



# Setting Auctioneering Standards

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## AUCTIONEERING TERMS

SAIA: EDUCATION PORTFOLIO submitted by Marietjie Keet

Auctions can be quite daunting to people who want to bid at an auction for the first time. The auction industry has a lot of terms or “jargon” that could confuse people. Here is a list of the terms and “jargon” used most often by auctioneers to help newcomers:

**Absentee Bid:** A procedure that allows a bidder to participate in the bidding process without being physically present. In general, an absentee 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 their representative.

**Agent:** An auctioneer is an agent for the seller and as such an auctioneer has a fiduciary duty that involves the responsibility to look after property that belongs to someone else, to act on behalf of the seller according to the terms of the auction contract.

**Appraisal:** The act or process of estimating value.

**As is, where is:** Selling without any warranties regarding 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.

**Auction:** A sale of real or personal property, or both, in which the sale price of the property offered is increased by bids until the highest acceptable bidder becomes the purchaser.

**Auction Fever:** The rush of competitive excitement that seizes some bidders during the bidding process.

**Auctioneer:** A qualified person engaged by the seller to direct, conduct, or be responsible for a sale by auction. This auctioneer may or may not call bids on the date of the live event.

**Auction Listing Agreement:** A contract executed by the auctioneer and the seller which authorises the auctioneer to conduct the auction and sets out the terms of the agreement and the rights and responsibilities of each party.



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**Auction Types:** Agricultural machinery and equipment; Art, antiques and collectables; Automobiles; Benefit; Commercial and industrial machinery and equipment; Commercial and industrial real estate; Estates; Intellectual property; Land and agricultural real estate; Livestock; Personal property; Residential real estate.

**Auction with Reserve/Subject to Seller Confirmation:** An auction in which the seller retains the right to establish a minimum 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.

**Auction without Reserve/Absolute Auction:** An auction where the property is sold to the highest qualified bidder with no limiting conditions or amount. At an auction without reserve the seller cannot reject a valid bid and is required to sell the land to the highest bidder. Once the auctioneer begins calling for bids, the property cannot be withdrawn unless no bid is received within a reasonable time.

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

**Bid:** A prospective buyer's indication or offer of a price he/she is willing to pay to purchase property at auction. Bids are usually in standardised increments established by the auctioneer.

**Bid Caller:** The auctioneer who actually calls ("chanting") or auctions the property at an auction, recognising bidders and acknowledging the highest bidder.

**Bidder:** A natural person who has registered to purchase on an auction sale.

**Bidder's Choice:** A method of sale whereby the successful 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.

**Bidder Package:** The package of information and instructions pertaining to the property to be sold at an auction event obtained by prospective bidders.



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**Bid Rigging:** The unlawful practice whereby two or more prospective buyers agree not to bid against one another so as to deflate value.

**Buyer:** A natural person who wishes to register as a bidder to purchase on an auction sale.

**Buyers' Card Number:** The unique number issued to each person who registers as a prospective buyer at an auction.

**Buyer's Premium:** An advertised charge paid by the buyer at auction which is usually based on a percentage of, and paid in addition to, the buyer's winning bid.

**Campaign Costs:** The advertising and other costs payable in advanced by the seller to the auctioneer in order to enable the auctioneer to advertise and market real property going on auction.

**Chant:** The rhythmic combination of numbers and separating filler words called by the bid caller (auctioneer) on a lot. The chant is comprised of two numbers: the amount that has been bid for the lot, and the next higher increment that the bid caller is seeking in the bidding. The single-most important characteristic of a good chant is clarity.

**Commission:** The auctioneer's commission payable by the purchaser to the auctioneer, usually a percentage of the gross selling price of the property established by the Standard Agreement and Conditions of Sale (the sales contract between the seller and the purchaser).

**Consignment Auction:** An auction comprised of goods offered for sale by multiple sellers.

**Disclaimer:** A disclaimer is any words or conduct which intent to negate or limit any warranty. An auctioneer can disclaim any warranties by making an announcement before the sale and can include a disclaimer in the bidder's registration agreement.

**Disclosure:** The act to disclose whatever information auctioneers are aware of that sellers and bidders need in order to make informed financial decisions regarding the auction.

**Due Diligence:** The degree of care that a prudent person would exercise, which is a legally relevant standard for establishing liability to gathered information about the condition and legal status of assets to be sold.



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**Dutch Auction:** An open, descending auction. The auctioneer starts at a very high price and at specific time intervals drops the price by a fixed amount. The process continues until a bidder indicates a buy signal, at which that bidder wins the lot. Also known as a "Reverse Auction".

