

Selling Property by Auction: Logical, Fair, Transparent

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A property transaction can only be considered closed or complete if it fulfils three requirements: the buyer must be able to finance the purchase, the transaction must be registered with the land registry, and the seller must have received the full benefit in their own bank account.

A profusion of questions confronts owners when they come to selling property, and many advisors and service providers usually appear on the horizon: real estate agents, brokers, valuation experts, and, often, the curious. Sellers who have not been involved in a property transaction before are especially likely to be confused about how to find and choose a buyer. The seller understandably wants to get the highest price, while the buyer would like a ‘good deal’. Both parties generally prefer discreetness, because people rarely display financial matters in public.

But buying and selling property is very often financially driven, and the financial quality of the transaction should be important for sellers and buyers.

Why Auction?

Dozens of different market players may try to act for a houseowner. In this environment, how can the seller identify the highest possible price? And how can they be sure to get this price? For most private sellers, a property transaction is far more complex than they originally thought. Selling a property usually involves a considerable amount of money for both parties, in addition to emotions and uncertainties — this is sometimes because self-declared experts, who are not taking any financial risks, get involved.

Managing such challenges without professional support can be as tricky as climbing an unfamiliar mountain without a professional guide. The result may

be losing a bruising amount of money. The risk of this increases if, as is often the case, sellers know neither the real financial power of potential buyers nor the value of their own property. Sellers may know what they paid for a property, or what they have invested in renovations, without knowing its current value.

There are various ways of putting a property on the market. For most kinds of properties, the internet is not the smartest solution for working out the best possible price of a property or for finding buyers. The place where a seller will get to know the best price is, in fact, a well-

planned auction. An auction is the most logical way of selling property: the willing vendor gets their money directly while the buyers must play open cards if they really want to buy a property.

With an auction, a seller can avoid expensive and often misleading property valuations — after all, a valuation is nothing more than a number that may be right or may be wrong, or even a feeling, which can be good or bad.

At a professional auction, the auctioneer keeps control of brokers

and the buyers’ agents, and any bidder must undergo proper financial and legal due diligence before making an offer.

Many people are familiar with auctions of vintage cars, memorabilia, jewelry, or paintings, or with the forced public sale of properties. This kind of auction — rarely discreet or transparent — has major drawbacks if it is used for real estate, where people are looking for more privacy.

How to Start Your Own Auction

In most countries, there are restrictions on how property may be legally purchased. This means that the

auction process requires some attention before a property may be put on the market for sale. These restrictions also mean that the number of serious buyers is rarely very high. Participants at auctions must like the bidding element and must be willing to be transparent when it comes to finances.

What happens if there is only one bidder or if the property attracts a large target crowd? These are situations that the seller may be concerned about. A professional auctioneer will have developed an individual strategy to pre-empt both scenarios. There are various methods that an auctioneer could use within a single auction to ensure the best possible price is achieved. But only an experienced auctioneer can manage such a situation for the benefit of the seller.

IMAGE: Shutterstock

Apart from choosing the best marketing strategy for attracting a large number of bidders, a qualified auctioneer

may be the optimum specialist for coordinating a property transaction. This is especially so if the seller would like the transaction managed in a truly discreet way, with bidders willing and legally capable of buying the property of their dreams.

Since private property auctions are new to the market, the choice of auction houses is very limited. For vendors, it is crucial to have a partner working for them in order to get the best price. The worst situation for a seller would be an auction house being paid by the buyer. Therefore, it is important for the seller to know how much financial risk they are

willing to take in implementing an auction and whether they want to bring in an auctioneer to assist. **R**

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