

Seller's AUCTION Guide



WARNER 
REAL ESTATE & AUCTION

Is an Auction Right for You?

Real estate auctions have surged in popularity in recent years. In fact, according to the National Association of Realtors (NAR), auction is the fastest growing segment of real estate. The NAR states the number of residential properties sold at auction grew by 50% in the last 4 years, and the majority of these auctions are not distressed sales.

What's fueling the trend?

In the current housing market, there's a huge surplus of homes sitting on the market, and a reduced number of buyers who can qualify for financing. Sellers are looking for alternatives.

Rather than staying trapped in their homes during the long sales cycle typical to the traditional list and sell method, many are choosing to sell their property through individual auction.

Good news: today's individual Auctions are nothing like a distressed sale of bank owned property.

Is auction the right way for you to sell?

Here are some things to consider:

- Do you need immediate cash?
- Are you moving out of state?
- Are high carrying costs (mortgage, taxes, maintenance) becoming a burden?
- Do you need to liquidate an estate?
- Are you retiring?
- Is your listing about to expire?
- Have you purchased another house?
- Have you had a partnership or marriage breakup?
- Do you have at least 25% equity in your home?
- Is your property unique – waterfront, is it exceptionally upgraded or landscaped? Special features like this excite people and encourage more competitive bidding.
- Are you planning to downsize, divorce or move out of state?



- Is it of value to you to know the exact date of sale?
- Is the property vacant? Quick disposal eliminates the risk of vandalism.
- Developer needing to jump-start sales? A well-executed auction builds viral interest in your subdivision.



If you answered yes to one or more of these questions – and especially if time is of the essence – you might want to consider selling your home at auction.

Do your research to find your comfort level with the process. Interview a couple of auction firms before you make your decision. And decide: do you want to sell – or do you want to stay?

Choose the Right Auction Company

Make sure you ask the right questions to evaluate auction firms and pick one that is qualified. As real estate auctions become more popular there will be more companies that claim to be legitimate real estate auction firms. Make sure you ask the right questions to evaluate auction firms and pick one that is qualified.



Does your company exclusively sell real estate at auction or do you also conduct auctions selling other types of product?

Some auctioneers claim that they sell real estate at auction, when in actuality they also sell other products at auction and do real estate on the side.

When you are selling real property, your best bet is to work with a real property specialist that exclusively sells real estate at auction.



How many successful auctions has your company completed and how many years has your company been in the real estate auction business?

Look for auction companies that have the knowledge and experience that comes from conducting many successful auctions. Ask around to out what kind of reputation and track record each company has. You should ask for references and contact people who have done business with each firm in the past.



What type of marketing does your company utilize?

What every successful auction has in common is a professionally executed marketing campaign. Make sure your auction company is up to the task. They should have a clearly defined marketing system that includes all direct mail, print, online advertising and social media campaigns.

They should be able to create a highly targeted marketing campaign that will get the best possible results.



What kind of continuing education do you and your staff participate in?

The hallmark of a professional company is that they are continually learning and striving to be the best they can be for their clients.



What if my home is listed with a realtor?

Many established auction firms partner with real estate agents. This arrangement is beneficial to the agent and the seller because the auction house pays a commission to the agent.



What are your terms and conditions?

Make sure that you read the company's terms and conditions, and make sure that you understand their use of specific terminology.



What else should I ask?

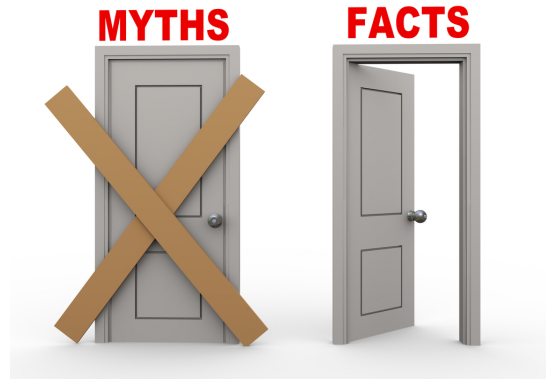
Auctions may be held at an estate, a public meeting place, or even structured as an online auction. You'll want to have confidence that the company can conduct the auction in the venue or you have in mind, and that the auction team can handle all the necessary logistics with ease. This will help to insure that the auction goes as smoothly as possible.

Once you have answers to these questions, usually one company will stand out above the rest: they are your choice.

