

GOING, GOING...GONE?

REAL ESTATE AUCTIONS:

THE NEW WAY TO BUY AND SELL REAL ESTATE

BY S.P. RYAN

Ever popular in California and Florida, as well as the Midwest, Real Estate Auctions have begun working their way towards the Northeast, namely in NY and Northern NJ over the last 2 years. Being popular among multi-unit properties and commercial real estate, this "new" way to acquire property is quickly associating itself with single units and private residences. There are a few reasons why properties go to auction, the most common being foreclosure and bankruptcy, but sometimes developers want to try to sell off multiple units as quickly as possible, and all at the same time. Individual owners who want to see if they can get a more aggressive approach to selling their home/property are beginning to select the auction process over the traditional brokerage representation approach, and some are faring quite well.

"We are in the heart of a buyer's market" says Richard Maltz, President of David R. Maltz & Company, a full service auction firm based in Plainview, NY. Maltz goes on to say, "Auctions essentially turn a buyer's market into a seller's market by creating a sense of urgency around a property and forcing interested parties to compete amongst one another until there is a sole successful bidder remaining."

Just the simple mention of the word "auction" conjures a sense of discounts or deals, even desperation and aggression. Some think of a local art auction they may have attended or some of those old antique automobile auctions on television where the fight to win your bid, which can be sometimes vicious, driving prices sky high.

Real Estate auctions are not quite that, as we found out when we attended two live auctions in NY and NJ. One was a sealed bid auction where the participants submitted their bid in the form of a sealed envelope and the highest bid was revealed

as the winner. In most cases there is a reserve required to ensure a fair selling point; this is the security blanket for an owner or seller to make sure they are not going to lose much, if anything, in their auction. The second auction was a more traditional one, wherein the prospective buyers all converged in the home for a "walk-through" to attend the ensuing live auction. The auction actually did resemble a typical art auction, without any pandemonium—this was a very controlled event. The unit did in fact sell for about 30% more than the reserve, which, according to the owner of the unit, was pleasantly welcomed.

"Auctions create the psychological element of an ability to obtain a deal, however, a well marketed auction by an experienced firm will typically realize today's true fair market value," said Richard Maltz. Wait, you mean to tell us that my home which is appraised for \$1.3M will not sell for \$2M in a bidding war? Although possible, it is not likely, especially in today's market.



Misha Haghani Esq., Principal of Paramount Realty USA, a NYC based

auction company that exclusively represents sellers in the marketing and sales of real estate via auction said,

"To ensure a successful auction it requires a significant amount of marketing over a condensed period of time." The key to selling a unit or property at auction is getting the word out, something similar to what a few real estate brokerages will do when representing your property. This can be advertisements in local as well as national publications along with direct mail, and of late, social network marketing and a lot of PR. "The seller usually advances the costs for marketing which varies depending on the price of the property and/or urgency of the auction." Haghani said.

One of the questions we asked Haghani was, "How can a seller regain some of the leverage they may have lost, and how do they get people to look at their property when there are so many other properties on the market?" He replied, "An auction can be the best option for them as we are experts at getting a property's real value as the focus point." He went on to say, "We are very aggressive in getting the word out through our marketing efforts and outlets, and work diligently on bringing in qualified bidders".

Auctions are gaining more and more popularity as a way to quickly get the real market value for your property without the hassle of it sitting on the market for months or even years, and you avoid the parade of individual prospective buyers coming and going along with weekend open house functions. It takes fairly little on your part to decide to sell your property at auction and with your safety net in the function of a reserve you can be assured of getting at least the fair market value if not better, so get ready for the bidding war.

We have \$1.2M, do I hear \$1.25M? SOLD to the man with the red scarf!