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Bidding Wars: Auctions of luxury properties picking up

Written by [ANDREW KLAPPHOLZ](#)

“Going once ... going twice...sold!”

There’s something about a live auction that captivates the imagination.

When it comes to a real estate auction, however, especially those designed to attract buyers for multimillion-dollar homes, the anything-goes sense of drama makes for a wildly popular event.

More often than not, the homes are high-end, which means that although regular buyers are sometimes welcome to hit the open house (and ogle the top-of-the-line amenities such as indoor pools and guest cottages) only dedicated buyers get to sit in on the bidding.

And by dedicated, it means the bidders have been vetted in advance, with an extensive credit review and pre-screening. They also, in most cases, have to come to the auction with a cashier’s check in hand, sometimes for more than \$100,000.

Instead of a real estate agent, the process is handled by an auction company and typically held at a third-party site like a luxury hotel, but just like a regular auction, at the end of the day, a legitimate bidder can walk away with a great bargain.

“The general practice of auctions is much more compelling than any regular listing,” says Misha Haghani, principal at Paramount Realty, a leading New York-area auction house that has handled auctions for big-ticket properties in Westchester.

“What we do best works in the high-end market,” he says. “They’re (sellers and potential buyers) the most liquid. They understand auctions the most. They use auctions to buy art, jewelry, cars.”

Haghani says auctions are becoming more popular because the real estate market has been down for about five years, and because sellers are becoming more open-minded as they try to avoid slashing the asking price too far.

“The reason is supply and demand,” Haghani says. “When the market becomes more difficult, the supply increases and owners need to think of other reasons to sell their property. The auction becomes one of those ways as opposed to simply lowering the asking price.”

For some, a lower asking price is the only way to generate interest. “Sometimes, it’s not a good idea for the property. Sometimes they don’t have other options,” Haghani says. “There isn’t a whole lot you can do except drop the asking price.”

And when even a drastic price cut doesn’t drum up interest, an auction is another option.

Private sellers can elect to sell their homes at auction, but there are other reasons for a property to be sold this way. Courts can order property auctions for a variety of reasons, such as recouping money for a bank or the government.

Recently in Lewisboro, a 6.5-acre estate with a pool was auctioned off by the Madison Hawk company in a process that was overseen by the U.S. Bankruptcy Court.

It was held in August at the the Crown Point Hotel in White Plains and though a starting bid of \$1 million was “suggested,” there technically was no minimum required to buy the property.

In this case, there was a lien on the property, between the bank and the former owner, but that matter was separated from the auction process so the winning bidder could obtain the property free and clear of any financial responsibilities.

How it works

Typically, a seller will set a minimum bid price, one that is usually unrealistically low to help get the process started, and then buyers — or their representatives — will drive the price up in a bidding war. Hopefully for the seller, the result will be a high closing price.

These auctions are usually done for the very high end of the market — properties worth at least \$2 million — and bidders usually need to pre-qualify with cash (or certified check) in hand, sometimes \$100,000 — just for the right to enter the room and make a bid.

“It’s a growing trend in the industry,” says Jeff Hubbard, president of Madison Hawk. “Private owners of luxury homes are using this process to market and sell their property.”

He says luxury property owners are turning to auctions because it’s a faster way to find the right buyer.

“There’s a timing element to it ... it’s certainly quicker,” Hubbard says. “You can execute a sale in about 60 days from the start of the program to the sale date.”

Earlier this summer, a Chappaqua home at 22 Random Farms Drive sold at auction for more than \$1 million. It was on a smaller property but had a jaw-dropping pool room and was in the much-desired Chappaqua school district.

The company handling that auction, Sheldon Good & Co., priced its opening bid at \$999,000, although they declined comment on the final sale price.

The seller, a surgeon who retired to Florida, originally listed the home for about \$3 million, eventually reducing the asking price to \$2 million. When no buyers were found at that level, an auction seemed like a great idea because it would generate excitement and get the deal done quickly.

