

Home auctions online gain in popularity

by **J. Craig Anderson** - Aug. 27, 2008 12:00 AM
The Arizona Republic

A growing number of home sellers are dealing with the Valley housing market's harsh reality by taking their business into virtual reality.

Purveyors of Internet-driven real-estate auctions say their customers operate in a parallel universe where the quick and the dedicated are rewarded with great deals on foreclosed or unwanted homes.

"We create a sense of urgency in a marketplace where there really is no urgency at all," said John McCann, president of Scottsdale-based National Real Estate Auction Corp.

McCann's company is just one of several home-auction firms operating in the Valley. National recently held an auction for 227 properties in the Phoenix metro area, which he said was the most ever included in a single U.S. auction.

Home auctions, which usually include both Web-based and live bidding, appeal to sellers who've failed to find a buyer the traditional way, McCann said.

"Where we really thrive is in a market where there's a glut of homes for sale," he said.

According to the National Auctioneers Association, gross annual revenue from residential real-estate auctions grew nearly 47 percent from 2003 to 2007.

While automobile auctions still dominated the industry in 2007, selling \$87.8 billion worth of cars and trucks, the fastest-growing sector was real-estate auctions, generating roughly \$58.5 billion in sales.

In December, the association launched its own online multiple listing service designed specifically for real-estate auctions.

McCann said few real-estate auctions are 100 percent virtual, because participants usually want to inspect a home before making their bids, and the thrill of a live auction still appeals to many buyers.

"You need to see, you need to touch, you need to actually visit a home before you make such a large purchase," he said.

Still, the auction industry's growing reliance on the Internet has made it possible for participants to bid and buy a home entirely online.

Web-based bidding actually increases a buyer's odds of walking away with the home

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of their choice, said Crystal Wright, spokeswoman for Dallas-based auctioneer Hudson & Marshall.

"Your chances are higher in that you're probably competing with less people online," Wright said. "The only thing you miss is the excitement of being there."

Wright said up to 20 percent of the bank-owned homes sold at each Hudson & Marshall auction are bid on and sold online, through a system that allows bidders to prevent a property from going to live auction if the seller accepts their Internet bid.

Like most industries, the real-estate-auction business is populated by a diverse group of businesses with varying specialties.

Hudson & Marshall deals in bank-repossessed homes, the fastest-growing segment of the Valley real-estate market.

Other foreclosed-home auctioneers doing business in the Valley include Real Estate Disposition Corp., headquartered in Irvine, Calif., and Williams & Williams Marketing Services Inc., based in Tulsa, Okla.

National, which opened in 2006, does not sell bank-owned homes, focusing instead on privately owned properties. McCann said he came up with the concept for his business when the Valley real-estate market was still

hot.

His idea was that home builders would find auctions preferable to a lottery system for dealing with an overabundance of demand.

Buyers would compete for homes not by camping out, but by shelling out more cash. McCann said he plans to revive that idea when the housing market recovers.

"In a strong market, the business model still works," he said.

First American REO Servicing, based in Denver, deals exclusively in foreclosures but sticks with a more traditional buying system in which a prospective buyer simply submits an offer for the seller to accept or decline.

First American purchased its Internet-based offer-management system from eBay in 2004, when the online-auction giant decided to eliminate foreclosed homes from its virtual marketplace.

As of Tuesday, the company's Web site, www.reosource.com, had 600 active listings for bank-owned homes in Arizona.

Hudson & Marshall held a live auction Sunday in Phoenix that featured 100 bank-owned homes.

Although real-estate auctioneers don't

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disclose the percentage of homes that sold at a given auction, Wright said the business model works because auctions bring together hundreds of buyers in one location - whether it's virtual or physical.

"It's a quick and efficient way for banks to sell the properties," she said.

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