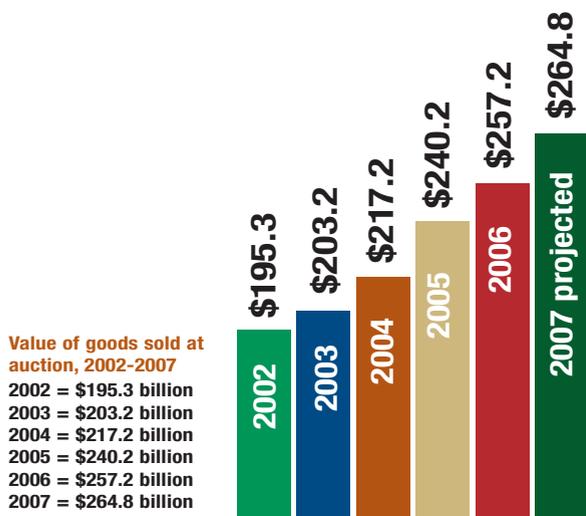




# NAA INDUSTRY RESEARCH UPDATE

AUCTION INDUSTRY PROJECTED TO GROW \$7.6 BILLION (3%) IN 2007



*Live auction industry revenue grew for the fourth consecutive year, rising to \$257.2 billion in 2006. Through the second quarter of 2007, sales rose an estimated 3% compared to the same time period in 2006. If this trend continues, live auction industry revenues would reach \$264.8 billion for 2007.*

*This report provides details on the latest quarterly survey results and reviews the 2006 industry performance. Both growth rates and distribution of total sales for major auction specialty areas are highlighted. A recap of Harris Interactive's earlier study provides some valuable insights on consumer attitudes, behavior, and motivations for attending live auctions.*



## ADVERTISING BY AUCTION COMPANIES

The 2003 MORPACE study indicated that 91% of companies used local newspapers as one means to advertise and market their services. The second most popular advertising tool was direct mail (75%) followed by other local publications (62%).

Websites were used as a source of advertising and marketing by 59% of responding companies. Only 9% of auction companies advertised on television.

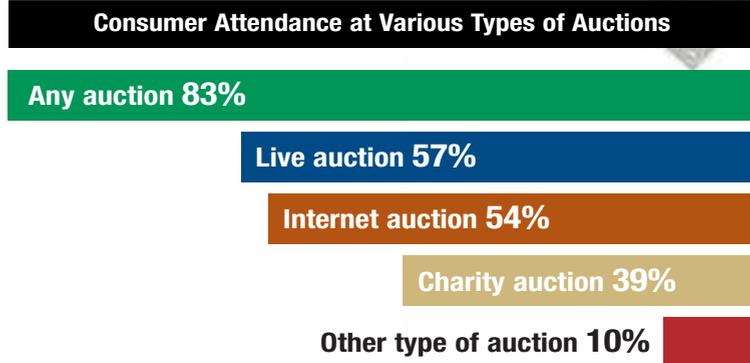
## A CONSUMER PERSPECTIVE OF THE AUCTION INDUSTRY

As part of its industry research initiative, NAA contracted with Harris Interactive in 2004 to analyze the behavior and attitudes of U.S. consumers toward the auction industry. This research effort provided insights on consumer perceptions, behavior, and participation levels at various types of auctions.

Harris Interactive conducted a total of 4,106 interviews among a nationally representative sample. A total of 957 interviews were conducted among consumers who had attended a live auction within the past year. The adjacent chart shows the percentage of consumers who had participated in different types of auctions at anytime in their lives.

The study found that consumers were willing to travel 1.3 hours to attend an auction and 75% would take their family. The perception that live auctions were an opportunity for a family outing was a strong motivator for consumer attendance. Other findings from the 2004 Harris Interactive study include:

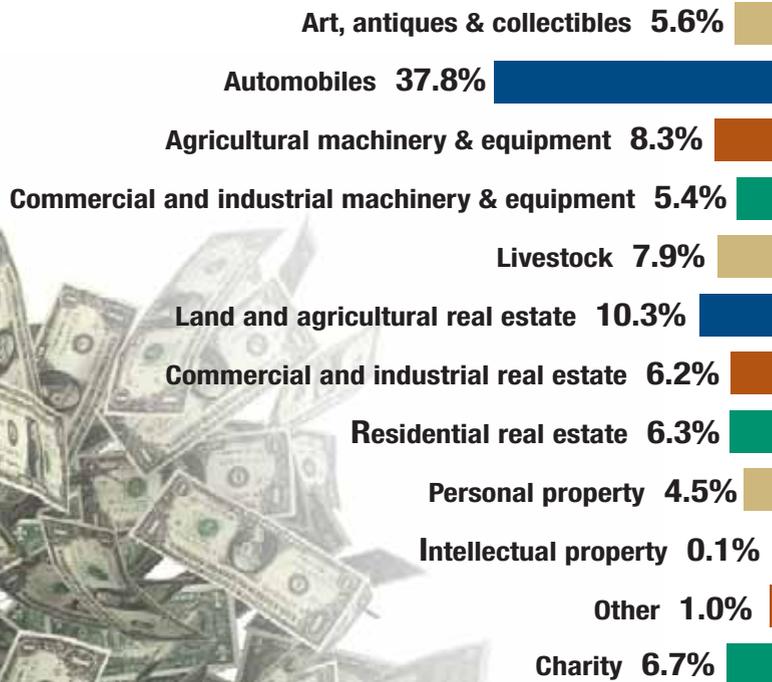
- Ninety-two percent (92%) of consumers held a very favorable view of the auction profession
- Consumers spend an average of twice as much at live auctions (\$988) than at Internet auctions (\$475)
- According to Harris, “fun” is the number one reason consumers attend live auctions. They are looking for something original, unexpected, or exciting. Auctions are an exciting way to get good deals according to 83% of consumers.
- Consumers who participate in Internet auctions are more, not less likely, to participate in live auctions.
- Of consumers attending live auctions 92% bid, and 87% make a purchase
- The greatest barrier for consumer participation in live auctions is lack of information. They don't know when, where, or how to participate in a live auction.
- Over half of consumers cited newspapers as their primary source for finding out about live auctions.



