

AUCTION BASICS

THE ESSENTIALS OF BUYING
AND SELLING AT AUCTION



The cars are gleaming, people are jockeying for a better view and the auctioneer is busy working the room in a booming voice. Of all the many ways to buy or sell a car, none are more exciting than a live auction. There are also many things that can go wrong.

This pamphlet is intended to take much of the mystery and chance out of the auction process. It will also contain the key information you need to make informed decisions about:

- Which auction to choose
- Reserve or no-reserve auctions
- Where to set the reserve
- How to plan auction travel
- When you need expert help

The two types of auctions offering collector cars are traditional live auctions and online auctions such as those offered by eBay. Because these two auction types are so different, this pamphlet focuses on live auctions. For more information about online auctions, you can obtain the pamphlet *Buying and Selling Online*, which is available by calling the “Ask Hagerty” Concierge Service at 888-310-8020, menu option 3.

THE SELLER'S DECISIONS

Choosing an auction venue and whether to consign the car with or without a reserve are the two most important decisions a seller can make. Like almost every part of buying or selling a collector vehicle, it pays to do your homework.

Choosing an Auction

There's no substitute for homework, whether it involves researching auction venues, auction companies, a car model or specific example. The more you know, the better your chances of choosing the right sale for your car. As a seller, you'll realize the highest price for your car if you send it to an auction that specializes in selling vehicles similar to yours. Sending a Duesenberg to a sale known for muscle cars and street rods wouldn't make any sense, even if you saved money in transporting the car and travel arrangements.

KEY POINT

Gather all the documentation for your car and make copies available. The better you can support any claims, the more you'll get for the car.



Research is the key to choosing an auction. All major auction houses maintain websites; see a detailed list on the last page of this pamphlet. And several magazines, including *Sports Car Market*, *Vintage Motorsport*, *Car Collector* and *Hemmings Motor News*, contain regular auction reports. By reading them regularly, the savvy seller will quickly notice certain auction houses are better than others when it comes to moving specific makes and models of cars.

But just picking a company isn't enough. You need to select a particular sale to ensure that your car will be exposed to the greatest number of potential buyers seeking cars that share many characteristics with yours. It also pays to peruse auction company websites and request several past catalogs and sales result sheets from any company you're considering. When choosing an auction company and venue, there are several things to consider:

- Fees and commissions
- Travel, car transporting and miscellaneous expenses
- Location
- Whether the auction is televised
- The auction style
- Past attendance figures (when available)
- Historical sales
- Reserve or no-reserve
- Reputation and recommendations

You'll have to spend some time reviewing the materials and information to select firms that have performed well with cars similar to yours, but the effort will be well worth it when you realize top dollar for your car.

While fees and travel expenses are important, something else to consider is the relationship you forge with the auction company. The consigner should feel like he and the auction house are on the same team. At the very least, the seller needs to feel comfortable with the auction representative assigned to his car. Just as every individual has a distinct personality, so does each auction house. So it's important to shop around and find a representative and auction company with which you can work comfortably.

But at the same time, the auction representative should be a trusted advisor who can counsel the seller about choosing the correct venue and setting a market relevant reserve. Experts should know what a car should sell for. It's not cheap to consign cars to auction, so the reserve should be realistic. Be aware that any car that doesn't sell will have to be shipped home at the owner's expense. A high reserve not only hampers the sale of a car, it hurts the auction company. Prospective buyers don't like to spend time and money to attend an auction only to discover that the reserve is set above current market value.

Once you've signed the consignment forms, you're obligated to send the car to auction and to comply with the terms of the agreement. The auction company also must abide by the terms you've set for the reserve and positioning the car in the auction.



Reserve or No-Reserve

The toughest decision of all may be whether to offer your car with or without a reserve. In a no-reserve auction, when the hammer drops, the high bidder becomes the owner of the car. A reserve auction is a bit more complex. The reserve is the lowest price at which the owner has decided to sell the car. If the car never reaches that price, it's a no-sale. If the bidding passes the reserve, the high bidder becomes the owner just as he or she would in a no-reserve sale. If the seller is present, he or she may always elect to lower or remove the reserve during bidding. If the reserve has been lowered or waived during the course of the sale, the auctioneer will make an announcement, and the car will then sell to the highest bidder.

KEY POINT

Just as buyers need to touch base with ringmen, sellers need to have contact with a ringman or auctioneer in case they want to lower the reserve while the car is being auctioned.

