

The Real Estate Professional's Auction Guide

Provided by H.K. Keller, Professional Auctioneers and Realtors

We're Here to Help.

The use of auctions as a viable marketing tool continues to grow rapidly in the real estate industry. We help real estate professionals identify auction-worthy properties, provide valuable insight to clients regarding the auction process, and generate additional revenue through participating in real estate auctions with H.K. Keller.

Don't Lose It.

Don't lose your listing to an auction. Partner with a professional auction company to keep your listing and keep your commission.

Why Would a Seller Choose Auction?

Auction Advantages:

- Closure -- auction gets it sold!
- Competitive bidding & exciting atmosphere
- Seller sets the terms
- Proactive accelerated marketing
- Attracts qualified buyers
- Forces buyer decisions
- "As is" -- no contingencies
- No terms negotiation
- Terms are the same for all bidders
- Known date of sale
- Liquidate real estate and personal property simultaneously

Types of Auctions.

There are only two types of auctions: Reserve and Without Reserve.

A *Reserve Auction* is one where there is a reserve price and the property will not be sold unless that price is met. Sometimes that number is announced or published. The seller reserves the right to approve or deny the final bid. Generally, in a reserve auction, once that number is attained, it is announced that the reserve has been met and the property will be sold to the highest bidder.

An *Auction Without Reserve* is also called an *Absolute Auction*. This is where the property is sold regardless of price. Absolute auctions create a lot of anticipation and can be a useful tool depending on the conditions.

Auction Methods.

Live Auction: The auction is vocally called by an auctioneer and the bidders are in attendance.

Online Auction: All bidding is done online.

Simulcast Auction: This can include live, online, and telephone bidding.

Sealed Bid: Offers are submitted without disclosure of other bids.

Subject to Prior Sale: Buyers can submit offers for seller consideration prior to the scheduled auction. The seller may accept a pre-auction offer. This can be used to motivate buyers. It is also suitable for homes currently listed for sale.

What types of properties can be sold in real estate auctions?

- Commercial property
- Residential property
- Agricultural property
- Industrial property
- Recreational property
- High demand property
- Unique property
- Distressed property

Auction Benefits to the Seller.

- Buyers come prepared to buy
- Quick disposal reduces long-term carrying costs, including taxes and maintenance
- Assurance that property will be sold at true market value
- Exposes the property to a large number of pre-qualified prospects
- Accelerates the sale
- Creates competition among buyers - auction price can often exceed the price of a negotiated sale
- Requires potential buyers to pre-qualify for financing
- Seller knows exactly when the property will sell
- Eliminates excessive and unscheduled showings
- Rapid liquidity
- Reduces negotiation pressure on the seller
- Ensures an aggressive marketing program that increases interest and visibility

Auction Benefits to the Buyer.

- Smart investments are made as properties are usually purchased at fair market value through competitive bidding
- The buyer knows the seller is committed to sell
- In multi-property auctions, the buyer sees many offerings in the same place at the same time
- Buyers determine the purchase price
- No long negotiation periods
- Reduced time to purchase property
- Purchasing and closing dates are known
- Buyers know they are competing fairly and on the same terms as all other buyers
- Buyers receive comprehensive information on property via due diligence packet

Auction Benefits to the Realtor®

- Generates a list of ready, qualified buyers
- Offers clients new selling and purchasing options
- Increases revenue and market share
- Develops your own market niche
- Assurance that property will be sold at true market value
- Property is sold within a relatively short period of time
- Exposes the property to many potential purchasers
- Auctions bring people in to look at all your listings, not just the auction listing
- Successful auctions result in referrals and return business
- Agents can earn commissions as the listing agent/broker, cooperating selling agent/broker, or as a referring agent/broker

What's the Situation?

What situations warrant an auction?

- Death, divorce, downsizing
- Estate closure
- Business relocation or closure
- Competitive market
- Multiple properties
- Cash flow needs
- Partnership dissolution



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The 2/3 Rule

Not all properties should be sold at auction, but certain properties and situations will benefit greatly. There is a dependable way to determine whether a property lends itself to auction: *If two of the three main components of a transaction: the market, the seller, or the property, lean favorably toward auction, then it should be offered to a seller as a sales option.*

Here's a checklist to figure out if the Two-Thirds Rule applies to your client's property.

Market: Do any of these characteristics describe the market?

- A seller's market with high demand and high competition
- A changing market
- A dull market
- High demand for particular property type
- An emerging market -- for example, a new development whose sales could take off once some properties are sold

Seller: Do any of these characteristics describe the seller?

- In need of immediate cash
- Going through a partnership or marriage break-up
- Relocating
- Liquidating an estate
- Retiring
- Already purchased another house
- Knows auction will bring a fair market price
- In financial trouble
- Has high carrying costs on the property

Property: Do any of these characteristics describe the property?

- Carries a lot of equity (25% or more)
- Unique -- enough market interest to encourage competition
- Burdening the owner with high carrying costs
- Vacant -- vacant properties can encourage vandalism
- Difficult to appraise -- unique properties are difficult to appraise

Pick your Partner.

Real estate professionals would be wise to select a highly qualified auction company partner.

Here's what to look for:

- Extensive auction experience in the marketplace along with significant expertise and product knowledge.
- Active membership and adherence to the Code of Ethics of the National Association of Realtors and National Auctioneers Association.
- Dedication to the profession as evidenced by the completion of advanced coursework and earning professional designations.
- Developed an extensive client base and significant marketing outreach.
- Integrates technology and systems into their business activity and practices.
- A customized written Marketing Plan that assures results-oriented performance and value-added service.
- Shares references and testimonials from past clients and customers verifying a track record of service satisfaction.
- A reputation for integrity, honesty and fairness.
- Demonstrates a full-time commitment to the auction profession and associated fields.
- Assembles, activates, and coordinates event resources including marketing, staff, equipment, record systems, and accounting.
- Candidly and professionally communicates current market realities and provides a full return on investment.



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3 Ways to Make Money with Auctions.

Being a successful real estate professional takes dedication and hard work. We believe you should be fully compensated for your work. As an agent or broker, you will earn your full commission as the listing agent/broker, as a referring agent/broker, or as a cooperating selling agent/broker.

Listing

As the Listing Agent/Broker, you work side by side with H.K. Keller as professional auctioneers. It's your listing. The auction marketing is co-branded with your name and logo. You maintain the same responsibilities as any other listing. We walk with you and your client all the way through to settlement.

Referring

As the Referring Agent/Broker, you refer or make an introduction with your client and we take it from there. We handle the marketing, the auction, and everything in between. You can spend your time on other things and still receive the full commission just as if you listed the property.

Selling

The Cooperating Selling Agent/Broker is one who is representing the buyer. If your buyer is the high bidder, you will be paid your full commission at settlement. Your responsibilities are similar to selling any other property except your client's financing must be arranged prior to the auction. Most auctions are without any contingencies, including financing.

Partnering with us on auction-worthy properties will help you:

- Offer your clients a new selling option
- Expose the property to many potential buyers
- Generate ready and qualified buyers
- Increase your market share
- Ensure the property will be sold at true market value
- Develop a new market niche

Let's talk about how we can partner together for an auction of residential, commercial, industrial, agricultural, or recreational property.

We are happy to answer any of your questions regarding real estate at auction.

Call, text, or email anytime.

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We help you sell auction-worthy properties!