

**GUIDELINES
FOR A SUCCESSFUL
REAL ESTATE AUCTION
EXCERPTED FROM NAR**



EXCLUSIVELY

AUCTIONS **COM**

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FOR SELLERS ONLY

SECTION I.

AUCTION BASICS AND BENEFITS

QUICK REFERENCE QUESTIONS AND ANSWERS

1. WHAT IS A REAL ESTATE AUCTION?

A REAL ESTATE AUCTION IS AN INNOVATIVE AND EFFECTIVE METHOD OF SELLING REAL ESTATE . IT IS AN INTENSE, ACCELERATED REAL ESTATE MARKETING PROCESS THAT INVOLVES THE PUBLIC SALE OF ANY PROPERTY - MOST CERTAINLY INCLUDING THOSE THAT ARE NON-DISTRESSED - THROUGH OPEN, COMPETITIVE BIDDING.

2. How Will an Auction Benefit Me?

MOST SIMPLY STATED, "REAL ESTATE AUCTION IS A WIN-WIN" PROPOSITION FOR EVERYONE INVOLVED.

BENEFITS TO THE SELLER:

- * *BUYERS COME PREPARED TO BUY*
- * *QUICK DISPOSAL REDUCES LONG-TERM CARRYING COSTS, INCLUDING TAXES AND MAINTENANCE*
- * *ASSURANCE THAT PROPERTY WILL BE SOLD AT TRUE MARKET VALUE*
- * *EXPOSES THE PROPERTY TO A LARGE NUMBER OF PRE-QUALIFIED PROSPECTS*
- * *ACCELERATES THE SALE*
- * *CREATES COMPETITION AMONG BUYERS BECAUSE THE AUCTION PRICE CAN EXCEED THE PRICE OF A NEGOTIATED SALE*
- * *REQUIRES POTENTIAL BUYERS TO PRE-QUALIFY FOR FINANCING*
- * *THE SELLER KNOWS EXACTLY WHEN THE PROPERTY WILL SELL*
- * *ELIMINATES NUMEROUS AND UNSCHEDULED SHOWINGS*
- * *TAKES THE SELLER OUT OF THE NEGOTIATION PROCESS*
- * *ENSURES AN AGGRESSIVE MARKETING PROGRAM THAT INCREASES INTEREST AND VISIBILITY*

BENEFITS TO THE BUYER:

- * *SMART INVESTMENTS ARE MADE AS PROPERTIES ARE USUALLY PURCHASED AT FAIR MARKET VALUE THROUGH COMPETITIVE BIDDING*
- * *THE BUYER KNOWS THE SELLER IS COMMITTED TO SELL*
- * *IN MULTI-PROPERTY AUCTIONS THE BUYER SEES MANY OFFERINGS IN THE SAME PLACE AT THE SAME TIME*
- * *BUYERS DETERMINE THE PURCHASE PRICE*
- * *AUCTIONS ELIMINATE LONG NEGOTIATION PERIODS*
- * *AUCTIONS REDUCE TIME TO PURCHASE PROPERTY*
- * *PURCHASING AND CLOSING DATES ARE KNOWN*
- * *BUYERS KNOW THEY ARE COMPETING FAIRLY AND ON THE SAME TERMS AS ALL OTHER BUYERS*
- * *BUYERS RECEIVE COMPREHENSIVE INFORMATION ON PROPERTY VIA DUE DILIGENCE PACKET*

BENEFITS TO THE REALTOR® :

- * *GENERATES A LIST OF READY, QUALIFIED BUYERS*
- * *OFFERS CLIENTS AND CUSTOMERS NEW SELLING AND PURCHASING OPTIONS*
- * *INCREASES REVENUE AND MARKET SHARE*
- * *DEVELOPS YOUR OWN MARKET NICHE*
- * *ASSURANCE THAT PROPERTY WILL BE SOLD AT TRUE MARKET VALUE*
- * *PROPERTY IS SOLD WITHIN A RELATIVELY SHORT PERIOD OF TIME*
- * *EXPOSES THE PROPERTY TO MANY POTENTIAL PURCHASERS*
- * *AUCTIONS BRING PEOPLE IN TO LOOK AT ALL YOUR LISTINGS, NOT JUST THE AUCTION LISTING*
- * *SUCCESSFUL AUCTIONS RESULT IN REFERRALS AND RETURN BUSINESS*
- * *AGENTS CAN EARN COMMISSIONS AS REFERRING AGENT/BROKER, COOPERATING AGENT/BROKER, OR AS THE LISTING AGENT/ BROKER*

WHAT FACTORS IMPACT THE SUCCESS OF A REAL ESTATE AUCTION?

