

# **Potential Seller Presentation For Real Estate Auction Of Harvey Impacted Properties**

**Paul A. Lynn, CCIM**

**March 20, 2018**



***Paul A. Lynn & Associates, LLC***  
***Real Estate Disposition Strategies – Solutions***

# Paul A. Lynn, CCIM

- **Principal, Paul A. Lynn & Associates, LLC**
- **45+ Years as Licensed Real Estate Broker**
- **Brokers' Licenses - 6 States, Auctioneer - TX**
- **30+ Years doing Real Estate Auctions**
- **30+ Years as CCIM**
- **Published Numerous Articles**
- **Presentations to Many Professional Audiences**



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# Agenda

- **Experience**
- **Overview on various types of Auctions**
- **Real Estate Auction Programs and Strategies**
- **Types of Auctions**
- **Marketing/Timelines**
- **Financial Dynamics**
- **Questions**



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# EXPERIENCE



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# New Orleans - NORA

- Seller, New Orleans Redevelopment Authority (NORA)
- Nine Auctions held between 2012 and 2018, 1,000± houses and lots offered
- One day Absolute Auction Sales or On-line only
- 90% ± Sold and closed
- Gross Sales \$45± Million
- Former Katrina Properties assumed by Feds and State
- Goal - To put properties back into commerce and reduce community blight

**130± Properties Throughout New Orleans**  
**ABSOLUTE AUCTION** - By the New Orleans Redevelopment Authority  
This is your opportunity to bid on 130± homes and lots located throughout the City of New Orleans. All properties will be sold to the highest bidder.



**Saturday, March 23, 2013** Ernest N. Morial Convention Center  
 Registration 9:00 AM - Auction 11:00 AM

 #198 2400 Marengo St. New Orleans, LA, 70115	 #239 6730 Coventry St. New Orleans, LA, 70126	 <b>Local Knowledge</b> 866.575.6131 X91 <small>ABSOLUTE AUCTION - Whether organization, or an investor, this is your opportunity to bid on 130± residential lots located throughout New Orleans to the highest bidder. The properties are located in Little Woods, West End, Gentilly, West Lake Forest and many other areas. All properties are ready to be sold.</small>
 #196 6830 Norwood Ct. New Orleans, LA, 70126	 #173 7231 Springlake Dr. New Orleans, LA, 70126	

**ABSOLUTE AUCTION**  
**Nov. 2 • 11:00 AM**  
 Registration Begins at 9:00 AM | Pre-Registration & Online Bidding Available

★ ★ ★ ★ ★ ★ ★ ★ ★ ★

**130± Properties Throughout New Orleans**  
 Auction Location: Mercedes-Benz Superdome


For more information and Open House dates & times call: **866-575-6131**


**AmeriBid** [ameribid.com/nora](http://ameribid.com/nora)

Call for Terms of Sale | 1% Broker Participation Offered | Pre-A. Lpm, CCN, Order #1000-ASA | AmeriBid Lic. AS-368

**ABSOLUTE AUCTION**  
 OCTOBER 25, 2014 • 11AM

130± Properties Throughout New Orleans


  
**ALL PROPERTIES WILL SELL ABSOLUTE TO THE HIGHEST BIDDER!**



**AUCTION LOCATION**  
 N.O. Ernest N. Morial Convention Center, 900 Convention Center Blvd., (Hall H, Room 293)  
 Registration 9 AM • Auction 11 AM

**Hilco Real Estate** For More Information, Please Visit: [HilcoRealEstate.com/Nora](http://HilcoRealEstate.com/Nora)



**ABSOLUTE AUCTION**  
 125± Properties Throughout New Orleans



Auction Will Be Held at **ERNEST MORIAL CONVENTION CENTER**  
 900 Convention Center Blvd., New Orleans, LA

**October 27th 1:00 PM**  
 Registration will begin at 11:00 am

Inspections: See Page 2 for Dates & Times

**National Residential Auctioneers**    
**natresauctions.com/nora**

# Houston Housing Authority - HHA

- Seller, Houston Housing Authority (HHA)
- 171 houses and 3 lots
- One day Absolute Auction
- 100% Sell out
- Many Investors
- Gross Sales \$8.3 Million
- Largest Absolute Auction 2011 Received Business Journal Award

**ABSOLUTE AUCTION**  
174 Residential Properties Throughout Houston



**Saturday  
Nov 12th**

- 171 single family homes
- 3 residential lots
- Average home is 1,504+/- SF with 3 or 4 Bedrooms
- Many homes need renovation
- Located throughout Harris and Fort Bend Counties in the Greater Houston Metro Area



For further information and details:  
**866-575-6131** ext. 175  
[natresauctions.com/hha](http://natresauctions.com/hha)

**National  
Residential  
Auctioneers** 

# RE Auction Candidate Profile

- **Property not easily valued VIA traditional methods**
- **Seller wants to control deal structure**
- **Seller wants to control timeline**
- **Portfolio sale desirable**
- **Bidding in the alternative desired**



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# Targeted Sites for this Auction

- **Properties impacted by Harvey and other recent Houston area weather events**
- **Properties NOT rebuilt, stabilized, condemned, or vacant lots**
- **Sellers don't want to rebuild and have capacity to sell**
- **Seller frustrated and "Just want to make it go away"**



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# Real Estate Auction Advantage

