

U.S.

Owners Turning to Auctions to Sell Their High-End Properties

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EDWARDS, Colo. — Bob and Karin Weber built their dream home 14 years ago, creating an 11,000-square-foot mountaintop oasis. Now that the couple is in their 70s, they're ready to downsize and possibly move to nearby Vail.

After trying the traditional list-and-wait method of selling the 35-acre Elk Ridge Ranch, the Webers are putting their estate up for auction, hoping for a streamlined process and a more lucrative result.

Once considered a last resort to dump a property that was distressed or couldn't sell, auctions have become a viable marketing option for selling luxury homes, mirroring common marketing techniques for high-end art, antiques and collectibles. There are still plenty of foreclosed luxury homes being sold off at cut-rate prices, but the perception of selling a luxury home via auction has started to change.

With sales of luxury homes and prices on the rise, sellers can use an auction to control the structure of the sale, set a firm deadline for the transaction and hope a bidding war will send the price higher. The buyers get an opportunity to tour the property before putting in a bid, unlike most foreclosure auctions, and have the opportunity to land a deal.

Properties costing more than \$1 million represent about 3 percent of the total housing market, according to the National Association of Realtors, and those doing luxury auctions are even smaller.

"There aren't that many of us out there in this luxury real estate marketing world who are consistently doing high-end luxury home auctions around the country," said Traylor Lesnock, founder and president of Platinum Luxury Auctions. "We're definitely a niche market."

Platinum Luxury Auctions' sales volume more than doubled from 2011 through 2014 and the average sale price went from about \$4.4 million last year to nearly \$5 million so far this year.

Chicago-based Sheldon Good & Company, the brokerage firm selling the Webers' home, has seen auction sales rise from 32 in 2010 to 62 last year. Sheldon Good has held 36 auctions so far in 2015 and expects more than 70 by year's end.

Overall, sales of homes \$1 million or more are up 8 percent from a year ago, according to the National Association of Realtors. Homes in the \$250,000-\$500,000 range had the largest jump, climbing 17.4 percent from May last year.

It can be a gamble for the sellers. If the brokerage company sets the minimum price too high, no one will show up for the auction. Too low, the property could sell well below market value.

Sheldon Good recently sold a house next to the 12th fairway of the Pebble Beach Golf Links for \$14 million from a starting bid of \$6.9 million. On the other hand, a seller in Seattle who previously had a home on the market for \$25 million ended up selling for \$12 million after no buyers were willing to pay the minimum auction bid of \$15 million. Sellers can only back out of an auction if their minimum bid isn't met. Otherwise, they are locked in.

"The auction helped to identify the buyer and the marketplace," Craig Post, executive director of Sheldon Good, said of the home in Seattle. "In this case, the market didn't feel the home was worth \$15 million. The seller listened and accepted a lower price."

With an auction, the sellers have more control over when they sell and the properties are sold as-is. In the list-and-sell method, the cost of selling the home gets split between the buyer and the seller. In an auction, the costs get shifted to the buyer. The industry standard for a buyer's premium is about 10 percent, which is used to pay the brokerage firm, closing costs and commission to an agent who brought a buyer to the auction.

The seller typically pays an upfront marketing fee, ranging from around \$45,000 up to \$250,000, depending on the size of the property. That money is usually wrapped back into the sale, so the sellers usually get it back.

Auctioneers use the money to market the property internationally, saying it's much more effective than a typical real estate agent listing the property on the Multiple Listing Service.

The Webers had listed Elk Ridge Ranch for \$8.955 million until last October before abandoning the traditional selling method for an auction.

The starting price for Elk Ridge Ranch was set at \$5.5 for an auction originally scheduled for July 28. Bidding was pushed back to August 25 because several potential buyers want to expand the home and asked for extra time to work with architects and builders to finalize their bids.

"It's an opportunity to do something a little bit differently," Karin Weber said. "It takes the vagaries out of the market, gives us a sense of control."

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