

Selling property at auction: Quote it low, watch it go?

by Paul Foster

Bidding at auction is a daunting and expensive prospect. It's even been challenged on Fair Go as downright unfair, with buyers being 'enticed' to an auction and having to pay for all of their due diligence.

I agree. After all, if you're putting yourself in a position to buy 'under the hammer' you need all of your ducks lined up. This usually includes having a building report, a registered valuation, LIM report and solicitor's advice. You'd be unlikely to get any change out of \$1,000 to be an unconditional buyer at an auction these days. **All that work with no promise of a property, either.**



Another major stumbling block is agents that give 'bait prices' – under quoting a property's likely sale price and sending a buyer along to an auction they shouldn't really be at. This 'bait price' tactic, used to fill an auction room and build the hype, is a horrible yet sadly very common practice. Buyers are often told they could be in with a chance after disclosing their budget to the agent, even though the reserve might be at the top end or beyond their budget. The auction blows out of their price range and all their 'prelim' work and money is wasted.

A saying you often hear from agents using this bait price strategy sums up this misleading practice: **"quote it low and watch it go"**.

Agents often use the excuse that they had no idea of the property value. Of course they don't know the exact price a buyer would be willing to pay, but by law they should have provided a written estimate or appraisal of the property to the seller, based on recent sales... **so how could they have "no idea"**? You would also hope any competent agent should have a fairly good idea of what a realistic value range might be. This estimate, as well as market feedback, is often used as the auction reserve price too, so agents should know very well the ball-park they're playing in.

We frequently hear the everyday war stories from buyers, some which have been to five or more auctions expecting to bid and hopefully buy, only to be quickly outbid – normally with a reserve price well above what they could afford. At \$1,000 a pop for their due diligence on the property, five auctions later some buyers are coming away considerably (and unfairly) out of pocket! Perhaps agents should be made to reimburse these buyers for having them there in the first place...

We believe that stating an asking price is a much fairer and more successful way to sell property. If a home is priced, buyers have a much better understanding of whether the property fits their budget and can be clear in their minds whether it's worth making an offer or moving on (without throwing away any money in the process).

Using this logic, it's no wonder that homes advertised at a price attract up to 50% more buyers and it is a much more transparent process for all involved. In some cases we agree that it might be appropriate to use 'no price marketing', but agents can still do the right thing and quote a realistic price range that they know the vendors would consider.

The reality is that as a buyer at the moment – especially in Auckland – it's pretty hard to avoid auctions. But your best protection is to do your own research and decide for yourself a realistic purchase price. If this is in line with what the agent is quoting, you can test it by making a pre-auction offer. Alternatively you can wait for auction day, set your limit and be prepared to bid up to that level.

Even better is to find a trustworthy agent, preferably one that puts a price on the property. Finding an agent that provides a written service and price guarantee to the vendor is the ultimate consumer protection for both buyers and sellers.

Looking for a home to buy? [Contact your local Iron Bridge office](#) for some honest advice about properties that fit your needs and budget.