“Auctions are a very effective way to sell a home,” Hubbard says. Under similar circumstances, an 8-acre property in Harrison



known as Westerleigh was sold at auction last September. The property included a 48-room mansion. Located at 38 Westerleigh Road, the home had languished on the market for six years, first priced at \$20 million and eventually brought down to \$7.5 million. The auction opened at \$2.9 million, and it sold for \$3.13 million.

The trustees representing victims of former North Salem supervisor Paul Greenwood, who was accused of stealing \$80 million from his clients, are hoping to sell his home at auction to recoup some of those funds.

The reason? No one seems interested in paying market value for Greenwood's 9,000-square-foot mansion, valued at \$7.5 million, or 286-acre horse farm straddling the Westchester-Putnam border either. Meanwhile, the cost of maintaining the estate since his arrest several years ago has surpassed \$3 million.

One of Haghani's recent clients, Brookside Estate in Harrison, failed to reach even the minimum bid, which Haghani declined to report, although typically properties of this size will have a minimum just under \$1 million. The auction was held in March at the White Plains Ritz-Carlton.

"It happens," Haghani says. "It could have been too high of a price — it was also early in the year."

Located at 81 Polly Park Road, the home has 7,500 square feet of space, including seven bedrooms, seven bathrooms, a wine cellar and a movie theater. Its owner — international real estate developer Neill Bernstein, dubbed Cape Town's "Donald Trump" — lived there for several years before returning to South Africa.

Now, his home is back on the market as a traditional listing with an asking price above the auction's opening bid of \$1.8 million.

Haghani says Bernstein wanted to sell Brookside through an auction from the very beginning because that's how most premiere deals are done not only in his homeland of South Africa, but in many countries overseas.

"It's just custom," Haghani says. "Here, property is sold by hiring a broker and waiting months — sometimes years — to find a buyer."

That practice would not fly in other countries, Haghani said, because sellers wouldn't want to leave the deal in the hands of the middlemen.

"In those other places, it's considered weird," he says. "It's like driving on the left side of the street rather than on the right."

While auctions seem to be catching on among rich Americans, Haghani says he doesn't expect it to trickle down into the mid- and lower-ends of the market.

"We've had the most success selling the most expensive stuff," he says. "The more expensive the real estate, the easier it is to sell by auction."

Not for the average home owner

One of the problems with selling lower-priced homes is that buyers will often have to apply for a mortgage, possibly even a government-backed Federal Housing Administration loan, and the application process takes too long, Haghani says.

In Haghani's estimate, if auctions became mainstream, the process would lose its cachet, and possibly crush the multi-billion 

dollar real estate industry.

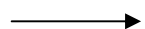
"If every single property owner said 'no more listings, I'm just going to auction it,' then they'd lose their allure," Haghani says. "The auction is exciting because it's not the norm. ... I would love for our business to multiply by five, but not by 5,000."



The exterior is photographed at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



The front of the home up for auction at 25 Conant Valley Road in Lewisboro is photographed Aug. 18, 2012. (Xavier Mascareñas / The Journal News)





The back of the home up for auction at 25 Conant Valley Road in Lewisboro is photographed Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



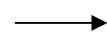
The indoor pool is photographed at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



A staircase made of marble, along with the marble floor, is photographed at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



A staircase made of marble leads to the second floor at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)

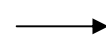




A view of the living room from the second floor is photographed at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



A view from the second floor overlooks the living room past a piano at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)

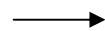




The indoor pool room of the home up for auction at 25 Conant Valley Road in Lewisboro is photographed Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



A side deck attached to the indoor-pool room of the home up for auction at 25 Conant Valley Road in Lewisboro is photographed Aug. 18, 2012. (Xavier Mascareñas / The Journal News)

