multi-Par) Auction—A group of properties offered through a common promotional campaign. The properties to be auctioned may be owned by one seller or multiple sellers.

Multi-Seller Auction—Properties owned by many sellers, offered through a common promotional campaign are auctioned in a single event.

National Auctioneers Association—An association of individual auctioneers united to promote the mutual interests of its members; formulate and maintain ethical standards for the auction profession; promote the enactment of just and reasonable laws, ordinances and regulations affecting auction selling; make the public more aware of the advantages of auction selling; and generally improve the business conditions affecting the auction profession.

National Real Estate Auction Committee—A national committee developed by the NATIONAL ASSOCIATION OF REALTORS in April, 1990 to provide education to members concerning real estate auctions, identify issues and monitor, review and analyze trends affecting the real estate auction industry. It also is charged with

formulating policies for consideration by other policymaking NAR Committees, its Executive Committee and Board of Directors.

No-Sale Fee—A charge paid by the owner of property offered at a reserve auction when the property does not sell.

Opening Bid—The first bid offered by a bidder at an auction. **On-site Auction**—An auction conducted on the premises of the property being sold. **Participating Broker (See Cooperating Broker)**

Preview—Specified date and time property is available for prospective buyer viewing and audits. Also known as Open House or Inspection.

Referring Broker—A real estate broker who does not have a listing on a property, but refers the auction company to a potential seller for an auction. Usually earns a flat fee commission for referring product to an auction company.

Regroup—A process used in real estate auctions where a bidder has the opportunity to combine several parcels of land previously selected by other bidders, thereby creating one larger parcel out of several smaller parcels. This process is often used in conjunction with bidder's choice.

Reserve—The minimum price that a seller is willing to accept for a property to be sold at auction. Also known as the reserve price.

Reserve Auction—An auction in which the seller reserves the right to establish a reserve price, to accept or decline any and all bids or to withdraw the property at any time prior to the announcement of the completion of the sale by the auctioneer. See also Auction With Reserve.

Sale Manager—The person designated by the auction company who is responsible for organizing the details of an auction. Also known as project manager.

Sealed Bid—A method of sale utilized where confidential bids are submitted to be opened at a predetermined place and time. Not a true auction in that it does not allow for reaction from the competitive market place.

Seller—Entity that has legal possession, (ownership) of any interests, benefits or rights inherent to the real or personal property. Subject to Confirmation (See "Reserve Auction")

Tax Sale—Public sale of property at auction by governmental authority, due to nonpayment of property taxes.

Terms—The period of time that an agreement is in effect.

Terms and Condition—The printed rules of the auction and certain aspects of the Purchase & Sale Agreement that are read and/or distributed to potential bidders prior to an auction sale.

Tie Bids—When two or more bidders bid exactly the same amount at the same time and must be resolved by the auctioneer.

Trustee's Sale—A sale at auction by a trustee.

Upset Price—Commonly known as the reserve price.

Withdrawal—Failure to reach the reserve price or insufficient bidding.