

Buying a house? Beware of bait pricing.

by Paul Foster

When it comes to the property market, we could take some useful lessons from our neighbours across the Tasman.

One policy adopted by the real estate industry in most Australian states is the outlawing of 'bait pricing' or underquoting. Despite the softening in the New Zealand real estate market, this despicable practice is rife.



Could you fall victim to bait pricing when buying a house?

On a daily basis, those looking to buy a house are lured to attend auctions on the unrealistic promise of an attractively low price. Worse still, you'll usually find the sellers of that same property were equally lured by the promise of a much higher "potential selling price" at the initial appraisal.

I've lost count of the number of buyers I've taken through properties who've previously fallen victim to underquoting. They are literally thousands of dollars out of pocket after completing due diligence on properties in good faith. Then, there's the nasty shock of finding the auction reserve was already above the top-end of their budget – despite being promised otherwise.

How to avoid the bait pricing trap

1. Do your own research. Believe nothing and check everything.
2. Ask an agent you trust for their opinion of a likely selling price
3. Target properties with a published asking price or price indication
4. If buying at auction, place a pre-auction offer of your best price. If this is in line with the price indication given by the real estate agent, highlight this at the time of offer. If your offer is unsuccessful, walk away.
5. Don't let a real estate agent tell you they "have no idea" of what the likely selling price is. Probe harder. By law they had to give the vendor a written estimate, so they should know their price expectation.

Making bait pricing illegal in New Zealand would give those looking to buy or sell a house a fair go. Adopting the same approach as Australia just makes common sense.

If you're looking for some more honest advice when it comes to buying a house, give the [team at Iron Bridge a call](#).