Sometimes no-reserve auctions can offer the savvy bidder a real bargain. The best buys are often cars that don't fit in an auction. Without the right people in the room, a car with no reserve or a low reserve can often change hands for far below its typical selling range. The theory is that buyers will be much more excited about a no-reserve car and bidding will therefore be more uninhibited.

However, if the bidding dies at a fraction of the car's value, as the seller you're stuck. Like it or not, you'll have to sell the car for the highest bid. It's best to make the decision about whether to set a reserve in consultation with someone familiar with both your car and the particular auction.

No matter if you're opting for a reserve or not, it's a good idea to estimate all expenses for taking a car to auction, such as travel, meals, accommodations, the vehicle transport fee, and the entry fee, which varies by auction and may include a flat fee or a percentage of the hammer price. Moving a car from the East Coast to an auction in Scottsdale, Arizona, or Monterey, California, will cost at least \$2,000 with a reputable carrier. Plan on the same expense to take it back if it doesn't sell. And remember, if you consign early and send multiple cars, many auction houses offer steep discounts.

KEY POINT

If a car doesn't meet its reserve, you may be able to work a deal after the auction, so be sure to talk to an auction representative.

While it's important to consider your expenses when setting a reserve, in most cases you simply won't be able to recover the cost of a restoration. You may have spent \$60,000 restoring your 1972 Mustang, but that doesn't mean that anyone would even consider paying that kind of money for your car. So remember: Set a reserve too high, and you'll be taking your car back home and incurring all those costs for nothing.



SUCCESSFUL SELLING

The good news is that there are many things you can do to help your car sell at a strong price. The bad news is that sometimes it takes some effort and expense.

1. Clean That Car: A clean car sells better than a filthy one. Make sure the car is spotless inside, outside and underneath. Pay to have it professionally detailed, and you should get your money back. Only barn finds should be left in as-found condition.

Photo by Blair Bunting



2. Stay With Your Car: No one will know as much about your car as you. Remain with it to answer questions and assist potential buyers. You may even be able to offer test drives. Buyers respond well to knowledgeable owners who are helpful without being pushy.

3. Documentation: Buyers want as much information as possible. Be sure to bring along historic photos and documents, restoration pictures and records, receipts, and even original purchase paperwork. Be sure to keep the originals safe, and only display copies if you're present.

4. Title and Ownership Documents: Make sure the title or other ownership documents for the car clearly define it as your property. That means there can be no

unsatisfied liens against the car, and the title must be in your name – not in the name of a relative, a trust or a spouse unless they have endorsed it. In the case of a trust, a trustee or a representative of the trust must sign the title.

5. Positioning: Auction houses frequently group cars of similar values together in an effort to attract and retain the right bidders. The most valuable lots are usually placed in prime time, which means the middle of the auction or on a Friday or Saturday evening at a multi-day event. You may be able to work with the auction house to fine-tune when your car will be featured in the auction. However, if you have a \$20,000 Chevy Monte Carlo, don't expect your car to be sandwiched between a Duesenberg and a Delahaye.

Although there are many things you can do to help bring top dollar for your car, one thing you should never engage in is shill bidding, which involves asking someone to place a bid on your car just to drive up the price. It's illegal in most states and violates the terms of any auction agreement. However, there is a legal way to protect your investment. Some auction companies have clauses that allow you to buy back your own car in a no-reserve auction if the bidding is lagging behind the price you need to achieve. In essence, you can bid for the car and buy it if you pay both the seller's and buyer's commissions. Be sure to find out in advance about the auction company's policies for bidding on your own car.

Another practice to avoid is known as curbstoning, where the seller comes to a direct agreement with a buyer and attempts to close a sale outside of his or her contract with the auction company. It's also likely that the auction company will learn about such deals and may not welcome you back.



KEY POINT

Cars positioned out of prime time often sell for a great deal less than those on Friday and Saturday evenings.

LET THE BUYER PREPARE

Buying at an auction favors the prepared. The best way to begin is by joining the mailing lists of major auction companies. Review the consignment lists to see what cars will be offered at the sale.