Source: 2004 Harris Interactive Study



## Distribution of Sales by Auction Specialty 2003-2006 Average



## AUCTIONEER CHARACTERISTICS

(2003 Data)



For the fourth consecutive year, auction industry sales have grown significantly from \$195.3 billion in 2002 to \$257.2 billion in 2006.

The largest auction specialty segment is automobiles with estimated gross sales in 2006 of \$87.3 billion. Land and agricultural real estate follows a distant second with \$25.3 billion in sales.

The fastest growing auction specialties are all related to real estate. From 2003 to 2006 residential real estate grew 39.2%, and land and agricultural real estate grew 33.0%. The growth of commercial and industrial real estate rose 27.4% during this period.

Charity auctions are the fourth-fastest growing segment of the auction industry. Since 2003, total growth of this auction segment has increased 16.3%.

In 2006, the number of live auctions increased 7.8% from 2005.

The industry-wide estimate for auction company expenditures on marketing/advertising was \$3.4 billion in 2006.



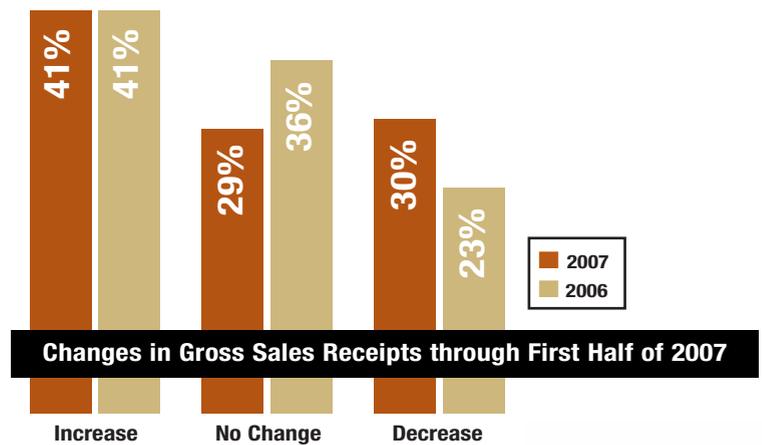
## HIGHLIGHTS OF SALES GROWTH THROUGH SECOND QUARTER

A total of 263 interviews were conducted with NAA members between June 10th and June 26th. The interviews were conducted online. Email invitations were sent by the NAA to all NAA members and contained a hypertext link to MORPACE's survey administration site. The survey was relatively short, taking on average less than five minutes to complete.

The survey asked auctioneers to estimate (in percentage terms compared to 2006) increases or decreases in their company's overall gross sales receipts through the second quarter of 2007. The survey also asked additional details regarding real estate auctions.

The chart below indicates percent changes in gross sales receipts reported by NAA members through the first half of 2007, compared to the first half of 2006.

Quarterly reports collect sales data in the three real estate segments. The estimated growth (+0.3%) in the residential real estate auction business is nearly flat and considerably lower than the estimate at the same time last year (+4.4%). Revenue for agricultural real estate auctions, however, has declined slightly (-0.8% compared to +0.7 this time last year) while revenue for commercial and industrial real estate auctions has remained unchanged (-0.1% compared to +1.9% this time last year).



For all three auction areas, the percent of NAA members who reported an increase in revenue has declined since the same time last year. Through the second quarter, only 19% reported an increase in agricultural real estate sales compared to last year's projection of 26%. About 23% of members reported that sales of commercial real estate climbed through June 2007 while through second quarter 2006, 28% reported rising sales. For residential real estate, 36% indicated a sales increase through the second quarter compared to 39% at the same time last year.

The overall net increase in gross revenue for auctions conducted through the second quarter of 2007 compared to the same period in 2006 is 3%. Thirty-four percent (34%) of NAA members say they have conducted more auctions for the first half of 2007, while 25% indicated they conducted fewer auctions than in the same period last year.



