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## **There are a number of types of auctions, all of which will provide unprecedented opportunities**

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It has been said that two things in life are certain: death and taxes. However, currently there is one more certainty: the opportunity to make money buying real estate at auction. This time of economic chaos will present the greatest investment opportunity of the last 70 years. One of the most effective ways to take advantage of market conditions will be through the acquisition of real estate at auction. The auction profession is one of the oldest in the world. The fastest growing sector of the live auction industry is real estate. Data indicates that in 2007 the value of all goods and services sold at live auction in the U.S. was over \$270 billion. It appears that this number will only increase as more buyers and sellers turn to the auction method of marketing. There are a number of types of real estate auctions, all of which will provide unprecedented opportunities.

### Foreclosure Auctions

As foreclosure filings increase by record amounts, great values are on the horizon. It is important for prospective buyers to focus their efforts on those foreclosure proceedings that provide the best opportunity to buy. Local community banks are generally more realistic and intent on selling to third parties at auction. Local lenders tend to analyze the property more closely and develop an auction strategy that reflects current market conditions and avoids having to take the property into their portfolio. Large, national lenders are less aggressive about marketing and selling properties at auction and tend to use the auction as a legal proceeding to gain ownership of the premises.

It is important to conduct due diligence before buying at a foreclosure auction. Confirm whether it is a first or second mortgage, the amount of the back taxes and if the property is currently occupied. Don't be disappointed if the auction is postponed or canceled due to a payoff or workout between the current homeowner and lender. Persistence will lead to success.

### Municipal Auctions

As cash strapped cities and towns grapple with grim economic outlooks and cuts in local aid, they will need to seek alternative sources of revenue. This will necessitate town officials examining their tax possession property lists. There is no doubt that many communities will liquidate real estate using the auction method of marketing. As they dispose of these properties, municipalities will seek to generate as much one time revenue as possible and restore the properties to the tax rolls.

Municipal auctions present outstanding opportunities for buyers because of the seriousness of the seller. It is important to make the distinction that these types of auctions are held subsequent to the properties being foreclosed on, have clear title and are not subject to back taxes or other liens. It also means that a sale like this is unlikely to be postponed or canceled.

### Private Sales

As traditional real estate sales methods fail to generate offers, private sellers will increasingly turn to auctions to guarantee activity. With builders, developers and investors continuing to sit on assets in

a declining market they will seek creative, cutting edge methods of sale to get results. An aggressive and accelerated auction marketing plan will generate energy, excitement and spirited participation. It will allow the seller to move assets expeditiously, limit losses, and reinvest capital.

The urgency of an auction pushes potential buyers to raise their hands rather than sit on their hands. Private party auctions minimize risk to the buyer by providing clear title, open houses for inspection, and occasionally even financing options. As the housing crisis continues, auctions may present the most effective option for sellers to cash in.

#### Absolute Auctions

Absolute auctions represent the best opportunity for prospective buyers. An absolute auction is an auction conducted with no reserve or minimum bid, where the property is sold to the highest bidder regardless of price. Although risky for the seller, absolute auctions typically generate the highest level of interest and stimulate competitive bidding. Serious sellers often embrace this method of sale and attendees participate enthusiastically knowing they will have a genuine opportunity to purchase at a price they are comfortable with. Caution: auctions advertised absolute over a certain amount or absolute subject to a minimum bid are not truly absolute and can be misleading to the public.

#### Now or Never

The opportunities and values that you witnessed in the late 1980s and early 1990s are once again staring you in the face. Remember those folks who bought property back then and sold in 2004? They are sitting on the deck of their oceanfront home in Hawaii planning their Greek Isle tour before they return to spend the summer on Nantucket. Seize the opportunity! Second chances are rare.

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