Those consignment lists are often available on auction company websites, which list an auction calendar as well as a current list of cars for sale. Check the auction company's website early and often for consignments to give yourself more time to research a particular car. Once you know what cars interest you, it's time to:

- Order auction catalogs in advance
- Visit auction company websites
- Research sales prices of comparable cars
- Check VIN or chassis numbers for authenticity
- Arrange for expert inspections in advance
- Transfer funds, or arrange credit or a loan in advance

It's best to take care of bidder registration matters in advance. Most auction companies will require some evidence that you're actually able to pay for a car you win. An irrevocable letter of credit, or LOC, is often required. Arranging other necessary financing in advance is always best. Here are some typical options:

- Collector car financing
- Bank loan
- Lease
- Home equity loan
- Cash

When you've decided to take the plunge and attend an auction – whether as a buyer or a seller – don't forget to make your travel plans well in advance. If you wait too long, airfares will be high, and seats will be scarce. Most of the major auctions draw large crowds of out-of-towners, so hotel rooms may be expensive and hard to come by. Sleeping in your car is guaranteed to spoil your fun, so check to see if the auction company has

arranged special rates on a block of rooms for their bidders. Speaking of cars, don't wait until the last minute to book your rental. It's not uncommon for the major rental companies to sell out during big events such as Barrett-Jackson, Russo and Steele, RM and Silver in Arizona; and RM, Russo and Steele, Gooding and Company, Christies, Kruse and Bonhams & Butterfields on the Monterey Peninsula. As a rule, six months out is not too early to book your travel plans.

Once you've decided on a particular auction, consign your car as early as possible. Auction companies generally have large advertising and marketing budgets. Consigning your car early will ensure that it will be featured in as many advertisements as possible, as well as in the auction catalog and website.

BUYER'S BASICS

There are certain steps you need to take to be ready to bid. They include:

1. Register with the auction company
2. Identify your target car
3. Estimate the time a lot will cross the block
4. Set your bid limit, including commissions
5. Notify ringmen of your interest – their job is to help you make a bid
6. Assess your competition – are there known dealers bidding against you?

Although it sounds obvious, all prospective bidders need to register with the auction company and obtain a bidder's pass. Ringmen and auctioneers will not take bids from unregistered bidders. After taking care of registration, the first step is to walk around and identify your quarry. Sellers who don't do their homework and, for example, consign a little British sports car to a muscle car auction can make the day of a savvy bidder who has little or no competition. Indeed, this is where many of the bargains at auction lie. Learn to identify the fish out of water.

Each car has a lot number that signifies the order it goes over the block. You can roughly estimate when the car will go over the block by observing the first ten or so sales and estimating the average time each car takes to run its course over the block as either a sale or no-sale. Keep in mind this isn't foolproof due to late entries, withdrawn lots or extended bidding on a particular lot. The safest bet is to stick around and keep a close eye on the line of cars going into the auction. It would be tragic to travel to an auction only to miss the car you're after when it goes over the block.

Just before your target rolls over the block, contact one of the ringmen – they're the people who aid the auctioneer in spotting bidders and relaying bids to the podium. In a quick conversation, make it clear that you're in the hunt for a particular car and what you're willing to open the bidding at. With some auction companies, you may be able to set basic ground rules about how you'll advance the bidding. Keep in mind that the more expensive the car, the greater the bidding

increments. Nobody wants to go through the tedium of accepting bids in \$500 increments on a \$250,000 car.

In determining the maximum amount you're willing to bid, don't forget to compute the buyer's premium, or the amount of commission that the buyer pays to the auction company. The percentages vary, by company and by the amount of the sale, so make sure that you read the terms of the sale in the catalog and the terms listed on bidder's agreement you'll use to register for the sale.

Finally, it's rare to be the only one in the room interested in a particular car. Most auctions are well-attended by dealers and skilled bargain hunters. Assessing your competition may give you some idea as to how things will go. If you're up against a room full of dealers, chances are they'll back off at a certain point below the retail value of a car – they have to make a profit. Once the dealers are out and you're up against a pack of other retail buyers, fasten your seatbelt – anything can happen. Just ask the buyers of the \$90,000 VW Bus or the \$125,000 Amphicar.

CONSIDERING BUYING OR SELLING AT AUCTION?

This chart illustrates the seller's and buyer's fees you would encounter at different auction houses. The example used is a 1967 Camaro that sells for \$50,000 in a reserve auction. The auction houses listed are those likely to feature a 1967 Camaro.