AUCTIONS ARE OFTEN THOUGHT OF AS "FIRE SALES" FOR PROPERTIES IN DISTRESS. IS THIS TRUE?

UNTIL RECENTLY, REAL ESTATE AUCTIONS, UNLIKE ART AND ANTIQUE AUCTIONS, HAVE EXPERIENCED UNFOUNDED NEGATIVE IMAGES IN THE MARKETPLACE. **THE MAJORITY OF AUCTIONS TODAY DON'T RESULT FROM FORECLOSURE OF DISTRESS SITUATIONS**, BUT RATHER ARE THE RESULT OF A SELLER CHOOSING A COST-EFFECTIVE, ACCELERATED METHOD TO SELL A PROPERTY. BUILDERS OR FINANCIAL INSTITUTIONS, FOR EXAMPLE, PREFER AUCTIONS RATHER THAN LABORING FOR MONTHS OR YEARS TO SELL UNITS OF A DEVELOPMENT ONE BY ONE. AUCTION ALLOWS THE SELLER TO ELIMINATE VIRTUALLY ALL LONG-TERM CARRYING COSTS, **PASSING THE SAVINGS DIRECTLY TO THE PURCHASER** IN THE FORM OF A REDUCED PRICE. AUCTIONS ARE TRULY A WIN-WIN SITUATION: SELLERS OBTAIN IMMEDIATE CASH AND BUYERS PURCHASE PROPERTIES AT FAIR MARKET VALUE, THE PRICE DETERMINED BY OPEN, COMPETITIVE BIDDING.

WHAT FACTORS IMPACT THE SUCCESS OF AN AUCTION?

- A. THE SELLER MUST HAVE REALISTIC EXPECTATIONS, INCLUDING A FAIR SALES PRICE, TERMS AND TIMING.
- B. THE DESIRABILITY OF THE PROPERTY. THIS INCLUDES LOCATION, CONDITIONS, PLUS THE VALUE OF SURROUNDING PROPERTIES.
- C. SINCE A VARIETY OF AUCTION METHODS ARE AVAILABLE, CAREFULLY CHOOSE THE AUCTION TYPE THAT BEST SUITS THE PROPERTY AND THE SELLER'S NEEDS.
- D. A WELL PLANNED, AGGRESSIVE MARKETING/ ADVERTISING CAMPAIGN TARGETED TO PROSPECTIVE PURCHASERS IS CRITICAL TO AN AUCTION'S SUCCESS.
- E. USING A RECOGNIZED REAL ESTATE AUCTION COMPANY OR A REALTOR® AUCTIONEER TO ENSURE THE AUCTION IS CONDUCTED IN A PROFESSIONAL MANNER AND FOLLOWED-UP THROUGH CLOSING.
- F. MAKING SURE THAT DUE DILIGENCE INFORMATION IS PROVIDED TO PROSPECTIVE BUYERS AHEAD OF TIME.
- G. PREPARING THE PROPERTY FOR SALE, SO THAT IT IS PRESENTED TO PROSPECTS IN ITS BEST CONDITION. (I.E., TITLE INSURANCE, CLEAN-UP, FINANCING, ETC...)

WHAT PROPERTIES ARE SUITABLE FOR AUCTION?

- A. MOST PROPERTIES ARE SALEABLE BY AUCTION. ALL TYPES OF REAL ESTATE, INCLUDING RESIDENTIAL PROPERTY (E.G., TOWN HOMES, CONDOMINIUMS, COOPERATIVE APARTMENTS AND SINGLE-FAMILY HOMES), COMMERCIAL AND INDUSTRIAL PROPERTY, VACANT LAND AND EVEN BOAT SLIPS ARE SOLD AT AUCTION. NOT ALL PROPERTY, HOWEVER, IS SUITED FOR AUCTION. IF A PROPERTY WILL ONLY APPEAL TO A NARROW MARKET, AN AUCTION MAY NOT BE THE MOST EFFECTIVE MARKETING METHOD.
- B. AN AUCTION SELF-TEST: **THE TWO-THIRDS RULE** ONE METHOD TO DETERMINE IF AN AUCTION IS THE BEST MARKETING STRATEGY IS THE TWO-THIRDS RULE. THIS INVOLVES ANALYSIS OF THE MARKET, PROPERTY AND SELLER SITUATION. GENERALLY, IF TWO OF THE THREE PARTS (MARKET, SELLER, PROPERTY) LEAN TOWARDS AUCTION, THEN AN AUCTION SHOULD BE OFFERED TO THE SELLER AS A SALES OPTION.

