

# Real Estate Auctions

An Efficient Method to Buy and Sell Property

1031

Knowledge



A real estate auction is a popular way to buy or sell real estate. A real estate auction is an efficient way to sell real estate at market value and generally fairly quickly. The auction allows a seller to have complete control of the transaction, from setting the showing of the property to identifying motivated, pre-qualified bidders, a certain date of sale and closing without any surprises.

A real estate auction can be beneficial to all parties. Auctions provide a more concentrated advertising method giving the seller maximum exposure for a property. The seller disposes of properties quickly and efficiently, thus saving long-term carrying costs such as interest, real estate taxes and maintenance. For the buyer, this could mean an excellent investment, since properties are usually purchased at fair market value through competitive bidding. Auctions are conducted in an open forum, providing both motivated buyers and sellers the assurance of watching the property's true market value emerge as the bidding process progresses.

Many different types of properties can be sold at an auction. This includes residential property, townhomes, multi-family industrial property, and vacant land.

A successful auction is one in which bidders compete vigorously for the privilege of buying a property. It depends on the execution of three tasks:

1. Expose the property;
2. Educate the buyers;
3. Close the transaction.

## Offering Strategies:

- *With Reserve:* A low "suggested opening bid" is published, but no definite price at which the seller guarantees a sale.
- *Without Reserve/Absolute:* There is no minimum bid reserve; the highest bid is accepted regardless of price.
- *Without Reserve/Subject to Minimum Bid:* There is a sale only if the bid is at or above the stated minimum.

## Formats:

- *Single Seller/Single Stand-Alone:* Ideal for a specialized market or a high profile property.
- *Single Seller/Multiple Property Auction:* A single seller offering multiple properties.
- *Multiple Seller/Multiple Property Auction:* Multiple sellers pool their properties to create a larger auction event.

## Types of Formats:

- *Open-Outcry:* Bids are shouted out in person or by phone.
- *Sealed Bid Offering:* Bidders submit bids on pre-approved contract forms and the seller can accept or reject the offer.
- *Convertible:* Converting a Sealed Bid to an Open-Outcry.

## **Compliments of:**



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