



The Risky Housing Play That Could Cost You \$230,000

Description

We've all had buyer's remorse at some point. For some, it's spending that extra \$100 on rental car insurance (don't do it: your credit card has it for free). For others, it's spending an extra \$230,000 on a home.

Yes, according to [a report by the CBC](#), one homebuyer paid an extra \$230,000 on a new home — that is, \$230,000 *above* the list price. How exactly did that happen? Two words: *blind bidding*.

What is blind bidding?

Normally, when you bid on a home, you're aware of what other homebuyers are bidding as well. This is an *open* auction. You'll tell the homebuyer how much you're willing to pay, and if another homebuyer outbids higher than you, you'll have the opportunity to raise your offer — or decline.

A blind bid, however, takes away the transparency. In a blind auction, you'll typically know the list price for a home, but you won't know what other homebuyers are bidding. You'll have a date for when a home's auction will take place. Every homebuyer will put in their bids, and whoever has the highest one will win the house.

What's wrong with blind bidding?

As you can probably imagine, this can lead to some disastrous consequences — if you're a homebuyer, that is. Because you don't know what other homebuyers are bidding, you can easily misjudge the house's true value and bid way higher than the property is actually worth. In some cases, you could bid thousands higher than other homebuyers. Or, as in the case cited above, you could bid \$230,000 higher, only to find out that *no one* was bidding on the house.

Talk about buyer's remorse, right?

Aside from inflating a home's list price, blind bidding can create a mini housing bubble within a specific

region. If a blind bidder buys a home several thousand dollars above the list price, guess what happens to other homes in the region? Yep. They can potentially rise in value. Do this enough, and you can make a region slightly more expensive than it needs to be.

How is this legal?

Well, if the Liberal government has its way, it may not be.

During the election, the Liberals denounced the blind bidding practice, promising they would ban it if they regained the majority. So far, we haven't heard any news on whether or not this will come to fruition, though it's not off the table just yet.

Should you engage in blind bidding?

Look, I'll be honest — in today's real estate climate, with a supremely high demand for houses and short supply, you may not be able to avoid blind bidding. Unless the Liberal government bans the practice altogether, you'll probably have to engage in it at some point.

How can you prevent yourself from spending \$230,000 *more* than the list price? Here's my advice: put in an offer that you're most comfortable with, but not a cent more. While, sure, emotions may tell you to bid higher ("I'll never have this opportunity again, I should bid as much as I can"), hear it from me — if it stretches your budget too thin, it's not worth it.

A good question to ask yourself is this: at what price will you start to have buyer's remorse? If you can identify a price that you *definitely* wouldn't pay, the price that we can call your "ceiling," you can start identifying a price that's reasonable for you. Bid the price that will help you sleep at night, and if you don't win the auction, then so be it. Trust me — there will be others.

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