Q&A ON TOPIC: AUCTIONS & REAL ESTATE

Heartland Real Estate Business recently spoke with two auction companies to learn the ins and outs of the auction industry and how the economy is affecting sales. Amy Bates, senior vice president of marketing with Tulsa, Oklahoma-based Williams, Williams & McKissick Holdings, the parent company of Williams & Williams Worldwide Real Estate Auction, and Rick Levin, president of Chicago-based Rick Levin & Associates, share their insight and expertise on the auction industry's present and future outlooks.

HREB: Briefly describe the current state of the commercial real estate auction market?

Bates: Williams & Williams is one of the largest real estate auction companies in the country and we sell all types of property. Our commercial real estate division is our fastest growing division right now, as you would expect considering the state of the economy, unemployment, the impact of the housing market and uncertainty in the business sector.

Levin: In disarray and filled with uncertainty.

HREB: How has the auction industry been affected by the recession – increase or decrease in demand?

Levin: A lot more sellers are desirous of using auctions.

Bates: More sellers are turning to auction — all types of sellers. We have seen a significant growth in our volume over the last 6 years, but very notably in the last 3 to 4 years. There’s a need for more certainty when it comes to real estate sales, and its costly to hold on to your property and even more so in an uncertain market. So when sellers need a time-definite sale and they need to reach the largest possible buyer base through global marketing they are turning to Williams & Williams auction.

HREB: Who is utilizing the auction industry? What are the benefits/advantages of using an auction? What types of clients/sales benefit most from auction sales?

Bates: All types of sellers are considering auction, but right now we’re dealing less in the distress market because the banks are still doing modifications and workouts. We’re dealing less with financial institutions such as banks, and we’re dealing more with private investment group, corporations and private owners who are looking for a stout way to sell their property. The auction market attracts all types of commercial sellers and properties because its not necessarily about type — it’s about the seller’s desire to have an efficient means of selling their property.

Levin: People using auctions are investors, banks, government entities and individuals. Benefits of using an auction are a date certain sale, and transparency and openness in determining the property’s value. Clients/sales that benefit from auction sales are when price uncertainty exists and when demand is greater than supply.

HREB: Is the auction market facing any challenges? If so, what and how will your company overcome the obstacles?

Bates: We’re dealing in challenging times. Our company is always continuing to evolve our marketing strategies to make sure we have the broadest reach and to make sure that our auctions are successful at delivering the highest possible market value. From where we sit, I think the “challenge” is more of an opportunity — how do we deal with the growing capacity, how to we continue to improve processes and efficiency to handle more real estate auctions every month, and how do we continue to hone our global marketing expertise so Williams & Williams attracts buyers to create a competitive auction environment. For us it’s less about challenges and much more about opportunities and making sure we deliver the right value to the seller and buyer.

Levin: There is a movement to do more and more sales online and Rick Levin & Associates has moved into that arena for certain auctions.

HREB: Is auction use widespread across the Midwest? Are you seeing more activity in specific sectors (office, industrial, retail, multifamily) or in specific markets?

Levin: Auctions are used all around the world more and more and all asset types are being placed at auction.

Bates: Auction is definitely used across the Midwest, and I think the Heartland has always understood auction probably even more so than the coasts. If you think about farms, ranches, cattle and horses — auction has always been the way you trade those items. So it is less of a leap for people in the Midwest to understand that auction is the more efficient way to sell real estate. From a volume perspective, due to the economic conditions, we do a lot of auctions on both coasts, but we are seeing more and more activity in the center of the country.
HREB: Has your company had to make any changes or adjustments to deal with the economic downturn?

Bates: We continue to grow smarter and smarter. We study the market; we study our own performance; and we consult our sellers. We’re also focusing on buyers. We have worked to be more transparent and to provide more information to our buyers so they have a higher level of confidence when they’re participating in auctions so they can bid their best offer. People don’t want to be played with so we focus, not only, on providing and understanding current market performance conditions, we then educate sellers as to what they can expect and make sure our buyers have all the information they could possibly need to make sound buying decisions.

Levin: No.

HREB: What does the future of the auction industry look like?

Levin: The auction industry is one of the oldest professions known to man and the future looks bright.

Bates: The auction industry has never been better positioned than it is today in the real estate market. I believe the real estate market is naturally maturing to auction, and what I mean by that is we’re going through very hard times and sellers and buyers want to deal with real values today. I think the efficiency and transparency of open public competitive bidding is very attractive to the market and people are becoming more and more comfortable with auctions. Additionally, people are understanding that private negotiations can led to possibly skewed values versus public open competitive bidding which leads to a reflection of real market values and that’s a way to build your business if you’re a commercial real estate owner.