

BRIGHT

ASK PATRICK

Property expert Patrick Bright answers your questions and gives advice about the intricacies of buying and selling investment property.

Q. Should I sell my home by auction or private treaty? I have called in four selling agents to give me a price guide and advice on a method of sale. Two recommended selling via auction, one suggested I put a price on it and the other said he didn't mind which way I went. Regards, confused.

A. Well confused. Firstly you should ask yourself "is my property unique when compared to other properties in the area?" Now I know that every home has unique features that differentiate them from neighbouring properties and because you live in your home those unique aspects will stand out to you. But how different is it really? It is very important that you are objective when answering this question.

I would only ever consider an auction if your property is truly unique in some way. For example, if it has an amazing view or a very large land size for the area etc. You also need to take into account what the most widely accepted method of sale is in your local area. In general the safest way to go is to put an asking price on it, especially if you're selling an apartment or a stock standard property for the area.

Q. I am sick of spending money on pest and building reports when preparing to bid at auction. They seem to say that the house looks OK but there could be a problem. Are they really worth the money?

A. I understand exactly what you're saying. Building and pest reports typically read like a thriller novel full of disclaimers. It's due to the litigious world we currently live in where no one wants to put his or her neck on the line.

Despite these frustrations I do believe that they are worth the money as they can, on the odd occasion, save you tens of thousands if not hundreds of thousands of dollars. I have read hundreds of reports over the years and every now and again they find serious structural, dampness or pest problems.

If you're parting with half a million dollars then spending \$700 on a building and pest report is very cheap insurance even if you have to pay it a few times along the way. It is just a cost that you need to incur when buying a property and I don't think it is an area where you should take a shortcut.

Having said that, I understand that it can be particularly frustrating when you've paid thousands of dollars for pest and building reports prior to an auction only to see the property go for a far higher price than you expected. When buying at auction, if the property's reserve is more than 10 per cent above the selling agents advertised price guide I would be asking the selling agent for an explanation.

If that happens, in my opinion the selling agent is engaging in misleading and deceptive conduct and is wasting your time and money by not being truthful. If this happens to you I would ask the selling agent to pay your expenses in relation to the that particular property - such as the building and pest reports and legal costs that you incurred while preparing to bid at the auction - and report them to the Office of Fair Trading.

Q. If a property I am bidding on at auction is passed in do I need to be the highest bidder to try and buy it afterwards?

A. The auctioneer will often announce at the start of an auction as part of the pre-auction formalities that if the property is passed in they will be negotiating with the highest bidder. Should the bidding fall short of the reserve and the auctioneer be put in a position where the property needs to be passed in, they will announce that "I am about to pass the property in and we will be negotiating with the highest bidder".

This is a deliberate strategy designed to give bidders the impression that they must bid now or they'll miss out on any further chance of negotiating for the property.

You need to keep your wits about you at this stage. If you're not the highest bidder and you don't want to continue to bid for various reasons (for example, if you don't think the competing bidder is genuine), but you still want to buy the property then all you have to do is go up to the selling agent and if possible, the vendor, as soon as the property is passed in and tell them you wish to be included in post-auction negotiations. **wcm**

Patrick Bright is a real estate buyer's agent. He has negotiated hundreds of real estate purchases, is a successful property investor and best selling author of "The Insiders Guide to Buying Real Estate".

