

Real Estate Auction Methodology - Barrett Associates

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At Barrett Associates, we primarily employ "property specific" permutations of Bill Effros's "5 Day Sale" approach as developed and described in his book "How to Sell Your Home in Days." That said, we also provide traditional property auction services.

As Bill clearly articulates in his book, there are many types of auctions. Traditional "Outcry" Auctions where people gather at a given place and time to bid competitively for a given property or item. These are where an auctioneer at a podium in front of a group of bidders, speaking quickly with dexterity and enthusiasm, generates competitive excitement. In the end, the gavel comes down and a winner "the high bidder" is declared. Traditional outcry auctions can be held as an "absolute" auction where the highest bid gets the auctioned item, or with a "reserve" price where the item will be sold to the highest bidder as long as it exceeds the minimum "reserve" value.

In his book, Bill also explains that the traditional historic approach in America to selling a home employs a slow version of what is known as a "Dutch" auction. Under the Dutch Auction methodology, a given property or item is often priced conservatively above its current market value and if unsold at that conservative price point, the price is then reduced until such time that the property or item appeals to a given "bidder" and is then sold. The school of thought on this methodology implies that in home selling, this leads to lower sold price levels. In our opinion, this is the rationale for much of the success of Bill Effros's "5 Day Sale" methodology.

Bill's approach involves the marketing of a "subject auction property" through direct consumer channels and advertising the property at an aggressively low beginning "price point." The aggressively low beginning price point is designed to attract as many given real estate consumers in as short a period of time that are actively seeking a property in their market(s) similar to the "subject property" in both type of home and geographic area. Type of home meaning house, town home, condominium, cooperative, rental property, etc., and geographic area meaning specific parts of a city, town, village, community, neighborhood, or subdivision.

In this way, "real buyers" identify homes for sale that meet their property profile, and by inspecting the property along with other potential buyers in "real time" they are able to competitively bid for the right to purchase the "subject property" in one weekend. This approach often results in a timely sale of the "subject property" by compressing the property sales cycle over traditional methods and results in a fair market price that works for both the "able" buyer and the "willing" seller in a free and competitive market at a static point in time.

Additional Auction Resources:

The History of Auctions

http://www.econport.org/econport/request?page=man_auctions_briefhistory