WHAT PROPERTIES ARE SUITED FOR AUCTION?

EVER WONDER HOW YOU CAN TELL IF A PROPERTY IS WELL SUITED TO AUCTION? THINK OF YOUR LISTING, THEN TAKE THE TWO-THIRDS RULE TEST!

MARKET (BUYERS) - A GOOD AUCTION SITUATION IS ONE WHERE THE MARKET IS:

- * *A CHANGING MARKET*
- * *A DULL MARKET; TOO MUCH PRODUCT BUT BUYER INTEREST IS EXPRESSED*
- * *NOT ENOUGH OF THE PROPERTY TYPE (UNIQUE, LAKE FRONT, ETC.)*
- * *AN EMERGING MARKET - NEW DEVELOPMENTS COULD KICK OFF A SALES PROGRAM, ONCE SOME OF THE PROPERTIES WERE AUCTIONED*
- * *A SELLER'S MARKET WHERE THERE IS KNOWN HIGH DEMAND AND A LOT OF COMPETITION CAN TAKE PLACE*

SELLER - A GOOD AUCTION SITUATION IS ONE WHERE THE SELLER:

- * *NEEDS IMMEDIATE CASH*
- * *HAS A PARTNERSHIP OR MARRIAGE BREAK-UP*
- * *IS MOVING OUT OF THE STATE*
- * *WANTS TO LIQUIDATE AN ESTATE*
- * *IS RETIRING*
- * *IS AN AUCTION-MINDED SELLER*
- * *HAS A LISTING THAT IS ABOUT TO EXPIRE*
- * *HAS ALREADY PURCHASED ANOTHER HOUSE*
- * *KNOWS THE AUCTION WILL BRING A FAIR MARKET PRICE*
- * *HAS FINANCIAL PROBLEMS*
- * *HAS HIGH CARRYING COSTS ON THE PROPERTY*

PROPERTY - A GOOD AUCTION PROPERTY IS ONE THAT:

- * *HAS A LOT OF EQUITY (25 PERCENT OR MORE)*
- * *IS UNIQUE - THERE IS ENOUGH BUYER/MARKET INTEREST TO ENCOURAGE COMPETITION (UNIQUE PROPERTIES ARE DIFFICULT TO APPRAISE)*
- * *HAS A LOT OF HIGH CARRYING COSTS FOR THE OWNER*
- * *IS VACANT - VACANT PROPERTIES MAY ENCOURAGE VANDALISM*
- * *IS DIFFICULT TO APPRAISE*



SECTION II. **WHAT ARE THE DIFFERENT TYPES** **OF REAL ESTATE AUCTIONS AVAILABLE TO ME?**

ESSENTIALLY THERE ARE THREE TYPES OF AUCTIONS

ABSOLUTE AUCTION (OR AUCTION WITHOUT RESERVE)

1. THE PROPERTY IS SOLD TO THE HIGHEST BIDDER, REGARDLESS OF THE PRICE.
2. SINCE A SALE IS GUARANTEED, BUYER EXCITEMENT AND PARTICIPATION ARE HEIGHTENED.
3. GENERATES MAXIMUM RESPONSE FROM THE MARKET PLACE.
4. MANY SELLERS, INCLUDING FINANCIAL INSTITUTIONS AND GOVERNMENT AGENCIES HAVE BEGUN TO USE THIS METHOD MORE FREQUENTLY.

