

The Auction Method of Marketing Real Estate

BENEFITS TO THE REALTOR®

- * Generates a list of ready, qualified buyers
- * Offers clients and customers 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 referring agent/broker, cooperating agent/broker, or as the listing agent/broker.

How To Get Involved in Real Estate Auctions

There are several ways to get involved in real estate auctions:

- A. Agents/brokers refer clients or customers
- B. Be a cooperative agent/broker
- C. Be a listing agent/broker (co-broker)

OPTION A: Agents/Brokers can refer clients or customers

A real estate agent or broker can refer a seller to an auction company and receive a referral fee. The referring agent or broker may also be instrumental in convincing the seller of the merits of auction.

Responsibilities of Referring Agent/Broker:

- A. Help seller analyze his needs, the property, and market to determine if a good auction situation exists.
- B. Refer seller to professional real estate Auction Company.
- C. If a negotiated sale listing agreement exists, cancel the previous listing to be superseded by an auction contract.
- D. Send notice to MLS stating that the property will be sold at public auction.
- E. Collect referral fee from Auction Company when the property closes.

Types of Agreements Used in This Situation

- Auction contract to supersede listing agreement

OPTION B: Be a Cooperative Agent/Broker

A cooperating (selling) agent is any agent/broker who sells a property. He may be the:

- Subagent
- Buyer's agent
- Dual agent

A cooperating agent or broker registers a buyer who purchases property offered through an auction and earns a commission established by the auction firm. This agent or broker accompanies the bidder to pre-auction events and the auction, registers him to bid, and receives a portion of the commission.

Responsibilities of Cooperating Agent/Broker

Before the Auction

- A. Call auction companies to be placed on their mailing lists.
- B. Attend real estate auctions to learn how they work.
- C. Advertise as an agent/broker who is knowledgeable about auctions to obtain prospects.
- D. Attend pre-auction open houses with prospects.

E. Help prospects determine the market value of the property prior to sale (check comparables, property indebtedness, title, lien and market conditions, and read the due diligence or bidder's packet).

F. Learn the rules necessary to earn a commission for registering a successful buyer.

G. Learn the terms of the auction.

H. Register bidder prior to the auction pursuant to the auction firm's requirements.

I. Assist bidder with auction strategy.

During the Auction

A. Attend the auction with prospects.

B. Help them register.

C. Assist prospect with bidding strategy.

D. Accompany successful bidder to contract room.

After the Auction

Collect commission check when property closes (usually handled by title or escrow company).

Types of Agreements Used in This Situation

- Buyer registration at open houses
- Broker registration for prospect representation

OPTION C: You can be a Listing Agent/Broker (Co-Broker)

A listing agent/broker is an agent of the seller who markets the seller's property and represents the seller during the sale and at the closing. In a sale by auction, the listing agent/broker manages many traditional real estate functions and shares the commission based on the amount of involvement and the relationship defined by the parties involved. This relationship is beneficial for auctioneer and agent when services by a local auction or real estate company are needed or when an agent identifies a potential auction situation for a seller and the agent is not an auctioneer.

Responsibilities of Listing Agent/Broker

Before the Auction

- A. Provide the lead (in most cases).
- B. If a negotiated sale listing agreement exists, cancel the previous listing to be superseded by an auction contract.
- C. Send notice to MLS stating that the property will be sold at public auction.
- D. Provide a fact sheet on the property.
- E. Perform market analysis.
- F. Provide local licensing information.
- G. Complete due diligence.
- H. Order and obtain sign, photographs, and keys.
- I. Obtain bids for maintenance and supervise property management.
- J. Hold open houses for inspection.
- K. Assist bidders with pre-qualification process.
- L. Provide feedback (progress reports) to the seller.

During the Auction

- A. Assist auctioneer in bid process as needed.
- B. Accompany buyer to contract signing room.

After the Auction

- A. Help buyers with post-auction inspections, insurance, financing, etc.
- B. Assist in pre-closing events.
- C. Attend closing.
- D. Collect commission check when the property closes.

Types of Agreements Used in This Situation

- Listing agreement between the broker, Auction Company, and seller
- Auction contract to supersede listing agreement
- Pre-auction sales contracts and addendum
- Prospect registration forms

Grab the Auction Opportunity

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Across the country, real estate professionals are increasingly turning to the auction as a winning marketing tool. If you properly qualify your situation as a potential auction scenario (we'll tell you how), you have an excellent chance at turning over a property quickly.

Auctions offer clients and customers new options, enhance your image as a full-service professional, expose the property to a wide market of potential buyers, and turn profits for your firm. Plenty of revenue-producing roles are available in the auction process. You don't have to become an auctioneer to benefit. You can earn a fee as a referring agent/broker, a cooperating agent or a listing agent. However you participate, you'll add one more marketing weapon to your reserves of professional techniques.