The Top Ten Myths about Auction

Myths about auctions abound, and it is definitely to your benefit to be able to separate the facts from the fiction before you decide to sell your house with the auction method.

Here are some of the most common misconceptions about auctions:



MYTH #1: ALL real estate auctions are for distressed and bank owned properties, where people buy for pennies on the dollar.

FACT: Some are, and some aren't. There is a big difference between the big auctions for multiple distressed properties, and a boutique or individual auctions.

With an individual auction, the focus is 100% on your property. A professional auction company launches an intense strategic marketing campaign that effectively targets hundreds of thousands of prospects. On auction day, prequalified buyers arrive with cash in hand, prepared to buy.

MYTH #2: My home will not sell for fair market value at an auction – I'll have to give it away!

FACT: Since informed bidders have done their due diligence prior to the sale date, they have a good idea of the market value of your home. However, in a competitive bidding situation with the excitement of a live auction, properties often sell for more than fair market value. Unlike a traditional listing sale where it's customary for buyers to negotiate for a lower price, an auction drives the price higher.

MYTH #3: Auctions are the last resort.

FACT: If this were true, why do record prices get set for art, antiques, collectibles and real estate at auctions? The reason is: auctions create competition. No other form of selling creates competition like an auction does.

The reason some people think of auction as the last resort is because some sellers list their property first at an unrealistic asking price, and it sits on the market forever. They then decide to auction, and it promptly sells for fair market value.

MYTH #4: Real Estate Auctioneers are not real estate brokers.

FACT: Real estate auctioneers must be licensed as realtors in almost every jurisdiction.

MYTH #5: Auctions are Expensive.

FACT: Sometimes sellers have issues with the marketing and advertising costs associated with auctions. These costs cover direct mail, signage, newspaper, magazine, online advertising videos, press releases and property information packages. Marketing can cost thousands of dollars, depending to the type of property being sold. Consider this: Have you ever known of anyone that had a great product; but the marketplace was not aware of it? How much exposure are you really getting when you stick a sign in front of a house, place a listing in the MLS, and then wait for a buyer to show up? How many businesses go broke each year because they invest no money in advertising? In our fast-paced world, people must be informed before they are motivated to act. A properly executed auction marketing campaign gets stellar RESULTS.



MYTH #6: Selling my home at auction will cost me a lot more in commission than if I hired a Realtor.

FACT: The cost is comparable. However, with the auction method, the seller actually saves money in the long run, especially if they auction first instead of listing, because they can eliminate long-term carrying costs such as mortgages, maintenance and taxes. (See chapter on The Time Value of Money)

MYTH #7: If the high bid is less than the seller hoped for, he must accept the bid.

FACT: There are three basic types of real estate auctions: Absolute, Minimum and Reserve.

In an Absolute Auction, the property is sold with no minimum or reserve sales price. An absolute auction attracts more buyers and more competition. In a Reserve Auction, a minimum price point is set. If the high bid does not reach the reserve point, the seller is NOT obligated to accept the bid.

In a minimum bid auction, the starting bid is set at the minimum price the seller will accept for the property. Technically, the house could be sold at the minimum bid, but competitive bidding usually drives the sale price higher.

MYTH #8: If the property does not sell at auction, it is very difficult to market and sell it afterward.

FACT: Nothing could be further from the truth! In the extremely rare case that the property does not sell at the auction, remember that the intense marketing method has exposed the property to a huge buying public. When contacted post auction, buyers will often make offers on the property. In many cases offers to buy the property prior to the auction date are even made and accepted.

MYTH #9: Auctions attract buyers who are looking for a good deal.

FACT: This is actually true, and this is why auctions attract so many buyers. However, serious qualified buyers do their due diligence prior to the auction, so they will have a realistic idea of the value of the property. While everyone wants the best deal possible, competition from other bidders actually drives the price up to market value and often even higher.

MYTH #10: Auctioneers compete with real estate agents.

FACT: Auctioneers are licensed real estate agents themselves, and most of them welcome other agents and pay them a co-op commission for bringing buyers to your auction.

The Top 10 Benefits of an Auction

1 You pick the sales date, and **know exactly when your property will sell.**

2 The focus is on your property alone.

3 Your property can be **sold in 60 days or less for the highest possible price.**

4 The buyer pays the commission, not you! **You collect the FULL PROCEEDS** from the sale at the auction.

5 **Qualified, motivated buyers** compete to buy your property.