MINIMUM BID AUCTION

1. THE AUCTIONEER WILL ACCEPT BIDS AT OR ABOVE A PUBLISHED MINIMUM PRICE. THIS MINIMUM PRICE IS ALWAYS STATED IN THE BROCHURE AND ADVERTISEMENTS AND IS ANNOUNCED AT THE AUCTION.
2. REDUCED RISK FOR SELLER AS THE SALES PRICE MUST BE ABOVE A MINIMUM ACCEPTABLE LEVEL.
3. BUYERS KNOW THEY WILL BE ABLE TO BUY AT OR ABOVE THE MINIMUM.
4. THE SELLER MAY, HOWEVER, LIMIT INTEREST IN THE AUCTION TO ONLY THOSE BUYERS WILLING TO PAY THE MINIMUM BID PRICE, AND THEREFORE IT MUST BE LOW ENOUGH TO ACT AS AN INDUCEMENT RATHER THAN A HINDRANCE.

RESERVE AUCTION AN AUCTION SUBJECT TO CONFIRMATION

IN THIS SCENARIO, THE HIGH BID IS REDUCED, IN EFFECT TO AN OFFER NOT A SALE. A MINIMUM BID IS NOT PUBLISHED, AND THE SELLER RESERVES THE RIGHT TO ACCEPT OR REJECT THE HIGHEST BID WITHIN A SPECIFIED TIME — ANYWHERE FROM IMMEDIATELY FOLLOWING THE AUCTION UP TO 72 HOURS AFTER THE AUCTION CONCLUDES. SELLERS PREDETERMINE THE PRICE AT WHICH THE PROPERTY WILL BE SOLD AND ARE NOT OBLIGATED TO CONFIRM A SALE OTHER THAN AT A PRICE THAT IS ENTIRELY ACCEPTABLE TO THEM. THE MAIN DISADVANTAGE OF A RESERVE AUCTION IS THAT PROSPECTIVE BUYERS MAY NOT INVEST THE TIME AND EXPENSE OF DUE DILIGENCE WHEN THERE IS NO CERTAINTY THEY WILL BE ABLE TO BUY THE PROPERTY EVEN IF THEY ARE THE HIGHEST BIDDER.

WHO USUALLY BUYS AT REAL ESTATE AUCTIONS?

FROM THE FIRST-TIME HOME BUYER TO THE SOPHISTICATED REAL ESTATE INVESTOR, ANYONE CAN BUY AT A REAL ESTATE AUCTION. COMMERCIAL AND INDUSTRIAL AUCTIONS DRAW USER AS WELL AS INVESTOR INTERESTS. INDIVIDUALS FROM AN ARRAY OF SOCIO-ECONOMIC GROUPS PLUS LARGE AND SMALL CORPORATE ENTITIES ALSO REGULARLY PARTICIPATE IN REAL ESTATE AUCTIONS.

DO REAL ESTATE AUCTIONS REDUCE PROPERTY VALUES?

REAL ESTATE AUCTIONS REVEAL THE TRUE MARKET VALUE OF A PROPERTY BECAUSE THEY ARE CONDUCTED IN AN OPEN FORUM WHERE ALL BIDS ARE KNOWN. THROUGH OPEN COMPETITION VALUES ASCEND TO THE LEVEL THE MARKET DETERMINES AND THEREFORE ARE NEITHER INFLATED NOR DEFLATED.

SECTION III. AN INSIDE LOOK AT TERMS, PRICING AND BIDDING

1. UNDER WHAT TERMS DOES A PROPERTY SELL AT AUCTION AND WHO SETS THEM?

THE SELLER SETS THE TERMS WITH THE ADVICE OF THE AUCTION COMPANY. IT IS NECESSARY TO HAVE "BALANCED" TERMS – TERMS AND CONDITIONS THAT SATISFY THE SELLER'S NEEDS, BUT NOT SO ONE-SIDED AS TO DISCOURAGE BUYER INTEREST. USUAL TERMS REQUIRE THE HIGH BIDDER TO DEPOSIT EARNEST MONEY (EITHER A PERCENTAGE OF THE PURCHASE PRICE OR A SPECIFIC STATED AMOUNT) AND SIGN A PURCHASE AGREEMENT IMMEDIATELY FOLLOWING THE AUCTION. THE BALANCE OF THE PURCHASE PRICE IS USUALLY DUE WITHIN 30-45 DAYS, AT CLOSING. PROPERTIES GENERALLY SELL "AS IS" WITH NO WARRANTIES EXPRESSED OR IMPLIED EXCEPT AS TO TITLE. THE BUYER'S DUE DILIGENCE MUST BE DONE IN ADVANCE OF THE AUCTION AND THEREFORE THE AUCTION COMPANY USUALLY PREPARES DETAILED INFORMATION PACKAGES AND INSPECTION REPORTS TO ASSIST ALL BUYERS.

