

Denver Auction - How To Sell Your Home in 5 Days

Denver 5-Day Sale Auction Study:
1955 Monaco
Denver, Colorado

Denver Auction Facts:

Rob and Lisa, investors in Denver, purchased a house to fix up and then sell for a profit. Rather than hiring contractors, Rob decided to do the work himself. The renovations took almost a year, with the investor living in the home for a month of the renovations. The home was built in the 1930's and there had been little to no updating done since an addition was added in the 1960's. They completely remodeled the kitchen with upgraded stainless steel appliances, maple cabinets, added a window, and opened the area up by knocking down part of a wall. The home is in a very desirable area with great curb appeal. The home has 5 bedrooms, and 3 bathrooms with a bonus finished attic area that was a big hit with everyone. The attic area is a bonus because it is not included in the square footage. The hardwood floors were restored and a great deal of the original fixtures in the home were saved to keep some of the charm of the tutor home. Another big hit was the fact that they kept most of the original parts of the bathroom adding to the charm. After having the home for sale by owner for quite some time, the investors decided to try and sell their home by having an auction. The auction was based off of the book "How to Sell Your House in 5 days", and followed the rules. Since it is not an absolute auction neither the buyer nor seller are locked in until a formal real estate contract is signed.

Real Estate Issues:

The Denver area, like most of the country, is in a suppressed market. This makes it difficult for sellers to get what they need for their homes, especially in investment situations. The value of the home has gone down over the past year, and there was a great deal of money put into it. Alternatives to the traditional ways of selling homes are needed. In this market, having your home listed with an agent, or For Sale by Owner, it can take over a year in some cases to find the right buyer. In that time, if investors have put everything they have into their renovation, it can cause serious financial hardships and in some cases foreclosure. Since this is not a typical real estate sale, the buyers have up to 48 hours to produce evidence that they can obtain financing, which could possibly throw a wrench into the scenario. Another important piece of this puzzle is making sure that you are able to attract buyers rather than just investors to the auction because the families or individuals that are looking to move into the property rather than just make money off of it are generally willing to pay more than the investors.

PRIMARY STAKEHOLDERS:

- Rob and Lisa
- Surrounding neighborhood
- Buyers
- Real Estate Agents
- Lien Holders
- Other sellers looking for alternative ways to sell their homes
- Discount Brokerages
- Investors
- Denver Auction Broker (Kyle Cascioli)
- Traditional Brokerage Firms
- Contractors

Real Estate Solution:

The actual auction was a large success. There was an inspection held over a two day time period where about thirty to forty interested people in the market for a home came by to learn more about the renovation and the auction by seller concept. The sellers were there during the entire process to answer any questions as well as Kyle Cascioli, an experienced broker, with a few of his students from the University of Denver to assist with documenting the process as well as explaining the auction to interested participants. By the end of the inspection window there were about ten bidders who left very reasonable starting bids with the sellers to begin the process. Sunday night Rob and Lisa followed through with the procedure by orderly calling each person on the list, starting with the highest bidder, to facilitate the bidding. As time went by some dropped out, some increased their bids, and some had to think about it until finally the investors were left with a final committed bidder offering \$500,000. Now, going into the process the couple was expecting quite a bit more than this due to the large investment, time, and effort that they had put into the renovations. So, this was somewhat of a necessary reality check. However, that offer was not sufficient for them at the time. In the long run, it turned out to be the better offer available, but it is entirely up to the sellers what offer they accept and what their terms are. After the auction by seller attempt was completed Rob and Lisa learned a great deal about their investment as well as a new way to sell homes. They were very satisfied with the entire ordeal due to its lower initial costs, lower commission rate, and quicker time period. Still, they decided to put their home back on the market, and the next week it went under contract for \$514,000. While this did not turn out to be as large of a profit margin for them, it finally closed the deal and allowed them to be finished with this investment endeavor. The outcome while not ideal was somewhat typical in today's market. Had the sellers been able to hold onto the property until a later date, maybe things would have

gone differently due to the great value and many quality attributes of the real estate.

Real Estate Opinion:

The market we have entered is unstable one with a lot of anxiety towards average Americans purchasing real estate. Many people have become skeptical towards the markets and are afraid to move on properties because of the risks they foresee. Some people didn't have the luxury of choosing whether to be a part of the housing market when they were in it from the beginning. Rob and Lisa are a great example of people who were caught in this market, and the book, "How to sell your house in 5 days" was somewhat of an answer to their anxiety. They were ready to move on from their fix n' flip, but needed a legitimate buyer for them to do so. After almost a year spent on renovations they were able to not only scope out many potential buyers, but also get a feel for exactly what their house was worth based on potential buyer's bids and opinions. On Sunday night after they had around 20 people scope out their house and leave bids. After this they had the estimate they needed to move on. The final bidder after the round-robin bidding secession rang in at \$500,000 and this gave them a relatively good idea of a potential market value. Because of the beauty of the process they were under no contractual obligation, but now they knew where they stood.

Many times over this limited day auction process has been incredibly successful because it puts the buyer in charge of what the house is worth. Sometimes the house is sold and sometimes not, but this is one of the best way to bring buyers and potential investors out of the woodwork to see how they feel. People can compare bids with other people and see exactly what the competition is like and ultimately change their bids based on other people's price decision. If an agreement isn't reached then you have, 1) avoided a lot of extra costs and fees, and 2) found a benchmark to move forward with for the potential value of your home. All and all this is a great process and not only benefited Rob and Lisa, but also the students who were learning this new sales model.

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