6 Strategic marketing to a huge pool of targeted buyers creates a sense of urgency and brings **buyers with cash in hand, prepared to buy!**

7 Property sells with **no contingencies.**

8 With a professionally executed auction, there is a **99% closing rate.**

9 In the rare case the auction does not close, there are many backup buyers.

10 **Eliminates high carrying costs** such as mortgage, taxes, insurance & maintenance.

The Sales Event

Getting competing buyers bidding on your property drives the price up – not down.

You have probably already heard that a well-executed marketing campaign is the key to a successful real estate auction, and it is!

When you contract with an auction company, you will want to have the confidence that they have the experience and resources to conduct a campaign that will bring the maximum amount of qualified buyers with cash in hand to your sale.

You and your auction firm will need to set a budget for the sale of your property. This budget will vary depending on the market value of your property – in general, the amount of marketing dollars expended as a percentage decreases as the value of the home increases.

Many people do not realize this, but there is a difference between advertising and marketing. Marketing is a coordinated strategy, and an effective marketing campaign is a strategic, multi-channel effort to quickly get your property out in front of a huge pool of potential buyers.



Your Property: It's Here – it's There – it's Everywhere!

A good marketing firm knows how to find your best customers, what they want and the hot buttons that will engage them and motivate them to participate in your auction. Marketing channels should include:

- Newspapers and magazines
- Signage
- Direct mail
- Website
- Online marketing campaigns
- Social media
- Video campaigns
- Press releases

Your auction firm should be connected with not only local marketing media, but specialty channels with unique audiences that would likely to be interested in buying property like yours.

For instance, a horse farm in New Jersey would have appeal to wealthy people out of state or horse fanciers who are thinking of buying a second home. If you are auctioning a business, you would want to reach a different audience entirely. Television and radio may be utilized as well, depending on the property.

Whoa! How Do I Handle All of These Interested Buyers?

Okay, so now there are dozens, even hundreds of inquiries from potential buyers generated by the marketing campaign. You don't need to do a thing!

Your well chosen auction firm will be all over it, with an expert staff to follow up with all potential buyers, answer their questions and **motivate them to attend the property previews and register to bid.**

This staff can best be described as "realtors on steroids:" they should be highly trained in generating excitement and converting prospects into buyers, and they should be experts on facilitating the auction process.

You will not need to be on call to show your property round the clock. The auction staff will host one or two highly publicized Property Previews, at which they will sign up potential buyers for your auction.

You and your auction team have the same goal: to sell your house on a specific date for the highest possible price!



Types of Auctions

Absolute Auction

This is an auction where property is sold to the highest qualified bidder with no limiting conditions, contingencies or amount, and is time-defined.

Although it may sound like the riskiest way to auction, Absolute auctions are actually the most successful. Absolute Auction promotes a sense of buyer urgency (to perform by a specific time or forever lose the opportunity to buy).

Absolute Auction is the only form of marketing that will convey this message. By using the Absolute Auction method, the auction company attracts the largest pool of qualified, competing purchasers thus creating maximum value.

Absolute Auction also demonstrates a higher level of seller commitment to potential buyers: they know without a doubt that the property will sell.

Minimum Bid Auction

In this form of auction, auctioneers accept bids at or above a published price. While this type of auction seems to reduce seller risk, Minimum Bid Auction also limits interest in the auction. Minimums must be low enough to act as inducements rather than as a hindrance. Minimum Bid Auctions typically generate considerably less marketplace interest than Absolute Auctions.

Reserve Auction

An auction where sellers reserve the right to establish a reserve price to (in effect), accept or decline any and all bids, or to withdraw properties at any time prior to the announcement of the completion of the sale (by auctioneers).

Though seemingly creating a seller safety net, Reserve Auction also conveys (to buyers) seller reservations. Of the three types of auctions, Reserve Auctions generate the least amount of market place interest.

