

TYPES OF AUCTIONS:

Q. What are the different types of Real Estate Auctions available?

A. Essentially there are three types of auctions:

1. 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.

2. 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.

3. 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.

NOTE: For more information on real estate auctions, contact the NATIONAL ASSOCIATION OF REALTORS® Auction Dept. at 312.329.8393 or auction@realtor.org