

Sellers Literally Put Homes on the Block

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RISMEDIA, March 16 — (KRT) — Auctioneer Jerome Manning kicked off the bidding by enticing the prospective buyers with a review of the Boxford home's amenities.

"A beautiful home—5,200 square feet plus a barn," he told the packed crowd of real estate buyers and auction observers. He did not mention that it is pink, an uncommon color for a house. The first offer -- \$300,000 -- came in, prompting a "God bless you, sir" from Manning, who began coaxing bidders. The bids climbed, to \$425,000 and then \$437,500. "\$475 is what I like," Manning called out, eliciting an offer for \$460,000. "Is everybody satisfied?" he yelled. "Sold for \$460,000!"

A growing number of homeowners and builders, unable to sell homes or condominiums the traditional way, through an agent, are turning to Sotheby's-style auctions like this 26-property sale last month in Newton. With the housing market softening in U.S. cities from Boston to Naples, Fla., to Utah ski towns, the National Auctioneers Association reported that residential properties valued at \$14.2 billion sold in 2005 in live auctions, a 24 percent increase over 2003 sales.

Auction houses said a growing surplus of homes on the market nationwide is expected to drive more owners to auctions in the future. Maine-based J.J. Manning, which typically holds one-house auctions, said this was its first auction of properties owned by multiple owners since the early 1990s downturn. The firm plans more this year.

Sheldon Good & Co., a national auctioneer in Chicago, also reports doing more auctions, including more on behalf of developers selling the unsold units in large hotel-condo projects, particularly in resort areas.

"We think there's a very high likelihood that trend is going to rise based on overbuilding in Boston, New York, Chicago, Houston, Orlando, and Jacksonville," said Steve Good, chief executive. "The slowdown is just beginning."

David Wluka, president of the Massachusetts Association of Realtors, said he doesn't see the auction trend taking off, however, in the Boston area. While auctions can be useful to investors who are buying and selling properties in a speculative market such as Florida or Las Vegas and may need to move quickly, it is not ideal for local residents who want to buy a home, he said.

Buyers, he said, "don't have the time to get the conditions that you need in place" prior to bidding. "There are no contingencies. You put your money down, and it's as-is-where-is." Auctions present a double-edge sword for property sellers, too. In today's sluggish market for single-family homes, a house is far more likely to move fast. And the emotional highs of a bidding war can drive up the price. But the seller also takes the risk a property won't fetch the desired price.

Sellers "get whatever the fair market" value is, Manning said. A less-than-stellar outcome at his recent auction may reflect the market's "mood," he said afterward. Buyers "are waiting to see what happens, and I think the spring market is going to be somewhat of a bust."

Auctioneers certainly hope so, since that would bring them more business. But despite a slowdown in home sales, it's too early to judge whether the housing market has fully shifted toward favoring buyers after years of rapidly rising sales.

"What we can say," said Deepak Malhotra, a Harvard Business School professor, "is there are very few people with a lot of certainty" about Boston's housing market. "People may be waiting it out, but it's mere speculation," he said.

Before putting a house on the auction block, the owner selects a minimum, or "reserve," price, at which he or she is willing to sell. The auctioneer never reveals that price to bidders.

For example, if a seller says, "I want \$300,000," he or she is not obligated to sell if the high bid on auction day is below \$300,000. But sellers sign a contract that effectively guarantees they'll sell if a bid meets or exceeds the reserve price.

Prior to auction, buyers may look at properties and documents on the auctioneer's Web site, including deeds, tax bills, and floor plans. J.J. Manning also sponsors an open house at each property. Properties are sold as is, though sellers often reveal the results of a home inspection.

In February, the high bids for 15 of 26 properties auctioned met their minimum prices. When bids are below the minimum, Manning attempts to sell the house, post auction, by negotiating between the top bidder and property owner. He negotiated four such deals, bringing to 19 the total properties with purchase and sale agreements. That 73 percent success rate is below the firm's typical rate of 80 percent or 90 percent.

"They're giving 'em away," Nick DiNatale, who attended and has purchased properties at auction for years, said. "The good stuff sold," he added. For example, a four-bedroom with Brazilian cherry floors in Mashpee on Cape Cod overlooking Willowbend Country Club attracted a strong \$1.325 million bid.

"That's a great price," said Mashpee agent Jamie Regan, who didn't attend.

But numerous auction attendees gasped in unison when the high bid was \$800,000 for a Cambridge carriage house with cherry floors and tiled fireplace that had been listed at \$1.7 million after a year on and off the market. And apprehension was carved into Ralph Niemela's face as his family's New Hampshire home of 25 years went on the block. Bidding started at \$100,000 and ended at \$325,000.

"Way too low," his wife, Helen Niemela, said. The bid was below the town's \$400,000 assessed value and the home's \$650,000 appraised value and did not hit their minimum, undisclosed price, the couple said.

Some properties didn't sell because owners set minimums unrealistically high in today's market, Manning said. This echoes a complaint often made by real estate agents, who said some owners grappling with a softening market for single-family homes select asking prices that are too high.

Patricia Hekmatpour was surprised by the poor outcome for her pink Boxford house. Hekmatpour, who happens to be an agent, turned to an auction after it languished on the market a year. The high bid, \$460,000, was half the \$900,000 minimum value she and her husband had placed on the house.

"I thought not only my property, but a lot of other properties would do much better," she said.

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