

Pam Walkley

## Auction planner

How to avoid the traps and achieve your goal



**H**OW DO YOU STOP YOURSELF paying over the odds when you are trying to buy your dream home at auction, asks Money reader Miranda. "I recently came into an inheritance and want to use the money as a deposit to set myself up in a home I love, but everything I like goes to auction and I know nothing about them," she writes.

Well Miranda, it's time to educate yourself about the auction system. And the best way to do that is to actually attend as many auctions as possible to familiarise yourself with the process.

There is useful information on the web. Do a google search for "buying a home at auction" in Australia and your screen will light up. Neil Jenman's seven rules for buying at auction (see [www.jenman.com.au](http://www.jenman.com.au)) are well worth reading.

One of the biggest hurdles you will need to overcome is underquoting on auction properties by real estate agents. Jenman says agents routinely underquote

### "Know your limit and don't go above it"

by about 20% to get people to the auction. Buyers agent Patrick Bright, whose latest book is *The insiders' guide to saving thousands at auction* (rrp \$29.95, bookstores or at [www.epspropertysearch.com.au](http://www.epspropertysearch.com.au)), says he hates seeing buyers wasting money and emotional energy preparing to buy a property they have been duped into thinking is within their price range.

Auctions are all about competition and "everyone wants to be a winner", says Bright. "Bidding frenzies occur when buyers let their hearts – or egos – rule their heads." To play the auction game



successfully you need to remember agents are likely to be underquoting by up to 20%. This means if they say \$500,000 and you cannot afford \$600,000, walk away.

Next, you need to devote time and energy to know thoroughly the market you are buying into. Bright says you really need to inspect about 100 comparable properties and carry out detailed analysis of recent sales in the immediate vicinity before you can confidently arrive at a fair value figure for your dream home, a process that will take many weeks.

If time is a problem or you want to double-check your figures, an experienced valuer will generally cost a few hundred dollars. Once you know the value you can work out your "walkaway" price, which is fair value plus maybe a premium for emotional value as it's going to be your home, Bright says. "This is your limit and if bidding goes above this figure, you're out." No ifs no buts. If you do not think you can be this disciplined, get someone you trust to bid for you and do not go to the auction.

You will need to have your money lined up and any inspections carried out before the auction, because if you buy under the hammer there is no cooling-off period.

Moves to stamp out dummy bidding – non-genuine bids meant to inflate the price – have only been partly successful, says Bright, and can still occur without the selling agent knowing. So watch out!

Bidding tactics to consider include:

- Set your limit on an odd number such as \$389,000 instead of a rounded number.
- Arrive early so you can suss out your competition and see who is talking to the vendor (could be a dummy bidder).
- In a hotly contested auction, don't bid until the property has reached its reserve and is on the market.

### Property focus



**Where:** Christies Beach SA

**Price Range:** Houses \$235,000 to \$1m-plus, units \$220,000 to \$950,000\*.

**Rental value:** Houses \$230pw to \$300pw, units \$150pw to \$350pw\*.

\*Source: [www.myhome.com.au](http://www.myhome.com.au)

Christies Beach is a coastal suburb of Adelaide, 30 km south of the CBD. Originally a seaside resort, the main retail strip known as Beach Road still retains that lovely beachy holiday feel, says Peter Koulizos, national co-ordinator of the TAFE property investment course. He says Christies Beach is an area that has been neglected for a long time, but its position as one of the cheapest seaside suburbs in Adelaide makes it an ideal area for investors, particularly those looking to develop. It has rail access to the CBD. The local council is proactive in gentrifying the area, says Koulizos, and is currently upgrading Beach Road to give it a more "village square" feel.