High-end properties at low prices are showing up on auction circuit

By John Rebchook, Rocky Mountain News

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Cody Lowderman started the bidding at $100,000 for the two-story penthouse in foreclosure at the edge of downtown Denver. Within two minutes the bidding was at $750,000. Lowderman, an auctioneer with Williams & Williams, asked for $10,000 more, as bidders raised their paddles. When the bidding slowed, he asked for $5,000 more. From start to finish, it took less than four minutes for Jimmy Do, owner of Viosoftware.com in Lafayette, to come up with the winning bid of $810,000 for the 4,500-square-foot penthouse with a view of downtown Denver's skyline across Interstate 25. After a 5 percent fee to Williams & Williams to cover its expenses and any brokerage commissions, it brings the total purchase price to about $850,000. The previous sale price, however, was $1.9 million, according to public records. The condo had a mortgage of about $1.33 million before it went into foreclosure.

“I think I got a good deal,” said Do, 33, after the auction. “I like the openness of the unit and its location,” which is about a block from the 16th Street pedestrian bridge across I-25. Do had his eye on the unit for a while. Before the auction, he had offered $750,000, but the bank never responded. He raised his offer to $796,000, but was told that it was going to auction.

Denver developer Nick Mystrom, who attended the auction in late November, said he hopes someone like Do buys the two luxury homes he is auctioning at 1:07 p.m. Monday. The time of the auction is set so precisely to focus the attention of would-be bidders, explained Janelle Karas, owner of AJ Karas Auctioneers.

An hour before the auction Do won, Mystrom's prediction for the sales price was right on the money. He got a feel for such auctions by attending about 10 of them during a two-week period.

Mystrom hopes to sell two recently completed, never-occupied homes - one at 776 Ivanhoe in Mayfair, the other at 4546 W. 36th Ave. in West Highland. The Mayfair unit has been appraised at $1.2 million and requires a minimum bid of $680,000, while the West Highland home was appraised at $900,000 and will sell for anything above the minimum bid of $580,000. Neither is in foreclosure and Mystrom has equity in both, something auction houses look for when putting properties on the block.

Mystrom had planned to live in the 4,158-square-foot West Highland home, which has four bedrooms, six baths, an oversized three-car garage and views of the mountains and city skyline. "It's kind of sad whenever I walk in here," he said of the home, with its architecture inspired by Frank Lloyd Wright, heated travertine floors in the main entrance and two Bosch dishwashers. The downturn in the real estate market, coupled with stock market losses, convinced Mystrom to choose the auction route instead.

"Auctions are generally thought of as mechanisms to get rid of distressed properties," Mystrom said. "Neither of these are distressed. On the contrary, these two homes are in two of the best neighborhoods in Denver with very few distressed properties. "I just really wanted to take a proactive approach to getting them sold rather than relying on the normal Realtor showings and open houses."
What he likes about auctions is they save the carrying costs of the financing and the market decides on
the spot the true value of a home. More developers like Mystrom, whose homes are not in foreclosure, will
be discovering auctions, predicted Karas. "I think we're going to see a record number of auctions in
2009," Karas said.

But auctions are not a silver bullet for ailing home values, said Chris Long, spokesman for the National
Auctioneers Association. "Sellers have to be realistic as to their expectations," he said. If the person with
the highest bid is getting a loan, the home still has to appraise, he noted. And jumbo loan financing is still
expensive and hard to get, which can make higher-priced homes difficult to sell in a traditional way or at
an auction, he said.

But well-qualified buyers can get what appear to be fantastic prices for high-end homes at auctions. Scott
Carter, co-owner of Brookline Homes, in September auctioned the 7,302-square-foot home he built for
the Parade of Homes in Solterra in Lakewood. It sold for $1.815 million. "I probably would have listed it for
about $2.4 million," Carter said. "I think the buyer got a great deal. I lost a little bit. But that's OK. I look at
the parade more of a marketing tool than a way to make a large profit."

The tough economy is increasing the number of auctions nationwide, said Scott Kirk, spokesman for
Grand Estates Auction, which will be holding two high-end auctions in the Vail Valley next month. "We're
seeing a steady number of sellers wanting to sell their properties and get whatever value they can get,"
Kirk said.

Mystrom described his two homes being auctioned as "unbelievable value plays." "I fully expect the
winning bidders to end up with beautiful homes in beautiful neighborhoods with a savings of hundreds of
thousands of dollars," he said. "Unfortunately, their gain is my loss. But, given everything that's going on,
I'll take my medicine and move on."