1967 CAMARO SOLD FOR \$50,000

		BARRET-JACKSON	MECUM	RM	RUSSO & STEELE
SELLER	ENTRY FEE	\$300-\$600	\$125-\$500	\$1000	\$900
	COMMISSION	8%	6%	10%	10%
		\$4,300-\$4,600	\$3,125-\$3,500	\$6,000	\$5,900
BUYER	BIDDER'S REGISTRATION FEE	\$400 early registration; \$500 later registration	NO FEE	\$150	\$150; \$75 online in advance
	COMMISSION	8%	6%	10%	10%
	ESTIMATED TOTALS	\$54,400-\$54,500	\$53,000		\$55,075-\$55,150

These fees and commissions apply only to collector cars and are subject to change. Please note that fees for selling a car without a reserve tend to be lower. Prices are accurate as of October 2007 and are for illustration purposes only.

A representative from the auction house you're considering can provide more precise information for your situation. Please see the North American Auction Company Directory at the back of this pamphlet for a comprehensive list of leading auction houses.

POST-SALE ISSUES

The minute the gavel falls, the car has a new owner. That means that the new owner has certain responsibilities – and so does the former owner.

For the Seller

Assuming that the high bidder meets the reserve, if it's a reserve auction, the car you sent to auction has just sold. The auction company will need you to sign over the ownership documents. However, the signed title or other paperwork will not be turned over to the new owner until the auction company has received the payment and any checks have cleared.

If your car fails to meet its reserve on the block, it's not all over. The auction company will continue to try to earn its commission by making an effort to procure a buyer before the auction ends. Unsuccessful bidders can

have remorse, too, and very often the auction company can play intermediary by getting the potential buyer to offer a bit more, while giving a little dose of reality to the seller. Also, sometimes a telephone bidder may have had difficulty with getting his or her bid through. These bidders are often successful in post-block situations. However, you should never intentionally rely on post-block activity, because such negotiations aren't a sure bet. Many times the seller may find that post-sale offers don't meet the high bid of the auction in post-block sales, because the excitement of the sale room is missing and the buyer may be looking for a bargain.

KEY POINT

After the gavel falls, it's time to handle all the paperwork that will result in legal transfer of ownership. Count on the auction company's representatives to walk you through the process.

Whether a sale happens on the block or in the office after the auction, you'll need to get paid for the car you just sold. Make sure you understand the auction company's policy, preferably beforehand; you won't get paid until they do, so find out how long they will wait and what they'll do to keep the sale from unraveling.

For the Buyer

After the hammer falls, a host of new issues arises. You're now the legal owner of the vehicle. The risk of loss or damage shifts from the auction company or the seller onto you, and you must pay for the car and get it home. Now that it's yours, you need to have it insured. Although acts of theft and vandalism are rare on auction grounds, there have been documented cases of damage caused by careless spectators or sudden storms.

Your existing regular use or collector car insurance policy may automatically provide coverage for a newly acquired car; however, to ensure that your vehicle is appropriately covered, it's best to talk to your insurance representative immediately. If you don't already have a



Photo by Blair Bunting

collector car Agreed Value insurance policy, you should contact a company like Hagerty right away. For tips about insuring your car, you may want to request a copy of the Hagerty pamphlet *Insurance Primer: A Crash Course in Collector Car Insurance* by calling the “Ask Hagerty” Concierge Service at 888-310-8020, menu option 3.



KEY POINT

A successful bid at an auction becomes a valid contract. Failure to follow through on a winning bid can get you sued by the seller. Damages are generally the difference between what you bid and any lesser amount for which the seller subsequently sold the car.

After the sale, you're expected to settle your accounts with the auction company. Generally, that means a bank check or a wire transfer the next business day. The auction companies have armies of people waiting at the on-site auction office to assist you. You'll also have to complete auction paperwork and arrange to receive the title of the vehicle once funds have cleared.

Finally, you'll have to get your new car home safely. If you don't own your own trailer, chances are that means shipping it home using a professional vehicle transporter. Usually, at least one collector car transporter is on hand at the sale. For tips about having your car professionally transported, call the “Ask Hagerty” Concierge Service at 888-310-8020, menu option 3 to request a copy of *Transporting Your Car Within the States* and *Far and Away: What You Need to Know About Taking Your Car Abroad*.

Both pamphlets detail what you'll need to know when having your car shipped either within or outside of the United States. When in doubt, you may want to consider using the carrier endorsed by the auction company. If there are any issues, the auction company will often intercede on your behalf.

