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55 YEARS

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By Paul McInnis - Auctions have been proven to be an established method to generate sales in up & down economies

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It seems to be the increasingly trending word in the commercial real estate industry: auction. Over the past four years, buyers and sellers, brokers, lenders, appraisers, and certainly auctioneers have seen a spike in auction activity in almost every market throughout New England. And for the foreseeable future, auctions are not going away.

After 35 years in the auction business, this is my third trip through a market cycle, and definitely a most tumultuous one. In the crash of the late 1980s, auctions worked out thousands and thousands of problematic loans, with the most auctions peaking in 1991 and continuing on until a slow down towards 1995. We can somewhat apply that same timeline to our current market cycle, where we began to see a dramatic increase in real estate auctions somewhere in 2007, but the question remains as to how long this cycle will take to turn.

The most recent economic downturn has shown far reaching effects into every asset class in real estate. We have conducted auctions this year to include gas stations, apartments, golf-courses, restaurants, residential land developments, office and industrial buildings, and more and can offer a few key observations from this year's sales and marketing efforts:

Auctions Are Opportunities: We get many calls and inquiries on the sales prices of property or the outcome of certain auctions on a consistent basis. Many times potential buyers that were not at the sale cry out in angst at a sale price that they thought was a "deal". We have only one answer to these post-auction calls: You have to be there. When a property is up for auction, anything can happen on auction day, but if you are not present for the sale, you can be sure you will miss any potential opportunity. It pays to show up.

Brokers Are Turning to Auctions: We are seeing more and more brokers looking for an alternative method to marketing commercial property in the current market climate. This is an important observation because often times clients act solely on the opinion of their broker as their trusted advisor. We have worked with many brokers this year on both sides of the transactions. Brokers can work with auctioneers and still get paid their commission. An auction, in addition to a sometimes necessary legal process, is simply a catalyst to create a sale.

The More Things Change, The More They Stay The Same: With the mobile device age we live in, many auction and broker advertisements have turned to digital media in the form of email blasts, online advertising and social media outlets such as Facebook, Twitter and LinkedIn. However, these forms of advertisement can easily be ignored because of the mass amounts of email and advertising we are faced with having to read and delete everyday. We have found that although it is important to diversify your advertising with the internet and mobile devices, it is just as important to utilize your "stand-by" print advertisements in the newspaper or even a direct mail piece. It is important to get a

property advertisement physically in the hands of a potential buyer.

The key point here, is a simple one. No matter how quickly our current market turns around, auctions are here to stay. Throughout the country, they have proven to be an established method to generate sales in up and down economies. Auctions are likely to be seen used by all types of sellers, more and more in the coming years. No matter what your role in the industry, it is beneficial to you and your clients to get involved with auctions and be knowledgeable about the process.

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