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GREEN THUMB

Homes Going Once, Going . . .

**Auctions Are Bustling for Houses,
Including Some Historic Gems;
How to Keep From Getting Burned**

By **RUTH SIMON** and **JONATHAN KARP**
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With the real-estate market cooling, many homes are being hawked by auctioneers.

The selection of houses for sale -- often foreclosures or properties that can be tough to value -- can run the gamut from shotgun shacks to McMansions. And buyers need to do their homework or risk getting stuck with nasty surprises.

Still, there can be some deals hiding in the weeds. Consider Damon Malicoat, 37 years old, who bought a bank-owned house near Warrensburg, Mo., at auction in November after it had been vacant for nearly two years. The front-yard "grass" reached up to his knees, and the basement contained a dead snake.


He feels like he got a good buy, though, paying \$100,000 for the property, which had been appraised at \$139,000. He spent about \$26,000 to upgrade the electrical and plumbing systems and make other repairs.

Sales like these are on the increase. Chicago-based Sheldon Good & Co. says it expects to run 44 residential auctions this year, twice as many as in 2004. Among the recent sales: 21 condominiums in the New York City area and fractional shares in a Jackson Hole, Wyo., resort.

Dallas-based **Hudson & Marshall of Texas Inc.**, which specializes in selling foreclosed single-family homes, auctioned 300 properties in Texas and 300 others in California during June. In July, the company plans to auction 400 bank-owned properties in northern California and 400 others in Ohio and Pennsylvania.

At a recent Hudson & Marshall auction in Michigan, the offerings ranged from a three-bedroom home in Saginaw listing at \$2,500 (it was fire-damaged), to a 3,600-square-foot home adjacent to

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Craig Sands/Getty Images

Damon Malicoat bought this house near Warrensburg, Mo., at auction for \$100,000, dead snake included.

a country club in Ann Arbor listed at \$679,000.

Nationwide, \$16 billion in residential real estate was auctioned last year, says the National Auctioneers Association, a trade group, up 39% since 2003.

Auctions have been used for years to sell trophy homes and other properties that can be tough to value, as well as homes owned by people who are relocating and need to move quickly. But much of the recent growth is coming from lenders seeking to unload foreclosed properties and builders and developers looking to move unsold inventory.

Bidders need to do homework or risk overpaying for a property -- or being saddled with unexpected repairs. "Are there gems you'll be able to pick up out of the dirt? Yes, there are, but not at every sale and not with great volume," says Stephen Martin, president of Gwent Group Inc., a Bloomington, Ind., consulting firm that works with the auction industry.

Unlike in a traditional real-estate transaction, auction buyers need to do all their due diligence before bidding. That's because properties are sold at auction "as is." "There are no contingencies," says Craig King of J.P. King Auction Co., based in Gadsden, Ala. That means you can't back out of a deal if you later discover the roof leaks.

Buyers with cold feet risk losing their deposit, though some states allow them to back out of an agreement under limited circumstances.



Jensen Walker/Getty Images

When looking for a home for his mother, Ralph Savary and his wife, Elizabeth, decided to buy the house in which the auction was being held for \$183,000.

also ask the auctioneer if they've made sure the title to the property is clear and if the seller is paying for title insurance.

Other things to ask include whether there are unpaid taxes on the property, any easements that would restrict access to it and any deed restrictions that could make it tough to expand or remodel the home.

Risk of Overpaying

Overpaying is another risk. Buyers need to determine ahead of time what similar homes in the area are selling for, though that can be tricky in a cooling market where there's plenty of inventory

Among the details buyers need to focus on: the condition of the property and whether the title is clear. Homes being sold because the owner is relocating are more likely to be in good condition; properties that have been foreclosed on, by contrast, often need more work, either because of vandalism or because the prior owner didn't have the funds to make needed repairs.

Either way, buyers need to take a close look. "I would tell people to hire an inspector," says Bill Sheridan of the National Auctioneers Association.

Homes sold at auction typically are available for inspection before the auction takes place. The auction company's Web site often includes details such as whether the property carries a home warranty. Consumers should

and few sales.

"The best advice I can give [buyers] is to get a qualified real-estate person who...definitely understands market value and how to determine it," says Mr. Martin, the auction consultant. He suggests bidders hire an agent who specializes in representing buyers. Some auction houses will pay a real-estate agent a commission out of the proceeds of the sale. Bidders can also get information about recent sales from sources such as Zillow.com¹.

The 'Auction Fever'

In some cases, "auction fever" can produce a higher-than-expected sales price. About 11% of the bank-owned properties auctioned off by Williams & Williams, Tulsa, Okla., go for more than the bank's previous asking price, says Dean Williams, the company's president.

A 1,400-acre ranch in Claremore, Okla., recently sold at auction for \$4.9 million, more than \$1 million above recent estimates of the property's value.

Jack Thompson, 68, is among those who feel they've nabbed a bargain. He and his wife Loraine, 66, purchased a home on 2½ acres in Doylestown, a small town outside of Philadelphia, for \$865,000 at an auction last year. The home, which includes a swimming pool and a guest house, was built in 1733. Documents show that George Washington stayed in it once.

Mr. Thompson says it was originally listed for twice what he paid. "It's a one-of-a-kind with a lot of history," says the auto dealer. "I was surprised that they put it up for auction and I got the price I did."



Michael Pilla/Getty Images

Jack and Loraine Thompson nabbed a historic home in Doylestown, Pa., for \$865,000 -- half the original listed price.

Buyers who don't do their homework risk winding up with less than they bargained for. Ken Crow, 61, who lives in Seattle, bid unsuccessfully at an online auction of new homes built by Lennar Corp., but later was offered the home when the high bidder backed out. Before sealing the deal, he decided to fly to Palm Springs, Calif., for a second look.

That's when he discovered the mountain views from the triangular 17,000-square-foot plot would be blocked by homes from an adjacent subdivision within a few years.

He also learned that a special levy would effectively double his property tax to about \$9,000. He decided not to complete the deal.

'Buyer's Premium'

Practices vary among auctioneers, but would-be bidders must typically bring to the auction a certified check that can go toward the deposit, and be prepared to close within 30 days. In addition, successful bidders often pay a "buyer's premium," a percentage of the winning bid that can vary widely and is added to the bid to come up with the final sales price; some firms charge a flat "services fee" instead.

Sometimes even buyers can be surprised by the outcome. Ralph and Elizabeth Savary, 49 and 59, respectively, went to an auction in Arlington, Texas, in April, intending to buy a home for Mr. Savary's mother. The couple bought her a three-bedroom home in Watauga, Texas, for \$76,000 and decided to bid on the home where the auction was being held, as well.

The couple paid \$183,000 for that home, which they will move into in July.

"It's a Tudor-style home with a lot of trees around," says Ms. Savary. "It's an absolutely beautiful home."

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