



# AVOIDING AUCTION NIGHTMARES

Buying at auction can not only be nerve-racking – it can also be fraught with risk. Patrick Bright gives you the insider tips on how to come out a winner on auction day.

IN recent years more properties have gone up for auction as selling agents and vendors shy away from sales via private treaty. While many house hunters try to avoid auctions, these days if you want to access the entire market you need to be able to cope under the hammer. Instead of being confused or allowing yourself to be easily misled by unethical selling agents, take the time to understand the process so that you can make educated decisions in the lead up to and during an auction. To help you on your way, here are a number of common mistakes and traps that you need to be aware of.

## Getting carried away

Everyone loves to be a winner and unfortunately auctions can turn into an expensive game or an ego play for inexperienced and highly emotional bidders. They say 'I've reached my limit but I'll just make one more bid in case the other bidders are out of money'. The rush of adrenaline can make those thoughts sound completely reasonable in the heat of the moment. The problem is that all of a sudden that one extra bid can easily turn into a handful of extra bids which is likely to equate to a price tag beyond fair value and your financial means.

Before you even consider bidding for a property you need to be honest with yourself and ask the following questions: Am I the

type of person who could get carried away in the moment? Have I become frustrated at the process of looking for property and am I sick of missing out at auction? Am I going to make this property my home?

If the answer is 'yes' to any of these questions then it would be best to recruit someone who is not emotionally invested in the outcome. A trusted friend or family member or a professional buyer's agent to bid at the auction on your behalf will do the trick.

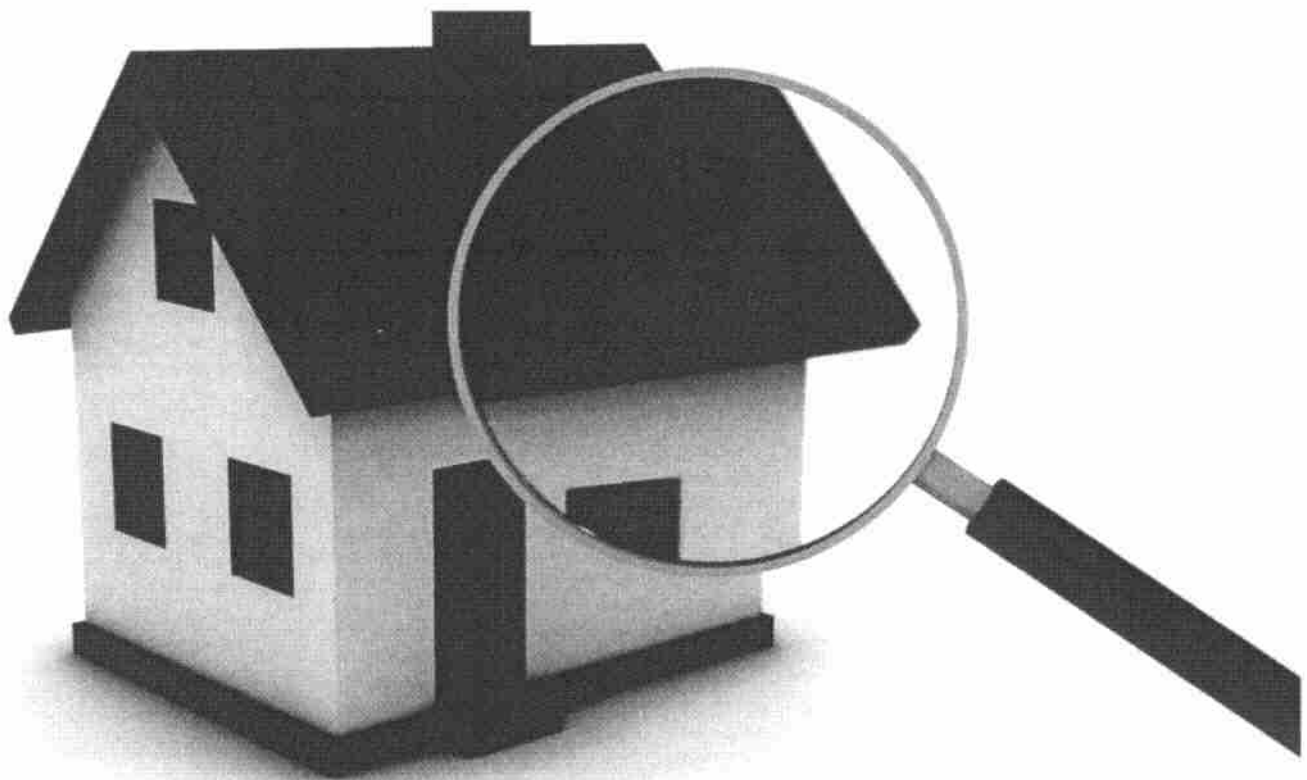
You should also ask yourself: Have I inspected enough properties and compiled enough comparable research to know what the fair value of the property is? If searching for a property has become a major chore then you may start to ignore the research that you need to do just to get the process over and done with. If you do this then you are likely to overpay.

