

*“Now the average real estate
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Auctions: A New Way of Selling Real Estate

Auctions are nothing new, but they're more popular than ever before. From Sotheby's in New York to eBay all around the world, the auction is no longer a special event. It's become a way of life. The real estate industry is not immune to the popularity of this particular selling medium.

Real estate auctions are becoming more and more popular on the West Coast, and especially in Eastern Washington. While they've been in use for years, they're no longer exclusively for the savvy investor, the farm owner, or the commercial property owner. Now the average real estate buyer and seller can use auctions to his or her advantage.

A real estate auction starts with a designated piece of land or property. The owner contacts an auction expert to handle the details. Interested potential buyers are pre-approved and allowed to view the property or land prior to the auction. They are pre-approved so the auction company knows that when the property is sold at auction the buyer has the money to close on the property. Does this sound a lot like traditional real estate?

Research is the key word you need to remember before you ever get involved in an auction and if you do your research you could be in for one heck of a pleasant surprise. Everything about the property—every last detail—needs to be documented and made available to the potential buyers. Any problems with the property need to be addressed up-front. Buyers need every piece of information available before they bid.

While this is always important, it is particularly important at an auction because once a winning bid is accepted, there's no turning back. The bidder owns the property, like it or not, and there is no escape clause.

The auction company invites a group of pre-approved individuals to a location to bid. Just like traditional auctions, an auctioneer rattles off prices until the property is sold with the final bang of the gavel.

The auction itself is truly one of the most brilliant marketing schemes of all time. Where else in the world are people proud of paying the highest price? It's an ego-driven event, fueled by competition. When two or more people are put in the same room and asked to bid on something they both want, frugality goes out the door. People bid to win. It's a tension-filled adrenaline ride.

Several years ago, I attended a charity auction event and I was amazed that a person bid \$1,000 for an item whose value was listed in the auction catalogue at \$300. So, I figured it was because it was a charity auction.

A couple of years later, I went to a non-charity auction and witnessed the same behavior. The auction environment makes people do things they wouldn't do in everyday situations.

This is good news for the seller. Instead of dealing with a series of lowball offers, the seller is often offered higher purchase prices than would have been offered otherwise.

Another advantage of real estate auctions is the ability to sell multiple lots. For example, let's imagine a seller has a large piece of property with 50 lots. Sure, they can list it on the MLS and can sell it to one builder or developer who wants to build 50 homes.

Or they can put it up at auction and have multiple builders bidding on the 50 separate parcels. This can often result in a much higher cumulative purchase price than selling them all to one developer.

While there are many opportunities at a real estate auction, there are also some key things you need to be aware of. Many buyers come to an agent and say, "I heard there's a real estate auction. I want to go. Will you come with me?"

Stop. If you do not have a pre-arranged agreement with the auction company, you will lose your commission. It is not mandatory that they pay your commission unless you have registered your buyer in advance. Make sure you know the rules.

Your buyer also needs to understand that once they buy at auction, they can't give it back. Once it's bought, it's sold. It's not like a typical real estate transaction where you have time for inspection and financing contingencies.

This is another reason auctions are so attractive to sellers—because they know for sure these transactions aren't going to fall apart. Because all of the homework has been done in advance. And once the bid is accepted, the seller knows exactly when they will get their money.

I recently met Chuck Yarbro Sr. of Yarbro Real Estate Auction Services, he is one of the nicest guys you'd ever want to meet. He is a specialist in selling real estate at auctions—a true pro. He gave me the education of my lifetime. I've got to tell you, I thought I knew a lot about real estate auctions. But Chuck taught me a thing or two. And just when I thought it couldn't get any better I had the opportunity to meet his son Chuck Jr. what a powerhouse team they are. They have developed a niche market and they have been doing it successfully for years - this isn't a brand new concept but one they have mastered.

If you've never been to a real estate auction, it's one of the most exciting events in our industry. I highly recommend attending one just to see what all the fuss is about.

But be careful. You can get tied up in the moment. Your ego can make you do things you wouldn't normally do. It's very much like gambling. You go to a casino and promise yourself you're only going to play with \$20, but you end up betting \$100.

And if your clients are interested in auctions as a way of selling their properties, make sure you know how it all works. Be aware. Be informed. Be an expert. If you know what you're doing, you and your clients can make a lot of money with real

estate auctions, both as buyers as sellers. Real estate auctions are another facet of our industry that provide an alternative service to both your buyers and sellers. It would be worth your while to attend a real estate auction just for the pure education of it. I know where I will be on June 30th -- at Yarbro's next real estate auction.

Denise Lones is the President of the Lones Group Inc, in Bellingham, Washington. The Lones Group is dedicated to helping people find innovative ways to increase their business and still have "a Life". She draws from her professional and personal experiences and believes that the key to business success is all about people, systems, and follow-through

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