The American real estate industry recently saw a change that may represent the next great evolution in financial markets.

In the 12th century, the French established bodies charged with the trading of agricultural debt and regulation of agricultural communities. This idea evolved in 13th century Venice when bankers began to trade government securities. Years later, in 1602, the Dutch East India Co. became the first company to issue stocks and bonds by offering shares on the Amsterdam Stock Exchange.

A Modern Evolution
In April, the Chicago Mercantile Exchange unveiled the latest evolution in auction modeling with the launch of S&P CME Housing Futures and Options. This will allow traders the opportunity to buy and sell futures in 10 select housing markets (Boston, Miami, New York, San Diego, San Francisco, Washington, D.C., Chicago, Denver, Las Vegas and Los Angeles), and thus hedge against their risk in those locales.

For those of us in the REO and default industries, this also represents a great paradigm shift.

The Value of Transparency and Liquidity
As it has throughout history, growth in auction modeling and information technology has led to increased transparency and liquidity for all. In the real estate auction business, we place a premium on these two qualities, and for an REO asset manager they are essential. Not only can asset managers have a more
Understanding the Home Price Indices

The basis of the S&P/Case-Shiller Home Price Indices is the pioneering research of economists Karl Case and Robert Shiller, who, beginning in the 1980s, collaborated and later co-founded Case-Shiller Weiss Inc. with Allan Weiss in 1991. In May 2002, CSW was purchased by Fiserv Inc. and is part of the Fiserv lender technology and services vertical.

CSW was created to offer products and services based on its economist founders’ home price research. The firm built upon those research efforts in the areas of data collection, filtering, analysis and modeling and amassed a large national database of residential real estate information. CSW’s extensive database has been combined with proprietary software to produce the Redex Library, a suite of U.S. residential real estate indexes and related metrics that includes the Case-Shiller Indexes, and CASA, a market-leading automated property-valuation service. The Fiserv/CSW organization continuously analyzes and quality-controls residential property data collected from several sources and uses proprietary software to produce the CSIs for real estate markets throughout the United States.

Through competitive bidding on an open and liquid marketplace, we will have an up-to-the-minute assessment of major housing markets across the country. The inherent risk in real estate also will be reduced. And with the steadily increasing rates of foreclosure, this evolution could not have come at a better time for the REO industry.

Editor’s Note

Dean Williams is president and CEO of Tulsa, Okla.-based Williams & Williams, a nationwide provider of REO disposition services for investment and mortgage banks. He recently served in the Future Leaders Program sponsored by the Mortgage Bankers Association and currently serves on the board of the Oklahoma Mortgage Bankers Association. He can be reached at dean.williams@williamsauction.com.

What was your first REO listing?

“My first listing was back in 1993 and I was called in by GE Capital to work on an REO property after I had successfully completed several short sales. I went up to interview with the management team in Orange County, won them over and ended up doing 10-15 sales a month up until 1999. Obviously the market improved and then we had less sales. But now we’re seeing a turn around in San Diego County and I think we’re going to be seeing more REOs as the California market is softening.”

SANDY LUND, THE LUND TEAM – PRUDENTIAL, CARLSBAD, CA

“Wow, that was a long time ago. While it wasn’t the first, I can tell you an interesting story about one of my earlier REO properties. I had an 11 o’clock appointment with an owner to go over a few things. When I showed up to the house, there were several, I’d say about 10-12 Oldsmobiles parked in a line out front and only one of them probably worked. The owner’s son answered the door and pointed to where his father was located. When I walked in the man didn’t look too good and after his son started tugging on his foot, we both realized that he had passed on. This was a very disturbing experience. I felt like a lawyer amidst a room full of people grieving.”

GARY ANDERSON, RE/MAX ELITE, LAS VEGAS, NV