

## Bidding frenzy

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The dream of purchasing a second or third home in the US – perhaps a stretch during the real estate boom when home prices were exorbitant though exchange rates favourable – may be reviving with real estate auctions.

Auctions held by property developers have been rare in the US for 15 years. But as the property market has ground to a halt, these events have become more common, especially in resort areas such as Florida, Arizona, California and Colorado.

These are not bank auctions for foreclosure properties. They are sales handled by auctioneers who have been hired by homebuilders to speed up a torpid market by unloading apartments collectively.

"There's definitely a growing trend in the use of our services," says Craig King, president and chief executive of J.P. King Auction Company of Gadsden, Alabama, one of the oldest real estate auction houses in the US, founded in 1915. "We found that the trend was increasing prior to the downturn in the real estate market. It has accelerated quite a bit since the market has slowed."

There appears to be a bottomless well of condominiums in brand-new developments with stagnating sales, says Jon Gollinger, co-founder and east coast chief executive of Accelerated Marketing Partners, an auction house based in Boston and California. "We're so busy, it's impossible for us to do all the real estate auctions we're being asked to do," he says.

From 2003 to 2008, all auction sales in residential real estate, including distressed sales, grew 47.7 per cent, according to the National Auctioneers Association. Even last year, in spite of the downturn, gross sales revenue from auctions of residential real estate grew 1.1 per cent to \$17.1bn.

In fact, real estate auctions had become such popular forums for home sales in recent years – in the UK as well as the US – that they didn't always offer the great deals they were known for, says Nigel Herbert, a property buyer with Bay City Homes, near Cardiff, Wales, who has purchased homes at auction in both countries for clients and personal use.

"I haven't purchased for myself in the last five years," Herbert says. "Since everybody thought they could go to a real estate auction and pick up a bargain, all that bidding was actually pushing up the prices at auctions."

However, in the past year, that trend has reversed, he says. "Because there isn't the demand and there isn't the liquidity in the market, you're starting to be able to pick up reasonably priced properties again at auction," Herbert says.

At the same time, growing numbers of property developers hoping to boost sales in their developments are approaching auctioneers, King says.

"We just sold 60 homes in the Madison, Wisconsin, area," he says. "We're doing a lot of resort properties around the country. That division is as busy as ever right now."

Though international interest in US properties has cooled as the recession has spread and exchange rates have grown less favourable, foreign buyers continue to attend auctions, says King, whose company website had hits from 91 different countries in April.

"I'm thinking of a really nice Colorado ranch that we had a Belgian bidder on," he says. "This past week, we had a Canadian buyer. We had a Beijing bidder who was on the phone live during an auction."

Gollinger says he believes even more international buyers will turn up once auctions are held in larger cities such as New York and Miami Beach. Accelerated Marketing Partners, one of the few companies that holds high-rise property auctions, is in negotiations to conduct auctions in both cities.

"The moment we hold one of those auctions, that's when we'll see international purchasers, particularly from Europe, show up en masse," Gollinger says.

It is difficult to predict what will attract European buyers, he says. Gollinger's company recently auctioned off apartments in Daytona, Florida, to people from Hungary and the UK.

He says the auction process should not be intimidating to buyers, who must present a cheque made out to themselves for a certain amount to enter the auction room. If they make the winning bid, that cheque is collected by the auctioneers, and the sale goes through with a certain amount of time, depending on the state, available for rescission.

Apart from developer auctions, single-property auctions, where a homeowner approaches the auctioneer to sell, have continued to be popular with international buyers. In April, a Colombian buyer purchased a two-story, Mediterranean-style home with five bedrooms and bathrooms in the golf and country club community of Isleworth near Orlando, Florida, for \$1.1m.

The company that handled that auction, Concierge Auctions, was formed two and a half years ago to ride the wave of popularity that auctions are experiencing, says president Laura Brady. Concierge, based in New York and Florida, has a growing number of international clients.

"Within our buyer database, we have buyers from 38 different countries," she says. "We have a lot of activity from, mainly,

the UK, Germany and France. We also have had quite a few Irish buyers recently.”

Most international purchasers choose to hire a broker, often local, to assist them in purchasing the property, Brady says. Bidders abroad can place bids live through Concierge’s online system. The auctions are conducted much like fine art auctions.

“Our execution is very much like a luxury auction for wine or art or antiques,” Brady says. “It’s not a fast calling, so people don’t have to be intimidated. It’s a very smooth calling.”

Stacy Kirk, president of Grand Estates Auction Company in Charlotte, North Carolina, says European buyers are typically choosy, seeking high-end properties in resort areas.

“Ninety per cent of the properties sought by foreign buyers are ‘lifestyle’ properties, meaning they are in a location that offers you some type of focused leisure, such as skiing in Aspen, Colorado, or golf and tennis in Naples, Florida,” she says.

While international buyers often have a large budget, they are not looking for mansions but condominiums, townhouses or even penthouses that can be managed easily from afar, Kirk says.

“They aren’t looking for a huge, sprawling estate that’s going to require a gardener, manager and multiple housekeepers,” she says. “They’re looking for something that’s ‘turn-key’, meaning completely furnished. They want to arrive with their toothbrush and bathing suit and nothing else.”

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