Remember a property is likely to be one of the biggest purchases you will make in life. Surely you don't want to gamble on you and your family's future financial position because you decided to cut corners or were a little tired of searching.

## Forgetting selling agents' role

One of the biggest mistakes you can make when buying a property is to think that the selling agents are there to help you. Sure,





they'll happily act as a negotiator between you and the vendor and they may even tell you a few things about the property or about the other prospective buyers to encourage you to bid. However, the bottom line is that the selling agent doesn't work for you – they work for the seller. If you think about it, how do you know that they're telling you the truth? Would you be able to tell if there is really only one other buyer or a dozen interested parties. Do you think the selling agent will actually tell you the minimum amount that the property owner will accept for the property before auction, or do you think they're likely to tell you a figure that will encourage you to turn up and bid?

You need to always keep in mind that the selling agent is acting in the best interest of the vendors (sellers). On auction day, don't let the selling agent pressure you into increasing your bid for the property if the auction stalls. If you're the highest bidder and the property isn't called on the market, then allow the property to be passed in and start your negotiations in the post auction environment. Just never bid against yourself at auction.

#### **Over-extending yourself**

It's very easy to get seemingly endless credit, no interest loans and zero deposit borrowings. Today more than ever we live in a buy now, pay later society. Irresponsible

lending is rife and I believe it's the major reason many people are forced to sell. Do not allow yourself to make this mistake.

You should aim to put down at least a 20 per cent deposit so that you have some equity in your property and a fall back position if interest rates rise. I call it 'the ability to sleep peacefully at night buffer'. That way you know that you and your family can cope with unexpected change such as a job loss and that you will have room to breathe and the ability to refinance should interest rates rise so that you don't get backed into a corner and be forced to sell. Importantly it will also mean that you won't pay mortgage insurance, which reduces your purchasing costs from the outset.

#### **Ignoring property inspections**

You've already paid for pest and building inspections on two previous properties that you've missed out on buying. You've now found another property and you start to convince yourself that perhaps you don't need to do the checks on this one. After all, the other properties were older than this one and there was nothing major wrong with them. You begin to think that you're just throwing money away and that these inspections are not really necessary. You're wrong. You absolutely must know what you're buying into. The property may be

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infested with termites, the construction may be shoddy or the wiring and plumbing could be faulty. From my experience about one in three properties have significant structural problems that you need to know about when setting your maximum purchase price for a property. Don't buy yourself an expensive headache because you're trying to save a few bucks up front. [www.epspropertysearch.com.au](http://www.epspropertysearch.com.au)

*Patrick Bright is a real estate author and buyer's agent. You can find more auction tips in his latest book, 'The Insider's Guide to Saving Thousands at Auction'. [www.epspropertysearch.com.au](http://www.epspropertysearch.com.au)*