



## Getting real about asset disposition strategies

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So far this year 20 banks have failed bringing the total to almost 200 since 2008 and the number will have likely increased again by the time you read this. We will operate in a failing bank environment for another three to five years with a great many more banks likely to falter. For perspective almost 300 banks failed from 1986-89, and when the RTC was formed in 1989 an additional 750 banks proceeded to fail. The FDIC just announced that there are over 700 banks on their watch list. Factor in the undesirable market and economic indicators and it is no wonder many owners of real estate and real estate lenders are currently formulating and executing on structured and accelerated asset disposition strategies. While property sales are in a slump there has been a dramatic increase in the amount of assets being sold at auction. The main forces driving the noticeable increase in real estate auctions since 2007 include: buyer excitement and embrace of the auction process and sellers discovering ways they can plan better and have control over the sale of their assets. About \$60 billion worth of real estate was auctioned last year at live-auctions, which does not include sealed-bid auctions, online auctions and other approaches. With all the options available it's important to find out what auction firm can serve your disposition needs best.

In the universe of auction solution firms, there are many players each with their own strengths and weaknesses. Some things to weigh and perform due diligence around include:

How long has an auction firm been around? It helps when an auction company has been around a while-long enough to participate in all aspects of a real estate cycle. Firms that worked with the RTC and successfully sold assets during the last down turn can offer meaningful perspective.

What type of buyer pool do I want? An auction firm should have experience selling your type of assets and access to the buyers that would be interested in bidding on your assets. A good auction firm knows who your buyers are.

How wide of an audience do I want to reach? Some auction companies operate on a strictly local or regional basis. Some auction companies have the ability to reach nationally and even internationally.

What type of auction do I want to use to sell my assets? Solutions include sealed bids, open outcry, online platforms, dial-in, and any combination of these. Find out which solutions a particular firm does well or if they do well with all of them. See which approach a firm recommends and why.

Do I want to sell individual assets or combine assets to sell together? Some firms do well selling individual assets and some do well running campaigns for multiple assets. In a portfolio or combined property sale a smarter structured approach should allow sellers to maximize their proceeds.

What does the auction firm's processes and engagement experience look like? An auction firm should be able to provide a full scope of work, the right talent mix and meaningful data throughout the engagement in order to ensure transparency and promote good decision making.

How does the auction firm cooperate with all sources for potential buyers? Auction firms have

different ways of working with potential buyers, brokers and intermediaries. If the sale requires participation from all potential sources in a market the auction firm should have meaningful ways to attract and cooperate with all such parties.

How does the auction firm get paid? Auction firms generally charge a seller only for the marketing requirements. Auction firms customarily get paid for their sales efforts by the buyer in the form of a buyers premium.

These are some of the main issues any owner or asset manager should determine when looking to sell assets. Even though auction solutions are more popular at certain times instead of others, they continue to increase in popularity over the long run. In a market where values are uncertain and miscalculation can be costly, proper marketing and structuring, among other things, will allow auctions to make the market and bring liquidity.

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