Auctions comment:

Genesis records that Abraham paid 400 shekels in circa 1700 BC for the land of Machpela in front of witnesses at the gates of the city of Heth. Sounds like a public auction to me.

Did he take advice from the local RICS of the day? I doubt it.

He probably had hoped to buy it for less but was prepared to pay even more. That is what attracts purchasers to attend auctions and what motivates vendors to sell at auction as opposed to private treaty.

I hope I speak for my fellow auctioneers in saying that it is ill-advised to deal with auction lots by arriving at a formal valuation. We should and do instead rely on our skills as auctioneers and let the property find its level.

What tends to happen in private treaty is a vendor will decide on a price to be quoted, or he is advised by a professional valuer, who has to provide one precise figure (not a range).

That figure tends to become the ceiling price and unless two or more purchasers come on the scene quickly (when it may then go to best bids) the sale will conclude at that figure or lower.

In auctions, on the other hand, we have what I call the "trampoline effect": we agree a low reserve with the client to ensure that as many purchasers as possible are attracted and the property then sells for one bid above the maximum bid of the under bidder.

While not common, it is not unusual to have legal documents downloaded by 50 possible buyers – one lot I dealt with for executors in Hampstead, NW3, last May had more than 100 downloads.

You might then ask why the buyer would not pay more if the reserve was higher and the reason is because he and others might then not be attracted to attend the sale.

VIEW FROM THE ROSTRUM

John Barnett
Auctioneer and senior partner, Barnett Ross

The variation of professional value and sale price occurs so much more in the sale of chattels.

Indeed, a gun used in 1873 by the poet Paul Verlaine to try to kill his lover and fellow poet Arthur Rimband recently sold for 10 times the estimated value placed on it by the auction house, fetching £376,825.

There is no way possible that even the best valuer in the world could have calculated the 2.30pm price on that auction day in Paris that was to be just one bid more than the maximum bid of all the under bidders.

The RICS definition of market value states that a willing buyer should not be "over eager", but when you go specifically to an auction that is usually what you are.

It also states that the "estimated amount" is a balance between the vendor's and the buyer's expectations, which is deemed to exclude special circumstances.

But how is a valuer to predict the pent-up demand to buy property from many buyers who otherwise are receiving less than 0.5% for their money on deposit?

It also states that "the assumed" buyer would not pay a higher price than the market requires.

But at an auction where the auctioneer can reach out to 15,000-25,000 possible buyers, there is usually quite a number who will openly compete to buy.

Having 25-plus bidders in the room ready to sign an immediate contract is something that cannot happen with private treaty.

A valuer really has to appreciate that the auction market can be vastly different from the private treaty market.

Some lenders I know ask for Red Book valuations for market value and then for a sale by auction within 90 days. They expect the price achieved at auction always to be the lower figure, but I hope this piece will help change that view.

In October I offered for sale a freehold shop and flat in Finsbury Park, N4, where I fixed the reserve at just under £400,000. If I had received a firm pre-auction offer of £700,000 I would have been tempted to sell prior, but this did not happen and on auction day it sold for £905,000.

It was a figure I and many professional valuers I know found impossible to believe.

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