

Our top tips for bidding at auction

by Adam Smith

Auctions are high pressure affairs and this is why if you are looking to buy at an auction, you must be prepared. For the inexperienced, it can be dangerous.

But the reality is if you want to buy a home, especially in the current Auckland market, auctions are hard to avoid. So, to give you the best shot possible at securing that dream home, here are some of our top tips and tactics for success on auction day.



Tip 1: Do your own research – believe nothing and check everything...

With an auction deadline looming, in the rush it can be easy to gloss over some of the due diligence you should be doing, as it all takes time, and costs money, and you've got a deadline to meet. But by doing your own homework, and understanding the true value of the home, it is the most important thing you can do in getting prepared to bid. A new home will cost many hundreds of thousands of dollars, so an investment of several hundred dollars now is vital. You want to make sure you know exactly what you are buying. Your research should include:

- **Finance:** make sure you are pre-approved and that you are confident you can afford it.
- **Builder's report:** A builder's report from a qualified builder will inform you of any outstanding maintenance or structural/consent issues.
- **A LIM report:** A LIM contains all the information that the Council holds on a property, including rating information, consents, licenses and permits.
- **Lawyer:** Ensure that you have your solicitor look over the entire contract to give you added assurance.

Tip 2: Know the true value

Agents are notorious for under quoting the value of the home to buyers prior to an auction – often by 20-30%. So, obtain as much data as you can on similar houses sold recently in the area. Good agents should be able to help you get this information. If you feel you have a real chance of buying it, consider getting a registered valuation for an unbiased opinion – but it is still only a guide.

Tip 3: Stick to your limit

This is more a rule, rather than a tactic.

Know your limit and set it before the auction and never go over it. If you blow past your limit, it could easily become your future liability as you struggle to meet the mortgage payments.

Keep this limit – being the highest you are prepared to pay – a secret and don't share it with anyone else, especially the agent. Make sure you are confident you know that the maximum you're prepared to pay is at a level where you can still afford to pay the mortgage. If you need help working out exactly what you can afford, talk to a mortgage broker and they will help you understand just how far your money will stretch.

Set your limit after having done solid research and **don't** go over it.

Tip 4: Get some practice – go and watch auctions

Before bidding on the home of your dreams, go to the local auction rooms, and watch what happens. It is an educational experience as you watch some of the tactics from agents and bidders. It is important you are as prepared as possible and know what to expect. When it comes your time to bid, if you don't feel comfortable bidding, you can appoint someone to do this on your behalf.

Tip 5: Control your emotions

Try and remain slightly detached from the process. That is difficult when you are attempting to purchase the home of your dreams, but keep in mind, it is likely you will not be successful at every auction you attend.

Tip 6: Know your tactics

There are a variety of ways to approach an auction.

The auctioneer wants to run a fast, upbeat auction with big rises, often. So, if you want to buy the property for less, try to slow down the process and take some control of the auction. One way of doing this is changing the amount of the bid increments – either up or down. The auctioneer will not necessarily like this. They might refuse your bid but if there is only one other bidder, which is when this works best, they will have to return to you and accept your bid.

Another tactic is to start hard early – if still well within your budget, bidding with some larger increments, or rounding up the bidding to significant milestone figures, could spook some of the other bidders. Remember, nobody knows your price limit except you – but have a plan.

Tip 7: The reserve

Remember, the reserve is the lowest price that the agents have been able to 'crunch' sellers into accepting. You might eventually know the sellers' lowest price but no-one will know your highest price. If the property doesn't reach the reserve, the property will be 'passed in' and the highest bidder will be given the opportunity to negotiate, away from the auction room. You can then negotiate the price as well as other conditions.

We regularly hear from buyers (and also from our own personal experiences) where they have purchased at auction for far **less** than what they were actually prepared to pay pre-auction. There can be some great bargains out there!

We wish you the best of luck if you are bidding at an auction soon. And whether you're looking to buy or sell, our agents can give you a wealth of free property advice – [get in touch](#).