## AUCTION COMPANY SPECIALTY AREAS

The comprehensive industry study conducted by MORPACE in 2003 calculated the percent of companies that were involved in various auction specialties. Nearly 80% of all companies had conducted a charity auction in 2003. The arts, antiques, and collectibles category was the second most popular specialty (71%). Two-thirds of the companies responding auctioned personal property.

IN TERMS OF REVENUE, RESIDENTIAL REAL ESTATE IS THE FASTEST GROWING LIVE AUCTION SECTOR, WITH GROSS SALES EXPANDING 39% SINCE 2003.

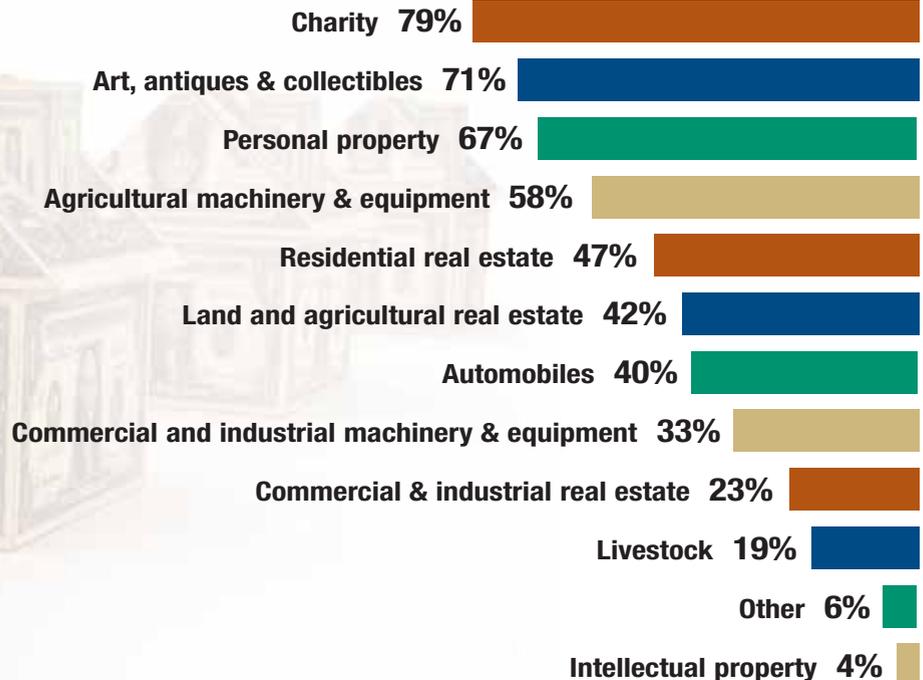
Have there been changes in the percent of companies involved in different auction specialties since 2003?

The comprehensive industry growth study to be conducted in January 2008 could reveal some changes. In terms of revenue, residential real estate is the fastest growing live auction sector, with gross sales expanding 39% since 2003.

That revenue increase might be attributable to more companies auctioning residential real estate as acceptance of the auction method of marketing has grown. Another explanation is that companies that specialized in auctioning real estate are experiencing significant expansion in their business.

In the 2003 MORPACE study, only 4% of the companies responding to the survey indicated that more than 50% of their total revenues was derived from the residential real estate sector. That figure would indicate that the growth in this sector might be driven by an increasing number of auction companies becoming involved in this specialty.

### Percent of Companies Selling Various Auction Specialties



Source: MORPACE Study, 2003 data

FOR YEAR-END 2007 RESULTS, ANOTHER COMPREHENSIVE RESEARCH STUDY WILL BE CONDUCTED WHICH INCLUDES BOTH NAA MEMBERS AND NON-MEMBERS.

## HOW ANNUAL GROSS SALES ARE PROJECTED

In early 2004, MORPACE International conducted 1,338 interviews of Auctioneers throughout the country. This sample included both NAA and non-NAA members. Respondents were asked to provide 2003 total gross sales estimates for their business, and also to indicate how those sales were apportioned among various auction specialties.

Based on this information, MORPACE was able to project total industry-wide sales and provide an estimate of sales revenue for major auction specialties. The study also allowed MORPACE to estimate the percent of total industry sales attributable to NAA members. In subsequent studies, MORPACE has used this ratio to project industry-wide revenue from NAA members' sales information.

MORPACE began to conduct quarterly surveys of NAA members starting with the first quarter of 2004, and used this information to calculate industry-wide projections. Each quarterly estimate projects year-to-date sales growth for real estate auction specialties as well as year-end gross revenues.

For year-end 2007 results, another comprehensive research study will be conducted which includes both NAA members and non-members. Email invitations will be sent to members requesting participation, and some phone surveys may also be conducted. Online surveys are used to collect the information. There is no way of linking responses back to members. Because a greater number of responses allows more accuracy in projecting sales growth, NAA encourages all members to participate.

### Percent Total Sales Growth 2003 -2006

