

## WHAT PROPERTIES ARE SUITED FOR ONLINE AUCTION?

Ever wonder how you can tell if a property is well suited to auction? Think of your listing, and then take the Two-Thirds Rule test!

### **Q. What properties are suitable for Auction?**

A. Most properties are salable 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 online auction. Not all property, however, is suited for auction. If a property will only appeal to a narrow market, auction may not be the most effective marketing method.

### **An Auction Self-Test: The Two-Thirds Rule**

One method to determine if 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, and property) lean towards auction, then auction should be offered to the seller as a sales option.

**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

Too much inventory

Has high carrying costs on the property

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

**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