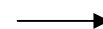


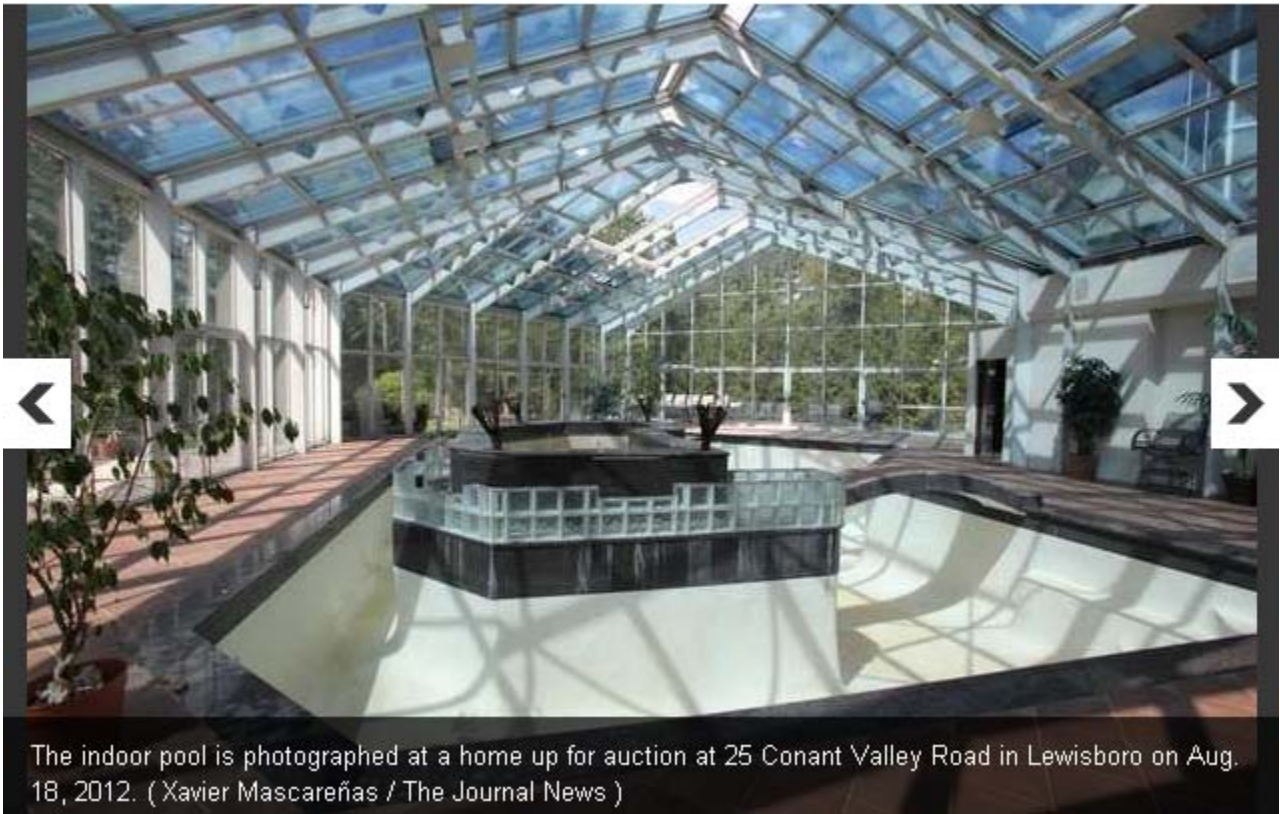


Toys near an outdoor playground are photographed in the foreground of a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



The living room is photographed at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)





The indoor pool is photographed at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



A side deck attached to the indoor-pool room of the home up for auction at 25 Conant Valley Road in Lewisboro is photographed Aug. 18, 2012. (Xavier Mascareñas / The Journal News)





A playground area is photographed at a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)



A bank employee collects signs after an auction open house for a home up for auction at 25 Conant Valley Road in Lewisboro on Aug. 18, 2012. (Xavier Mascareñas / The Journal News)