Real estate auctions: The future of home sales?

By Ilyce Glink

(MoneyWatch) When the housing bubble burst in 2008, home values plummeted, the time it takes to buy and sell property has increased dramatically, and plenty of homes end up in foreclosure before the owners' have a chance to find a buyer.

According to some experts, the traditional form of real estate might be more of a hindrance than a help in today's market. There are tons of homes available, and buyers with decent price ranges are overwhelmed by their choices. Sellers get multiple showings, host numerous open-houses, and may even try more than one real estate agent, all to no avail.

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Pam McKissick, CEO of real estate auction firm Williams, Williams & McKissick and author of "Auction Your Home, Absolutely! An Inside Guide to Real Estate Auction," believes an auction might be just the ticket for struggling sellers.

Auctions "put the seller completely in control of the sale, which I think people like," McKissick says. "You get to pick the date your property will be sold, versus agents bringing you a mythical buyer in the traditional real estate market. You get to decide when your property closes, and the auction process forces buyers to compete for your home. The traditional method leaves you waiting and hoping for an offer."

This waiting-and-hoping for something that might not happen for months -- or years -- leaves many sellers looking for another option. According to McKissick, an auction is that other option because it does three key things traditional marketing does not:

**Auction creates competition.** If you've hired a reputable auction firm, they know how to target buyers interested in your particular property. That means most of the people who show up to the auction are doing so because they want your particular house -- and they'll compete against each other to get it.

**It put sellers in control.** Unlike the business-as-usual way of selling homes, the auction process gives the seller the option to decide everything, including the date on which the house is sold.

**The auction gives sellers a definite sale date.** The date of the auction is the date of the sale, and the seller gets to decide when that is. Once it's over, the home is sold and the seller can move on.

The only thing not up to the seller is price, although that's not a function of the auction process.
McKissick says an auction is where "real estate meets reality." A seller may believe their home is worth one thing, but if the people bidding all stop at around the same number, that's probably the true value of the home. A home is only worth what someone is willing to pay for it, and that is the biggest hurdle of any real estate sale -- auction or not.

If you're interested in selling your home at auction, do your homework. Look for an auction company near you that specializes in real estate, and ask the same questions you would pose to a real estate agent. Find out how they plan to market the property, what their success rate is, and how familiar they are with your area. You'll also want to ask specific questions about the costs of using an auction house, how much you'd net out in a variety of scenarios, and whether you can list a "reserve" price on the property (the minimum price at which you're willing to sell).

Finally, make sure you understand what sort of marketing the auction company will do on your behalf. You'll want to know where your home will be seen online, how the firm plans to drive viewers to the listing, and what sorts of results they've had with other properties in the same condition and price range as yours.

Selling by auction isn't as popular as the traditional way of selling a home, so be prepared to do a little more digging than normal. For sellers who have been sitting and waiting for a sale for months, the extra detective worth just might be worth it.

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