

Bid for More Business

Real estate auctions aren't just for ugly foreclosures that banks are desperate to get off their books. Real estate practitioners are helping first-time buyers and trade-up home sellers find success as they belly up to the bidding table in low-inventory markets.

Private-owner auction sales edged out lender REOs as the most popular type of auction in 2012, according to PropertyAuction.com, though the company declined to provide specific figures. The allure of potentially selling a home more quickly than a traditional listing allows—and possibly at a higher price—makes auctions an attractive option for sellers. And buyers are finding more opportunities to bid on great deals.

Other real estate auction sites are responding to the demand for private-owner sales as well. Auction.com, for example, launched its division of nondistressed home sales a year ago, and since then it has sold 140 homes totaling \$72 million in sales, says Senior Vice President Jennifer Leuer. “A lot of equity home owners are in Auction.com’s inventory,” Leuer says. “The number of people who are organically calling us has increased exponentially.”

One of Auction.com’s recent success stories was the auction of a 93-year-old man’s seven-bedroom, nine-bathroom beachfront estate in Corona del Mar, Calif. The home went for \$5.3 million—\$1.8 million higher than the opening bid of \$3.5 million.

Because auctions are increasingly going online, real estate professionals can potentially find significant business opportunities there, says Ronald Jasgur, president of Southfield, Mich.-based Woodward Asset Capital. Jasgur’s company created OfferSubmission.com, which helps banks manage auctions of their distressed properties. “People have become more comfortable with buying online,” Jasgur says. “The buyers of tomorrow are going to be just as comfortable making an offer on a house they’ve never seen or maybe just driven by.”

The immediacy of auctions is a draw for many sellers and buyers, says Melissa Davis, an auction-

eer in Indianapolis. Because buyers must be pre-approved and homes sell the day of the auction, the transaction process is considerably streamlined. “It only takes three to four weeks to properly market a home and 30 days to close—or sooner if a buyer is paying cash,” Davis says. “The process is much faster than taking a chance by listing the property and waiting for a buyer.” Because of the shorter timelines, agents can sell properties more frequently and stand to make more money in a shorter period of time, she adds. Neither buyers nor their agents are required to attend a live auction to participate.

While the advantages are compelling, Jasgur notes a possible drawback: Many auctioneers—who operate independently from agents and require their own licenses—have authority over how properties up for auction are listed and marketed. That means the agent has to “give up some control over the listing,” he says. For example, an auction house may decide that a property can be listed only on its own Web site, which limits the number of potential buyers.

Still, practitioners play similar roles with auctions as they do with traditional listings, Leuer says. When representing buyers (sellers are usually represented by an agent from the auction house), they provide expert local knowledge and earn a commission. Here’s how such buyer’s agents typically get paid: The seller will offer to pay the buyer’s agent a commission—usually up to 3 percent—or the auction house will pay the buyer’s agent a cut of the so-called “buyer’s premium.” A buyer’s premium is a percentage of the sale price—from 5 to 10 percent—that is added to the winning bid. It’s paid by the buyer; the auction house determines the buyer’s agent’s share and uses the fee to cover marketing costs. Some smaller auction companies or individual auctioneers charge the seller a separate marketing fee. “It’s not a distressed market anymore,” says Peter Muoio, head of Auction.com’s research division. “As the overall market improves, so will the sentiment that auctions are a good buy.”

By Graham Wood ■



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