2. WHAT IS A BUYER'S PREMIUM?

THE USE OF BUYER'S PREMIUMS IS A GROWING TREND IN REAL ESTATE AUCTIONS. IT IS AN ADDITIONAL CHARGE TO THE PURCHASER, EXPRESSED AS A PERCENTAGE OF THE HIGH BID, TYPICALLY 7.5% TO 20%, AND IS ADDED TO THE HIGH BID TO CREATE THE CONTRACT PRICE

3. ARE THE BUYER AND SELLER ASSURED OF GETTING A FAIR PRICE?

YES, IF PROPER ADVERTISING AND MARKETING IS DONE. AN APPRAISAL IS MERELY AN INFORMED OPINION. IT IS NOT AN OFFER TO BUY. THE REAL MEASURE OF A PROPERTY'S VALUE, AT ANY GIVEN TIME, IS WHAT IT WILL BRING UNDER COMPETITIVE BIDDING FROM INFORMED AND MOTIVATED BUYERS.

4. MUST I ACCEPT THE HIGH BID AT AN AUCTION?

NOT NECESSARILY. THE AUCTION CAN BE STRUCTURED IN A WAY THAT GIVES THE SELLER THE RIGHT TO ACCEPT, COUNTER OR REJECT ANY BID WITHOUT HAVING TO DISCLOSE THE MINIMUM ACCEPTABLE PRICE PRIOR TO THE AUCTION. SELLERS WILL WANT TO CAREFULLY SELECT THE TYPE OF AUCTION THAT BEST SUITS THEIR NEEDS.

5. WHAT SHOULD I LOOK FOR WHEN ATTENDING A REAL ESTATE AUCTION?

- DETAILED INFORMATION ON THE PROPERTY BEING SOLD
- THE AVAILABILITY OF A SALES CONTRACT ON-SITE FOR BIDDERS TO REVIEW
 - A SIMPLE REGISTRATION PROCESS
- ENTHUSIASTIC AND KNOWLEDGEABLE STAFF TO STIMULATE MAXIMUM BIDDING POTENTIAL
 - A PROFESSIONAL REALTOR® AUCTIONEER
- AVAILABILITY OF FINANCIAL OR PRE-QUALIFICATION SERVICES TO BIDDERS
- THE USE OF QUALITY AUDIO AND/OR VIDEO MEDIUMS TO CONDUCT AND DOCUMENT THE AUCTION PROCEEDINGS.

6. DO I NEED TO REGISTER TO ATTEND A REAL ESTATE AUCTION?

GENERALLY, YOU ARE WELCOME AS A SPECTATOR AT ANY AUCTION, BUT IT IS WISE TO CONTACT THE AUCTION COMPANY TO VERIFY THE REQUIREMENTS OF THE SALE.

7. Do I Need To Register To Bid At An Auction?

YES. IN ORDER TO BID AT MOST REAL ESTATE AUCTIONS YOU MUST REGISTER. TO REGISTER YOU MUST PRODUCE EVIDENCE OF YOUR ABILITY TO BID BY SHOWING A CASHIER'S CHECK, CERTIFIED CHECK OR MONEY ORDER FOR THE REQUIRED DEPOSIT, AS WELL AS PERSONAL IDENTIFICATION. CHECK THE SPECIFIC INSTRUCTIONS PROVIDED IN THE *BIDDER'S INFORMATION PACKAGE*.

8. When Can I See The Property?

OPEN HOUSES ARE USUALLY HELD APPROXIMATELY 2 TO 4 WEEKS PRIOR TO THE AUCTION DATE. DURING OPEN HOUSES, PROSPECTIVE BIDDERS ARE ENCOURAGED TO ASK QUESTIONS AND BECOME FAMILIAR WITH ALL ASPECTS OF THE PROPERTY AND THE AUCTION.

9. Is Condition Of The Property Warranted?

NO. PROPERTIES WILL DIFFER AS TO CONDITION, AND ARE USUALLY SOLD "AS IS – WHERE IS" WITHOUT WARRANTY OR GUARANTEE OF ANY KIND (OTHER THAN CLEAR TITLE). BIDDERS ARE STRONGLY ENCOURAGED TO INSPECT THE PROPERTY PRIOR TO THE SALE.