Time Value of Money: comparing auction and traditional sale

Loan amount	\$600,000.00	Input values to fill out spread sheet. They are color coded so you can see where they match up.	Annual Taxes	\$10,000.00	
Interest Rate	7.5%		Annual Insurance	\$6,000.00	
Commission	4.5%		Annual Upkeep & Utilities	\$3,000.00*	
Negotiation	5%				
Concessions	0%				
Payment	\$4,169.23				
LISTING		Price Drop	AUCTION	Closing in 2 mos.	At less of a price: Closing in 2 mos.
Price	\$950,000.00	\$807,500.00	IF Final Bid	\$950,000.00	\$807,500.00
Closing in X of mos.	6	12	Closing in X mo.	2	2
Contingencies	YES	YES	Contingencies	NO	NO
Negotiation	\$47,500.00	\$40,375.00	Negotiation	NO	NO
Commission	\$40,612.50	\$34,520.63	Commission	Offset by Premium	Offset by Premium
Buyer Concession	\$ –	\$ –	Buyer Concession	NO	NO
Advertising	\$ –	\$ –	Advertising	\$17,000.00	\$17,000.00
Title Insurance	\$3,500.00	\$3,500.00	Title Insurance	\$ –	\$ –
Closing Fee	\$500.00	\$500.00	Closing Cost	\$500.00	\$500.00
Mortgage	\$25,015.38	\$50,030.75	Mortgage	\$8,338.46	\$8,338.46
Taxes	\$5,000.00	\$10,000.00	Taxes	\$1,566.67	\$1,566.67
Insurance	\$3,000.00	\$6,000.00	Insurance	\$1,000.00	\$1,000.00
Upkeep/Utilities	\$1,500.00	\$3,000.00	Upkeep/Utilities	\$500.00	\$500.00
Total Expenses	\$126,627.88	\$147,926.38	Total Expenses	\$29,005.13	\$29,005.13
Total Net	\$823,372.12	\$659,573.62	Total Net	\$920,994.87	\$778,494.87
AFTER Mortgage Paid	\$223,372.12	\$59,573.62	AFTER Mortgage Paid	\$320,994.87	\$178,494.87
% of Total Price	86.7%	81.7%	% of Total Price	96.9%	\$96.4%
% of Cost to the Seller	13.3%	18.3%	% of Cost to the Seller	3.1%	3.6%



Q: How do I know if I am a candidate for auction?

A: Do you have at least 25% equity in your home? If not, the auction way of selling is probably not for you.

Q: Is your property unique – mountain view, waterfront, is it exceptionally upgraded or landscaped? Special features like this excite people and encourage more competitive bidding.

A: Are you planning to downsize, divorce or move out of state? Consider the value of choosing the exact date of sale and moving on.

Q: Is the property part of an estate that needs to be liquidated?

A: Are high carrying costs (mortgage, taxes, maintenance) becoming a burden?

Q: Is the property vacant? Vacant properties are a target for vandalism.

Q: Are you a developer needing to launch sales in a specific subdivision? A well-orchestrated auction cannot only sell certain properties; it can build viral awareness and interest in the community.

A: Talk to an auction consultant about your situation. They can give you advice and guidance on your best options.

Q: How do I choose an auction firm?

A: We recommend that you interview a couple of auction companies so you can get an idea of how they operate and what their terms are.

Ask for references and check them. Ask for any certifications and special experience. Is the company responsive? Do they answer your calls promptly? Make sure that they answer all of your questions so that you have a clear understanding of the auction process.

Q: Since I'm not familiar with Real Estate Auctions...how can I be assured that all Dept. of Real Estate rules and regulations apply?

A: Brokers/Auctioneers must abide by all applicable state and federal real estate laws.

Q: How often will my property need to be shown?

A: Generally the auction company will host one or two Property Previews, where multiple potential buyers can come and view the property, and ask questions.

You will not have to have your home ready to show at all times, as you do with a traditional listing.

Q: What if a potential buyer wants to a property inspection?

A: The buyers may make arrangements with the auction firm for any inspections they want to have done, as long as they are completed prior to the sale. On the sale day, the property is sold with no contingencies.

Q: How do we know the bidders are qualified to buy?

A: The bidders financing is arranged prior to their registration to bid on a property. It is absolutely in their best interest to make sure their financing is securely in place, as they can lose their earnest money deposit if the sale does not close for any reason, including financing.

Q: How long does the sale take to close after the auction?

A: There is a 30 day time frame for the buyer to wrap up loose ends prior to close.

Q: What is the Buyers Premium?

A: The Buyer's Premium is a fee that is added to the winning bid to cover the auction company's fees.

Q: How much of a deposit does the winning bidder put down?

A: A deposit, usually 5-10% the final purchase price, is required on the day of the auction. The terms of the deposit will be prominently featured on the auction company's website. This deposit is non-refundable. The balance is generally due in 30 days or less.

Q: What if the sale falls through for some reason before closing?

