

Under the hammer: Are you auction aware?

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Buying a house at auction is nail-biting stuff. If you're the lucky 'winner', the moment the hammer falls you have entered into an enormously expensive but entirely unconditional contract.

How can you prepare yourself and get a house you want at a price you're prepared to pay?

The mystery price problem

Auctions are a great tool to maximise prices in a hot market, says Micheal Boulgaris, principal at Boulgaris Realty and also a highly experienced auctioneer.

However, many buyers, especially in Auckland, have been burned by what he calls "chocolate fish" advertising. Agents dangle a chocolate fish in front of buyers, hinting at a far lower sale price than is realistic to get the maximum number of people interested in the house.

Your limit is \$550,000? Yes, this house could be in your price range – look, the CV is only \$500,000. Prospective buyers fork out thousands for builder's reports and legal advice before the auction. They arrive on the day to find the opening bid is \$650,000 and the house sells for \$725,000.

How can you prevent this happening to you?

Under the Real Estate Agents' Act, the agent will have provided the vendor with a written appraisal when signing up the listing. Boulgaris advises buyers to look the agents in the eye, remind them of the Act, and ask them at what price they appraised the house. The agent may still refuse to give you a number, or even a reasonably narrow range.

At that point, you'll need to decide whether to continue based on your own idea of the property's value, or to pay for a registered valuer or an [online estimate](#).

The mystery pricing problem even happens to the experts: "I enquired on a house for myself recently and the agent told me the price was between \$3 and \$6 million," says Boulgaris. "I said to her, 'Don't play games with me, I'm an agent too.' She repeated herself and then made it hard for me to view the house.

"The tender date has passed and it hasn't sold yet, but I wouldn't buy that house now even if I loved it."

Pre-auction checklist

You usually have 3 or 4 weeks between the time the house is listed and the auction. Get in for a viewing as soon as you can, because if you love the house you'll need to move fast to do all your pre-auction homework:

1. Ask if the house can be sold prior to auction

If the agent says yes, and you like the house, you need to register your interest. That means you'll be notified of any pre-auction offers or if the auction date is brought forward. "Don't play games," warns Boulgaris. "The last thing you want is finding out your house has sold and you didn't get a chance to put in an offer."

2. Get expert opinions

Commission a builder's report and a moisture test, plus any other tests you want; there is no way to add a 'subject to' clause in an auction contract, so you need to have every possible scrap of information in your hand before you start bidding.

3. Learn the legal stuff

Get hold of the auction terms and conditions, the LIM report and all the other research you've done. Take the whole package to your solicitor and ask if there are no covenants or other surprises you should know about.

4. Have your finances in order

If you win at auction, you've committed yourself to an unconditional cash sale, so you need to have your preapproved line of credit in place.

5. Know if the vendor will be bidding

Ask the agency if the agent or the auctioneer has the right to bid on behalf on the vendor. It's common practice to bid on behalf of the vendor up to the reserve price, provided it's made clear, and it's best to know about it in advance, says Boulgaris.

6. Ask for assistance if you're unsure

If you're a first-time bidder, line up someone who will come with you and bid on your behalf. The pressure of the auction situation can be overwhelming, with quick-fire bidding and rapidly-rising prices. If there's any danger you'll freeze like a possum in the headlights, get someone to do the bidding for you.

Don't get in your own way

Bidders are often their worst enemies, says Boulgaris. By trying to be too smart and play coy, you're more likely to miss out on the house you really want.

Don't pay more, he advises, but don't play hard to get when you really want the house. Put your hand up, and if you're lucky the other guy will be too busy playing it cool to actually close the deal.

"It happens all the time," says Boulgaris. "The underbidder phones me the next day and says 'How much more do we have to pay to buy that contract?' Buyers soon discover there's a lot of pain in missing out."

Sometimes he auctions a property in a room full of interested people, but nobody will put up their hand. As soon as the property is passed in, though, 3 people will be desperately calling trying to make an offer.

"If any of those people had put up their hand at the auction, they would have owned the house. All they do is make it more difficult for themselves, with more competition.

"It's very much buyer beware at auction," he laughs. "Beware of yourself!"