

Real Homes tests non-foreclosure auction market

by Yvette Davis

Non-foreclosure home auctions are the normal way to sell homes in Australia, said Paul Thomas, project manager for Seattle-based Northwest Auctions, but they are just catching on here in the states.

They are useful to residential builders as a tool to dispose of inventory that is not selling fast enough in today's slower housing market. But buyers may be unfamiliar with the format.

That's because when most people think of the word "auction," they are really thinking of distressed properties, sold by the bank or mortgage holder "on the courthouse steps," Thomas explained. But in a non-foreclosure auction, the homes are usually brand new residences.

Wenatchee buyers got to witness their first auction May 31, when Jon Port, owner of Real Homes Inc., teamed up with Northwest Auctions to auction nine area homes. Four of the homes were speculative construction homes built in the Skyview subdivision in East Wenatchee. The other five were model homes in the Pear Blossom and Windsong subdivisions in Wenatchee, according to the Northwest Auctions Web site. Port said he originally wanted to auction just the model homes, but added the spec homes later to capitalize on his investment. He figured the more inventory he could get sold at once, the better.

"I spent around \$30,000 to do the auction, with around \$10,000 going to Northwest Auctions up front, and the rest spent on radio, flyers and billboard advertising," Port said.

Even with those costs, he said he is happy with the results. He sold seven of the nine houses in one month. All of the homes were in the \$250,000-\$350,000

price range, which Port said has stiff competition for buyers.

"Right now there are over 100 homes in that price range on the market, so they aren't moving really fast. I don't know too many

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Al Lorenz, Realtor and owner of Criterion Properties, LLC, in Chelan, also advertised an auction in May. He teamed up with Boise-based Seleguity Auctions to auction off his own 37-acre parcel in Sunnyslope, and had expected eight to 10 serious bidders to show up. But when the day of the auction came, he only had two registered bidders, and decided to call off the auction. He said he is now in negotiations with both interested buyers, and hopes to close the deal soon.

Lorenz said he's been involved in non-foreclosure auctions since 1995, and in a

hotter market, they work very well. "In a hot market, where people are bidding against each other, the prices are spectacular for the seller," Lorenz said.

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But with Wenatchee being a little bit slower at the moment, it just didn't drive as many bidders to the table.

"Still, you have to try different things in market downturns like this," he said.

Auctions as a tool for selling real estate have been around "a very long time," said Lorenz, and he expects to see more of them.

"Just wait until we have one of these in a hotter market and see what happens!"

builders that can say they've sold seven homes last month, so I'm pretty happy right now," he said.

Four homes out of the nine were actually sold before the auction, at \$5,000 below the last listing price via a "buy it now" option on the Northwest Auctions Web site.

Three more sold after the auction through re-negotiations with the highest bidders. Port didn't get any acceptable bids at the auction — none that met his reserve price.

Port builds display homes on North Wenatchee Avenue

Jon Port, owner of Real Homes Inc., will construct one rambler, two two-story stick built, and three manufactured homes for use as models on his North Wenatchee Avenue site between Fabulous Feet and Washington Trust Bank. He has already obtained the construction permits from the city for these non-habitable residences.

His purpose is to offer customers a choice in site-built homes, while showing off a few of his most popular floor plans.

Viva Wenatchee, his new real estate company, will also have their office in one of the model homes.

Port originally had 17 manufactured homes on the same site when he owned the Jon Port Home Center.

He hopes to break ground on this project in July.

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"Some of the auction bids were lower than what my costs were," he said, "but though the bid wasn't acceptable, it was close enough for me to go back and negotiate with the highest bidder."

The last two homes will be going back on the market at the reserve prices.

Port also garnered two more custom home contracts as a result of the auction.

The fact that only around 100 people showed up for the auction didn't bother him, but it did surprise Northwest Auctions Project Manager Paul

Thomas. He said he was somewhat disappointed with the number of attendees at the auction.

"It was a different route to a successful conclusion than I would have personally liked,"

he said.

The biggest factor affecting attendance, he said, is that people are not familiar with buying at this type of auction, and people were unsure about the process.

"We've learned that we have to do more education about this type of event," Thomas said. "Many people probably thought there was a catch of some kind to this."

Many people hear the word auction, he said, and automatically see visions of foreclosed homes being sold at rock-bottom prices. With the builder auctions, however, the inventory is all brand new, up-to-date, and for sale for less than market price or below appraised value. But, it's not a pay-what-you-will situation. In a non-foreclosure auction, the seller retains the right to refuse any bid, thereby protecting the builder from selling a home below his cost or "reserve" price, Thomas said.

So while the prices aren't "too good to be true," said Thomas, buyers can save some money.

"Everybody that got a house is extremely excited about the deal they got," Port added.

Port said he was just glad that he was the first builder to hold an auction here. He expects to see more auctions in the area, but not right away. He cautioned that subsequent auctions may not garner as much interest.

"I myself wouldn't do it again at least for a couple of years. If everybody starts doing it, it will become commonplace," he said.

Still, if Wenatchee's next auction got just half of the 140,000 Web site hits — up to 17,000 a day — that Northwest Auctions got prior to the May 31 auction, it would still be a dream come true of a marketing campaign.

Thomas said that "as a means to publicize that the houses were for sale and available it's an unbeatable avenue. I'm sure a lot of Realtors would love to have that much web traffic."