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Getting real about real estate disposition strategies

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So far this year over 20 banks have failed bringing the total to around 200 since the failures started in 2008. We will operate in a failing bank environment for another three to five years with a great many more banks likely to falter. For perspective almost 300 banks failed from 1986-89, and when the RTC was formed in 1989 an additional 750 banks proceeded to fail. The FDIC just announced that there are over 700 banks on their watch list. Factor in the undesirable market and economic indicators and it is no wonder why many real estate owners and lenders are formulating and executing on structured and accelerated asset disposition strategies. While property sales are in a slump there has been a dramatic increase in the amount of assets being sold at auction. About \$60 billion worth of real estate (commercial, residential, etc. combined) was auctioned last year at live-auctions, which does not include online platforms and sealed bid auctions. With all the options available it's important to find out what auction firm can serve your disposition needs best. Some things to weigh and perform due diligence around include:

How long has an auction firm been around? It helps when an auction company has been around a while - long enough to participate in all aspects of a real estate cycle. Firms that worked with the RTC and successfully sold assets during the last down turn can offer meaningful perspective.

What type of buyer pool do I want? An auction firm should have experience selling your type of assets and access to the buyers that would be interested in bidding on your assets. A good auction firm knows who your buyers are.

What type of auction do I want to use to sell my assets? Solutions include sealed bids, open outcry, online platforms, dial-in, and any combination of these. Find out which solutions a particular firm does well or if they do well with all of them. See which approach a firm recommends and why.

Do I want to sell individual assets or combine assets to sell together? Some firms do well selling individual assets and some do well running campaigns for multiple assets. In a portfolio or combined property sale a smarter structured approach should allow sellers to maximize their proceeds.

What does the auction firm's processes and engagement experience look like? An auction firm should be able to provide a full scope of work, the right talent mix and meaningful data throughout the engagement in order to ensure transparency and promote good decision making.

How does the auction firm cooperate with all sources for potential buyers? Auction firms have different ways of working with potential buyers, brokers and intermediaries. If the sale requires participation from all potential sources in a market the auction firm should have meaningful ways to

attract and cooperate with all such parties.

These are some of the main issues any owner or asset manager should determine when looking to sell assets. In a market where values are uncertain and miscalculation can be costly, proper marketing and structuring, among other things, will allow auctions to make the market and bring liquidity.

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