

Buying Property at Auction? What You Need to Know

Auctions can be great fun, as well as places for genuine bargains. The key is to know how the auction process works and to take advantage of a bargain if it fits your plans.

Prior to attending an auction, potential buyers should try to find out as much as possible about specific properties they are interested in. While most real estate auctions allow prospective buyers some inspection rights, direct contact with the administrator of the auction is frequently needed to arrange personal inspections.

Be sure to check the features, location and condition of the property. Attempt to discern the current market value of the property by looking at sales of comparable properties in the same area. Compare properties with the same number of rooms, particularly bedrooms and bathrooms, but be sure to allow for price differences due to “extras”—swimming pools or decks, garages, etc. Arriving at an auction well prepared will help you determine your bid price and even help you decide whether to bid on a specific property at all.

Anatomy of a Real Estate Auction

A property is put up for sale through an auction format for any number of reasons — a foreclosure action, a tax deed application, a court-ordered sale, provisions in a contract, a divorce resolution, a provision to satisfy the needs of an estate, a dissolution of a partnership

or trust or because the owner chooses the auction as a means to quickly dispose of the property.

Real estate auctioneers employ a variety of auction formats and bidding procedures. Many factors play a part in determining which methods will be used. Following are some of the more common real estate auction formats and bidding procedures used today.

- An **absolute auction** is an auction in which the property is sold to the highest bidder, regardless of how low that bid might be. This type of real estate auction typically attracts the most bidders since the public knows that the property has to sell.
- A **reserve auction** also referred to as a minimum bid auction, sets a pre-determined minimum bid amount prior to the start of the auction.
- A **subject to owner withdrawal** auction allows the seller to bid on the property for himself or herself or to withdraw the property from the auction outright if he or she does not like the amount of money bid.

A **silent or sealed bid** auction allows bids to be made in advance and submitted for review. No one knows what anyone else is bidding.

In the case of a foreclosure or other court-ordered sale, state laws generally establish a period of time over which the property must be advertised prior to the sale. This serves several different goals. The most important is to give ample notice to draw prospective buyers. The other main reason for such announcement of the auction is to give all interested parties sufficient time to react to protect their interests. However, even with advance notice and advertising, it is rare for an auction to draw many prospective buyers.

Once you understand how the auction works, you need to ask yourself: Is this for me? It can be fun to bid, but it can be costly. Never bid because you get caught up

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in the fever of the moment. Some auctions can be very intimidating. It's a good idea to go to a few as a spectator, so you get used to the speed of the bidding and terminology used.

There will always be a degree of risk when buying a home this way, but with a little due diligence, potential homebuyers could save a lot of money buying in this manner.

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