

BUSINESS DAY | **SUNDAY MONEY: SPENDING**

At These Sales, You May Find the Kitchen Sink

By HILLARY CHURA OCT. 23, 2005

SOME bargain hunters see government auctions as a way to save a bundle on cars, furniture, diamonds and flat-screen televisions. For informed buyers, bidding may yield good investments. But the bang of the gavel can hold risk for novices.

Sponsored by federal, state and local agencies selling seized property, hundreds of auctions are held around the country each year. Depending on the sale, bidding may be done online, by phone or in person. The merchandise is an eclectic mix -- from big-ticket items like homes, cars and trucks to products like Rolex watches and Bose speakers. There may also be cartons of air-conditioners, pottery, clothing and shampoo -- and even slabs of granite and machine parts.

Many buyers are merchants who conduct business at a low and steady hum, eager to make an eventual profit. Others are individuals like Sheila Johnson, a stay-at-home mother, looking for that unbelievable bargain.

Mrs. Johnson woke at 4:30 one recent morning and drove 150 or so miles from her home in Baldwin, Md., to Edison, N.J., for a Treasury Department auction. The sale, held in a cavernous warehouse, began promptly at 9 a.m. All the items had been sold by late afternoon.

Mrs. Johnson had her eye on a tan 1998 Lexus ES300 with 56,000 miles on it. It was being stored near her home, and though she could not take it for a test drive, she had started it, liked how it sounded and thought it had been well maintained --

in part because all four tires matched. The Kelley Blue Book trade-in value was \$9,100, and it had a clean history on Carfax, a service that checks a vehicle's history for accidents. When bidding passed \$6,000, her initial limit, she decided to keep going, eventually placing the winning bid of \$8,100.

"It's not like I did bad; I just paid more than I had planned to," said Mrs. Johnson, who came alone with a \$3,000 cashier's check and more than \$5,000 in cash. "But I'm really careful. If I wasn't actually able to inspect it with a fine-tooth comb, I would not have bought it. Too many issues. Why pay more than trade-in?"

Mrs. Johnson, who has attended many auctions, said that prices on this sunny, clear day were high and that better bargains could be had when the weather was worse. She shook her head at one sale, of a 1999 Lexus LX470 sport utility vehicle that she said had salt corrosion. It had a blue book value of about \$18,500 but sold for \$32,500. Several car dealers said they held back on bidding that day because the prices were too high, at blue book value or more.

Auctions have previews so that potential buyers can examine the merchandise in advance. Before the auction in Edison, Sean Gunby, a real estate agent in Clifton, N.J., spotted a handmade Oriental rug that would be just right for his office. As it was part of a lot of about 30 rugs, he did not bid. But after the lot was sold, he spoke to the winning bidder, Ronen Drory of North Easton, Mass.

Mr. Drory, an auctioneer, bought about 290 handmade rugs that day for about \$90,000. He said that for \$300, he sold Mr. Gunby the sought-after rug, a 20- to 40-year-old Hamadan. The price was a small fraction of the \$1,500 he estimated it might cost at a retail rug gallery.

Mr. Drory said uninformed bidders often pay two or three times as much as some items are worth. "You've got to know what you're doing," he said. "Just because it's big doesn't mean it's worth a lot of money."

Diane Weiss and her daughter, Sydney, came from Hillsdale, N.J., thinking that they might find big bargains at the auction. They were interested in a couple of Oriental rugs for Sydney's dorm room at Northwestern University, where she is a sophomore. They thought a two-rug lot might be had for \$50 and were surprised

when someone paid \$350. They were further surprised that merchants estimated that the rugs, a smallish Heriz and a Hamadan, could have gone for \$600 together at auction, but for \$1,200 each at a retail store.

Sydney also wanted to buy one particular lot of musical equipment -- including a drum throne, snare and cymbal stands and clarinet reeds -- and said she thought \$200 was a fair price at auction. Bidding stopped, she said, after someone offered \$2,000.

Sitting in a room that looked like a particularly poorly decorated Department of Motor Vehicles waiting area, her mother noted that while bargain hunting takes time, weekend flea markets and antique shopping are more her game. Indeed, the auction house looked like a stripped-down Sam's Club -- but with legions of armed security officers to protect several hundred bidders who were carrying loads of cash. Spotters in navy jackets perused the room for bidders, shouting "yep" when they found one so that the barker would know to raise the price. When they spotted no takers, some would good-naturedly goad bidders higher.

Auction items are sold as is, come with no guarantees from the government and cannot be returned or exhaustively checked out ahead of time. A computer, for example, may look as if it has just come out of the box, even though its hard drive has been seized. Because of this, some bidders with cellphones were on hold with representatives of companies like Dell and Sony, checking prices and manufacturer's guarantees. The limitations kept Lenny Johnson at one with his money. Mr. Johnson, of Passaic, N.J., had hoped to snag a set of Bose surround-sound speakers for \$300 and a 30-inch Sharp flat-panel television for \$800, but he said prices went too high, too fast. "They went past me so quick, I couldn't even count," he said.

Eric Knight, an optometrist in West Allis, Wis., estimated that he had attended 30 auctions over the last six or seven years but had made only five purchases. He said he had found bargains on a Judith Leiber handbag for his wife, two new top-of-the-line bicycles and 14,000 high-end eyeglass frames.

"For every one of those good deals," Mr. Knight said, "there are probably 200 that somebody paid more than they could have paid at retail."

QUICK READ

Are you interested in shopping at a government auction? Here are some pointers from specialists.

Look for auction announcements on Web sites like firstgov.gov/shopping/shopping, for federal sales, and elsewhere for state and local sales.

Attend several auctions, without bidding, to get an idea of fair prices.

When you are ready to buy, go to an auction preview and determine your top potential bids. Consider retail prices and past winning bids.

If you are buying a car, check the blue book value and get a Carfax report. At the preview, ask if you may start the car.

Be sure you have everything you need to register to bid, such as a photo ID.

Understand the payment requirements. Some auctions require up to \$5,000 on the spot, often by cashier's check or cash.

Know when you can pick up the property you buy.

Ask manufacturers whether they will honor warranties.