Tax issues

Two kinds of taxes generally apply to collector car purchases and sales: Sales tax applies to purchases, and income tax applies to capital gains on the sale of the car. Most states have a sales tax that you must pay on the purchase of a car. Some, most notably Arizona, collect this at the time of sale.

To avoid the heartbreak of double taxation, in the state of purchase and in your state of residence, you must be able to prove that you're shipping the car out of state with a DOT-licensed interstate motor carrier. Keep your copy of the bill of lading from the carrier, and present it to the auction company when you pay for the car. The auction house is required to collect all applicable taxes unless the car is being shipped out of state on a bill of lading. And if you're required to pay the sales tax where you acquire the car, be sure to keep the receipt to present when you register your car in your home state.

The capital gains issue for sellers is one that's best discussed with a tax professional. However, you should keep meticulous records of everything that you put into your car, including costs of selling – such as transportation and travel – as these items may lower your taxable basis in the car.

THE JOY OF AUCTION

An auction can be an exciting way to enter or exit the world of the collector car hobby. Your chances of coming out ahead are greater when you do your homework and treat the transaction as dispassionately as possible. The “red mist,” “Monterey Magic” and “Scottsdale Fever” have been known to claim even the most experienced auctiongoers. So next time you head to an auction – whether to buy or sell – set your limit and reserve in advance, keep your wits about you and enjoy the event.

GLOSSARY

Auctioneer: The auction house representative who leads the auction and calls the sale.

Buyer's premium: The amount that the successful bidder pays as a commission to the auction company.

Car card: The sheet generally found on the windshield that contains basic facts about the car and its lot number. When possible, always independently verify material facts on the car card.

Commission: The amount of the sale price, usually a percentage, that the auction company retains as its fee from the buyer and the seller.

Curbstoning: The practice of a seller attempting to sell a car at or near the auction site without paying a commission to the auction company. This is frowned upon for obvious reasons.

Hammer price: The final sale price called by the auctioneer prior to the hammer falling.

Lot number: The identification number that the auction house assigns to your car or other property.

No-reserve: There is no minimum price set at a no-reserve auction; the highest bid buys the car.

No-sale: A no-sale occurs when the highest bid is lower than the reserve price.

Paddle: This refers to the bidder's number assigned to any registered bidder at auction. Currently, most auction houses simply use a card with a number, although they're often still called paddles.

Post-block sale: A car that the auction company sells off-block after being declared a no-sale.

Preview: The designated time prior to the sale for potential buyers to inspect cars.

Prime time: The perceived best selling time — usually Friday evening, or Saturday afternoon and evening.

Reserve: The lowest price that a seller will take at auction.

Ringman: A person working for the auction company who assists the auctioneer in spotting bidders and in controlling the bidding advancement.

Shill: A person in collusion with the seller who either bids or procures a bid on an automobile simply to drive up the price illegally.

NORTH AMERICAN AUCTION COMPANY DIRECTORY

Although there are many other smaller companies, the auction houses listed below tend to be larger and better known.

Barrett-Jackson

480-421-6694, www.barrett-jackson.com

Bonhams & Butterfields

415-861-7500, www.bonhams.com

Gooding & Company

310-899-1960, www.goodingco.com

The Hershey Auction

702-794-3174, www.hersheyauction.com

Leake Auction Company

800-722-9942, www.leakecar.com

Mecum Collector Car Auctioneers

815-568-8888, www.mecumauction.com

MidAmerica Auctions

651-633-9655, www.midamericaauctions.com

RM Auctions

800-211-4371, www.rmauctions.com

Russo and Steele

602-252.2697, www.russoandsteele.com

Silver Auctions

800-255-4485, www.silverauctions.com

The Worldwide Group

866-273-6394, www.thewwg.com

Hagerty is the premier source for safety and protection information about the collector car hobby. For more information on enhancing your collector car ownership experience, log on to **www.hagerty.com** or call **800-922-4050**.



Collector Car Insurance™

This material is for information purposes only and is not a substitute for professional advice. The information is obtained from sources believed to be accurate and reliable, but no guarantee is made that it will be sufficient or appropriate for every individual or situation.

(c) 2007 HagertyPlus, LLC. For copy and reprint permission, contact askhagerty@hagerty.com.