A: In the unlikely event that a sale does not close, the buyer forfeits their earnest money. The earnest money deposit is then usually split between the auction company and the seller, you will want to verify exact terms with your auction firm.

That said, if the sale does not complete, the auction company will follow up with other bidders and let them know the property is available, and solicit bids from them.

Q: What if I'm already working with a Real Estate Agent and want to auction my property?

A: Most auction companies offer a broker co-op, so your agent can still earn a commission. Your broker will be compensated by the auction company at the close of escrow.

It's Auction Day!

We recommend that you arrive at the auction site at least a half an hour early, to give you a chance to ask the auction staff any last questions you may have.

By now, you should have the confidence that comes with knowing that everyone sitting in the room ready to bid is truly qualified to buy.

The bidders show up and check in, with their photo IDs and pre-approval letters from their lenders. At this time, they deliver their earnest money deposits to the auction personnel.

Once all of the bidders have checked in, they will be asked to take a seat. The auctioneer will give instructions to the bidders, explain the terms of sale, and answer bidders' questions. This will be followed by a practice round of bidding for something small – a gift (or perhaps a beer!) to demonstrate the pace of the auction and to warm up any first time bidders. This helps to break the ice, and to get the bidders over their shyness over raising their bidding paddles. And then, the auction begins!

If you have not been to an auction before, don't worry – you should find the auctioneer very easy to understand. There will be bidder's assistants circulating in the audience to assist bidders who have questions.



Once a winning bidder has been declared, a bid assistant will have them sign their bid card to confirm the actual amount of their bid.

You and the auction coordinator will take the winning bidder, with their cashier's check for the down payment, to the contract-signing table, where they will immediately sign the purchase and sale agreement for that property. The closing will generally be completed within 30-45 days after the auction.

Then it's done: you can collect your funds and move forward with your life!

A Few Words From Our Clients...

"We wanted to again commend you on your outstanding service in selling our property in Greenwich. We knew the house could be a difficult sale, given that it was a large colonial estate that we were seeking to sell during the great recession, but you and your company made the entire process run incredibly smoothly for us."

~ Mark and Patricia Lane

"This was our first experience with an auction of real property, and we were quite pleased with the outcome. You provided me with the necessary insight into the auction process that allowed me to give management here at the bank a clear picture of the risks and rewards associated with the auction process. The planning process for the auction and the marketing effort put forth by Warner Real Estate & Auction was very impressive."

~ Edward Madden, Senior VP- Loan Operations, First Choice Bank

"From the early conversations of our company discussing the idea of holding an auction, Warner Real Estate & Auction Company has always been dependable, straightforward and honest. Auction fees were reasonable, and they were always forthright with all costs and processes. Our auction consisted of three properties which all sold at our event. I'm happy to recommend them to anyone who is in the process of selecting an auction firm to do business with. My results were on target from day one and the company fulfilled all of my expectations."

~Jill Santandrea, OREO Manager, Sun National Bank



"The property consisted of five (5) separate parcels and through your efforts the open public auction process certainly worked for the USDA. In the future, should we have any additional properties to sell via auction; we encourage you to bid again. New Jersey Farm Service Agency greatly appreciates all your efforts in this matter."

~ Paul Hlubik, State Executive Director, USDA- Farm Service Agency

"I can honestly say that through the auction process, Woolwich Township was able to market its property to a wider variety of potential bidders, and ultimately achieve a more profitable sale. I was truly amazed at the way in which Warner Real Estate & Auction took charge of the process, and made sure that I was properly informed each step of the way. The professionalism and assistance of your staff was remarkable. "

~ Jane DiBella, Administrator/Clerk, Woolwich Township

"Just a note to say thank you for all your patience and caring in the sale of my mother's property in Pennsville. You made it so easy for both of us."

~ Regina Schermerhorn and Esther Churhala

"I am writing to recommend Warner Real Estate & Auction to anyone with a property to sell in these difficult economic times. This company, and its leader, Richard Warner, went well above and beyond their original agreement with me to sell my property in Cape May County. Their marketing was thorough and excellent but, above all, the attitude expressed by the staff and Rich was incredible. Although I never met any of the staff or Rich in person, since I had already moved out of New Jersey when I contracted with them, I felt as if I was being taken care of by a longtime family friend. I have no hesitation in recommending them knowing that they will do everything in their power to sell a property."

~ Katrina Chamberlin

**Considering selling your home?
Call us today for a free, no obligation consultation.**



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