10. What Do I Need To Know Before Bidding?

DO YOUR HOMEWORK! DO A THOROUGH ANALYSIS OF THE PROPERTY AND THE GENERAL AREA IN WHICH IT IS LOCATED. IF YOU ARE THE SUCCESSFUL BIDDER, YOUR ONLY GUARANTEE WILL BE A CLEAR TITLE – THERE MAY BE NO WARRANTIES OR GUARANTEES AS TO THE PROPERTY CONDITION. BEFORE YOU BID MAKE SURE YOU:

- PERSONALLY INSPECT THE PROPERTY TO DETERMINE ITS CONDITION
 - TALK TO NEIGHBORING PROPERTY OWNERS
 - CHECK PROPERTY RECORDS FOR RELEVANT INFORMATION
 - FIND OUT WHAT IS INCLUDED IN THE SALE
- OBTAIN A PRE-APPROVED MORTGAGE OR LINE OF CREDIT – THE PURCHASE AND THE SALE AGREEMENT USUALLY DOES NOT INCLUDE ANY FINANCING CONTINGENCY
- REVIEW ALL AUCTION DOCUMENTS – YOU SHOULD KNOW EXACTLY WHAT YOU ARE BIDDING ON AND UNDER WHAT TERMS AND CONDITIONS YOU WILL BE SIGNING AN AGREEMENT
- OBTAIN PROFESSIONAL ADVICE FROM AN ATTORNEY, AUCTIONEER, REAL ESTATE BROKER OR APPRAISER

TRY TO ATTEND SEVERAL REAL ESTATE AUCTIONS BEFORE YOU BECOME AN ACTIVE BIDDER. THIS WILL HELP FAMILIARIZE YOU WITH THE AUCTION ENVIRONMENT AND PROVIDE A BETTER UNDERSTANDING OF BIDDING STRATEGY.

11. How Many Properties Can I Buy In A Multi-Property Auction?

YOU MAY PURCHASE AS MANY PROPERTIES AS YOU WISH, BUT YOU SHOULD HAVE A SEPARATE CASHIER'S, CERTIFIED CHECK OR MONEY ORDER FOR EACH ONE. YOU SHOULD CONSULT THE *BIDDER'S INFORMATION PACKAGE* FOR SPECIFIC TERMS.

12. WHAT IF THE SALE DOESN'T CLOSE?

A WELL CONDUCTED REAL ESTATE AUCTION (ONE THAT INCLUDES PRE-QUALIFYING BUYERS AND PROVIDING ALL DUE-DILIGENCE INFORMATION ON A PROPERTY TO PROSPECTS BEFORE THE AUCTION) MINIMIZES THE CHANCE OF FAILURE. FAILURE TO CLOSE HAPPENS INFREQUENTLY. IF A SALE DOESN'T CLOSE, THE SELLER MAY QUICKLY FIND ANOTHER INTERESTED BUYER BY TURNING TO THE NEXT HIGHEST BIDDER. IN A TRADITIONAL NEGOTIATED TRANSACTION, THE SELLER MAY HAVE TO RETURN TO SQUARE ONE IN SEARCH OF A NEW BUYER.

FINALLY, THE DEPOSIT REQUIRED IN AN AUCTION SALE IS MUCH HIGHER THAN IN A PRIVATE NEGOTIATED TRANSACTION AND IS GENERALLY NON-REFUNDABLE. AS A RESULT, FEWER BUYERS WILL DEFAULT.

13. WHAT HAPPENS TO THE EARNEST MONEY IF A BUYER DECIDES NOT TO COMPLETE THE TRANSACTION?

EARNEST MONEY IN AN AUCTION SITUATION IS GENERALLY NOT REFUNDABLE. DEPOSITS CAN BE FORFEITED IF THE HIGH BIDDER IS UNABLE TO COMPLETE THE SALE, REGARDLESS OF THE REASON. IF THE SELLER CANNOT CLOSE BECAUSE OF DEFECTIVE TITLE, ETC., THE BUYER'S DEPOSIT IS REFUNDED. THE RULES AND REGULATIONS ON THIS ISSUE WILL VARY FROM STATE TO STATE.