- Auctions establish “current real market” value
- There is NO maximum price
- Auctions freeze conventional sales activity
- Focuses market attention
- Eliminates high carrying costs
- Auctions create a “date certain” deadline
- Auctions drive immediate action
- Fully Transparent process
- Auctions establishes an atmosphere of excitement & competition - “competitive bidding”
- Seller constructs the desired deal



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# Traditional Listing vs. Auction Listing

## Traditional Listing

- Seller sets the price, buyer sets the terms
- Not “Date Certain”
- Buyer presents offer, usually with “free look”
- Due Diligence done post Contract/offer
- Buyers comes back to “re-cut” the deal
- Deposits are refundable

## Auction Listing

- Sellers sets the terms and buyers bid the price
- The Seller sets auction date/close
- All Due Diligence done before auction
- Seller creates Contract
- Money hard immediately



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# Auction Styles

- **Live - Open Outcry – Ballroom**
- **Live – On-Site Auction**
- **On-Line only Auction**
- **Simultaneous Live and On-Line Bidding**
- **Sealed Bid/Sealed Bid Convertible**
- **Multi-Par**
- **Personal Property may be involved**
- **Video Broadcast**



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# Auction Formats

- **Single Owner – Single Asset**
- **Single Owner – Multi property (one or multiple venues)**
- **Single Owner Portfolio Sale**
- **Multi-owner, Multi-property**
- **Caravan sale over short period**
- **Shared program with other Sellers and Brokers**



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# Deal Structure

- **Without Reserve / Absolute Auction**
- **Undisclosed Reserve Auction**
- **Stated Minimum Bid Auction**
- **Multi-Par Auction**
- **Dutch Auction**
- **Combination of Multiple Structures**



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# Proposed Auction Structure for this Auction Event

- **Live Open Out Cry Auction**
- **Properties offered either Absolute or with Agreed upon Reserve (-25% value)**
- **Multi-owner, Multi-property auction**
- **10% BP non-listed, 5% listed properties**
- **\$3,000 Shared Marketing fee, paid at closing**
- **10% Non-refundable deposit day of auction**
- **Listing term thru 60 days following auction**



# Where's the Market Today?

- **Current Area Listings**
- **Asking Prices**
- **Recent Selling Prices**
- **Why an Auction Works**



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# Scope of Marketing

- **Local**
- **Local & Regional**
- **Local, Regional & National**
- **Local, Regional, National & International**



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# Marketing Plan Overview

**Highly Aggressive, Highly Intensive Marketing Campaign over a compressed period of time**

- **Media (Print and Digital)**
- **Public Relations**
- **Direct Solicitations**
- **Bidder's Information, Due Diligence Package (Electronic and Print)/CNRA**
- **Direct Mail**
- **Telemarketing**



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# Auction Timeline

- **Generally 7-10 weeks from listing to bid date**
- **Closings generally 30–45 days after auction**
- **Total time, 9-12 weeks from listing to close**
- **3-4 weeks preparing and accumulating information**
- **4-5 weeks advertising and marketing**
- **30–45 days to close**



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# Auction Timeline for this Event

- **Proposed Auction Date - Tuesday, June 12<sup>th</sup>**
- **Deadline for Inclusion in this event - April 18<sup>th</sup>**
- **Marketing Commence - 1<sup>st</sup> week of May**
- **Site open houses – 2<sup>nd</sup> week of May for 3 weeks**
- **Auction – June 12<sup>th</sup>**
- **Closings – 30 – 45 Days following auction**



# Financial Aspects

- **Marketing/Advertising/Upfront Payments**
- **Commissions**
- **No Sale Fees**
- **Buyer's Premiums**

**Total costs for auction comparable to traditional brokerage transaction costs**



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# Financial Dynamics for this Event

- **10% Buyer's Premium (BP) for Non-Listed properties**
- **5% (BP) for Realtor® Listed Properties and Seller pays Realtor® Neg. Fee**
- **\$3,000 Shared Marketing Fee, payable at closing**
- **If Buyer Broker, paid from BP for non-listed and Realtor® Fee if Listed**
- **Seller's Legal, possible survey, appraisal**
- **Standard Seller Closing Costs**



# Bargain Sale

- **In the last few years we have worked with Donors and 501 (3) (c) Non-Profit Organizations on donations of Real Estate**
- **Can be any type of Non-Profit: Religious, Educational, Arts, Medical etc.**
- **If Seller would like to donate property we can work with Donor and recipient organization on how to structure Bargain sale**



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# Potential Results of an Auction

- **Property can be sold before, at, or after bid date**
- **The property is marketed, at auction - price is accepted, contract is signed and property closes 30 - 45 days thereafter**
- **Price at auction is not accepted by Seller (below reserve): Auctioneer/broker negotiates with prospects generated thru auction to try and reach mutually agreeable terms**
- **After full marketing there is no real “depth of market” or buyer, time for Seller rethink options**



# Seller Overview

- **Seller receives proceeds from sale**
- **Majority of transaction costs passed to buyer**
- **Property sold on “As-is, Where-is” basis**
- **Seller retains any insurance proceeds as result of causality**
- **Seller may continue to pursue any Gov. opportunities**
- **Seller responsible to interact with lender (if any)**



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# Buyer Overview

- **Buyer Contract price is High Bid Prices plus any BP (Sample: Bid price \$300K, BP \$30K, Purchase Price \$330K)**
- **Purchase “As-is” Buyer responsible for any demolition or maintenance costs, post closing**
- **NO Financing Contingency**
- **Must close with 30 – 45 days after auction**



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# Questions

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# Thank You

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