**English Auction:** An open, ascending auction where each winner pays his/her bid. Most internet auction sites, if not indicating otherwise, use this auction method.

**Japanese Auction:** A form of English auction where once bidding starts, no new bidders are allowed to participate. When the price rises each bidder must either drop out or indicate that they are continuing to bid.

**Jump the Bid:** A bidder strategy to knock out competition by bidding an amount higher than what the auctioneer is requesting.

**Knocked Down:** When the auctioneer sells a lot to the highest Bidder, he "knocks it down" to that bidder.

**Intellectual property:** Property which cannot be touched because it has no physical existence; property that is not tangible and is purely created by the law and includes items such as claims, copyrights, patents, rights, trademarks and trade secrets.

**Lot:** A defined article or group of articles that is the subject matter of a separate sale. The auctioneer will announce the lot number and give a brief description of the item. The sale of each lot creates a separate contract which means that each contract could have separate terms and conditions.

**Marketing:** The advertising and promotional efforts auctioneers make to attract potential buyers to their auctions.

**Market Value:** A nebulous term that refers to the highest price certain property will bring in an open, fair and competitive selling environment.

**Minimum Bid Auction:** An auction in which the auctioneer will accept bids at or above a disclosed price. The minimum price is stated in the Bidder Package and advertisements and is announced at the auction.



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**Multi-parcel Auction:** An auction sale, structured as a reserve auction, where the property is divided into several tracts that are sold individually and in various combinations. The bids on individual tracts and combinations compete and the property is sold in the manner resulting in the highest total sale price.

**On-Site Auction:** An auction conducted on the premises where the property is located that is being offered for sale.

**Opening Bid:** The first bid offered by a bidder at an auction. Also known as the "Set in Price".

**Open House:** A designated time period that a property is available for for pre-auction viewing and inspection. Also known as "Preview" or "Inspection".

**Owner:** A person, natural or juristic, who is the rightful owner of the assets and who has the right to sell assets on auction.

**Personal Property:** Any property that is not real estate, including items such as artwork, automobiles, furniture, machinery, musical instruments, sporting goods, etc.

**Phantom Bidding:** Phantom bidding occurs when an auctioneer calls a bid that no bidder has made; it is used to trick bidders into believing there is competition for a lot where none exists. Phantom bidding is fraud because the Auctioneer is misrepresenting the highest bid to the bidders. It is also known as "Bid off the Wall".

**Picker:** A person who searches for and acquires goods of value for the purpose of reselling them for a profit through various channels, including auctions.

**Public Auction:** An auction that is advertised and open to the public to bid on the property offered for sale.

**Purchaser:** A person (natural or juristic) who is the highest bidder in a specific lot at the fall of the hammer.

**Reserve Price:** A predetermined, minimum threshold price that a seller is willing to accept for a property to be sold at auction.



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**Restitution:** An equitable remedy that a court may award where it would be unfair and unjust to allow someone to maintain a benefit or gain. In the legal arena, we say that restitution may be awarded to prevent unjust enrichment.

**Retraction:** The withdrawal of a bid by a bidder before the auctioneer declares a sale - a bidder's retraction revives no previous bid.

**Rolling Back:** The decreasing of numbers by the auctioneers in an effort to tempt a bidder to jump in and start the bidding on a lot.

**Sealed Bid:** A type of auction process in which all bidders simultaneously submit sealed bids to the auctioneer so that no bidder knows how much the other auction participants have bid. Also known as "Yankee Auction".

**Seller:** A person (natural or juristic) who has the right to sell assets on auction, but is not necessarily the owner thereof.

**Specific performance:** A form of equitable relief in which a court orders one party to a contract to perform what the party has promised to perform. An equitable remedy looks at what is right and fair.

**Terms and Conditions:** The provisions for the auction (the printed Rules of the Auction) and certain aspects of the Standard Agreement and Conditions of Sale announced and/or distributed to bidders prior to an auction sale that will become the binding details of the contracts of sale formed between the seller and respective high bidders.

**Tie Bids:** When two or more bidders bid exactly the same amount at the same time - the auctioneer must resolve the tie.

**Times the Money:** A selling method whereby an auctioneer sells multiple items in one lot under the term that the lot's final price will be calculated by multiplying the highest bid by the number of items comprising the lot.

**Warranty:** An assurance by one party to an agreement of the existence of a fact upon which the other party may rely on and amounts to a promise to compensate the party for any loss if the fact warranted proves to be untrue. An implied warranty is a warranty created by operation of law. An express warranty is created by a statement of the seller, an advertisement, or the terms in a written sales agreement.



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