14. IF A PROPERTY DOESN'T SELL AT AUCTION, IS IT POSSIBLE TO STILL MARKET IT?

YES. THE AUCTION MARKETING METHOD WILL HAVE EXPOSED THE PROPERTY TO A LARGE SEGMENT OF THE BUYING PUBLIC. MANY TIMES A BUYER WILL MAKE AN OFFER AFTER THE AUCTION DATE. IN SOME INSTANCES, OFFERS TO BUY THE PROPERTY **PRIOR** TO THE AUCTION DATE ARE MADE AND ACCEPTED.

SECTION IV. UNDERSTANDING MARKETING, ADVERTISING AND OTHER RELATED EXPENSES

1. How Are Auction Properties Advertised?

BECAUSE LEAD TIME IN A REAL ESTATE AUCTION IS GENERALLY SHORT (6 TO 10 WEEKS), THE MARKETING PROGRAM MUST BE COMPREHENSIVE, INTENSE AND TARGETED TO THE SPECIFIC MARKETS IDENTIFIED AS PROSPECTIVE BUYERS. A SPECIFIC ADVERTISING BUDGET IS ESTABLISHED TO PROPERLY EXPOSE THE PROPERTY TO THE MARKETPLACE. MOST AUCTION MARKETING PROGRAMS WILL INCLUDE DIRECT MAIL ADVERTISING (FROM A BLACK AND WHITE POSTCARD TO A FULL-COLOR BROCHURE), PRINT ADVERTISING (LOCAL, REGIONAL AND/OR NATIONAL NEWSPAPERS, MAGAZINES, TRADE JOURNALS, ETC.) AND SIGNAGE (ATTRACTIVE, ATTENTION-GETTING SIGNS POSTED ON OR ABOUT THE PREMISES). ADDITIONALLY, SUCH ACTIVITIES AS TELEMARKETING, PUBLICITY, RADIO AND TV., ETC., ARE OFTEN USED BY PROFESSIONAL AUCTION COMPANIES TO ENHANCE MARKET EXPOSURE.

2. How Much Does Advertising/Marketing Cost and Who Pays For It?

DEPENDING ON GEOGRAPHICAL LOCATION, VALUE OF THE PROPERTY AND SIZE OF THE MARKETING AREA (LOCAL, REGIONAL OR NATIONAL), ADVERTISING BUDGETS CAN RUN FROM ONE TO FOUR PERCENT OF ESTIMATED PROCEEDS. WHILE THE AUCTIONEER PREPARES, COORDINATES AND PLACES ALL ADVERTISING, THE ADVERTISING EXPENSE IS GENERALLY THE RESPONSIBILITY OF THE SELLER AND IS USUALLY PAID TO THE AUCTION COMPANY AT THE SIGNING OF THE AUCTION CONTRACT.

3. How Long Does It Take To Market The Property, Have The Auction and Close The Sale?

THE TIME FRAME VARIES, DEPENDING UPON THE TYPE OF PROPERTY AUCTIONED. GENERALLY, HOWEVER, THE PROCESS TAKES FROM 6 TO 10 WEEKS FROM LISTING TO SALE DAY. SELLERS USUALLY ALLOW BUYERS AN ADDITIONAL 30-45 DAYS FOR CLOSING.

4. What Are The Expenses Related to an Auction?

IN GENERAL, AUCTION EXPENSES INCLUDE:

- AUCTION COMPANY'S COMMISSION
- MARKETING AND ADVERTISING
- CO-BROKERAGE COMMISSIONS (SOMETIMES)

TYPICALLY THE AUCTION COMPANY CHARGES A COMMISSION AS A PERCENTAGE OF THE SALE PRICE. THIS COMMISSION IS NEGOTIABLE. IN ADDITION, MARKETING AND ADVERTISING COSTS ARE USUALLY PAID BY THE SELLER AND ARE PAYABLE UPON SIGNING THE AUCTION CONTRACT. A COMPLETE MARKETING PROPOSAL SHOULD BE PROVIDED FOR THE SELLER'S APPROVAL PRIOR TO SIGNING. THE AUCTIONEER (OR IN SOME CASES, THE SELLER) USUALLY PAYS A CO-BROKERAGE COMMISSION, EITHER A FLAT FEE OR PERCENTAGE OF THE SALE PRICE, IF THE HIGH BIDDER, AND ULTIMATE CLOSER ON THE PROPERTY, IS REPRESENTED BY THE BROKER WHO REGISTERED THE BIDDER PRIOR TO THE SALE.