

How Can We Convince Sellers to Utilize the Auction Method in a Strong Market?

Hello fellow MSAA Members!!

I found myself recently visiting with some clients trying to book a land auction on a decent farm about 20 minutes from my hometown. After various phone calls with two of the three owners educating them on the positives and negatives of their farm, estimated ranges of value & current market trends I began to wonder if these sellers maybe felt they could market & sell their own property on their own. I also wondered if they felt they maybe didn't need our services to still get a fair price for their farm. That brings me to my point in writing this article. The question that came into my head was "How do we convince sellers to utilize the auction method in a strong market?"

After I thought about this for a moment I began to think about this particular property and I immediately thought that these sellers maybe don't need us to still get a fair price for their land. They have a good farm in a strong area that really wouldn't be very difficult to sell. In this market there are a lot of sellers who can negotiate a fair sale for their property without the assistance of a professional in the industry. I thought a little longer about what I could say to these sellers to sway them in our direction. If I'm being completely honest, in this market assets, such as Real Estate, are selling extremely well both privately and on the open market. However, one thing we can guarantee in a strong market is that a well-advertised, well conducted, public auction is what is actually setting the market trend at this current time. Almost all the properties we have sold in the last 12-18 months have exceeded expectations. We've had several properties where a seller received a strong offer on a property prior to us getting involved and had they asked our professional opinion, in many cases we may have told them that we felt the offer is fair and we may have convinced them to take that offer. Thankfully though, we've been blessed with sellers who have been believers in the auction method of marketing. There are countless recent sales I can think of with farms that have sold for \$1,500 to \$2,000 per acre more than an appraisal completed on their property or our pre-sale estimates of the properties.

So, I put together a list of some of the previously sold properties that far exceeded presale expectations to explain to these sellers that in a market like this, it's easy to give a realistic range of value, but how do you know you're getting a fair price if you don't put that property on the open market? In a strong market it is extremely tough to know whether you're getting all that it might be worth. It's just too difficult to predict where the top might be in some cases. There are sales all over the Midwest that might not make sense, but when a property sells at a public auction on the open market the result is what a willing buyer was willing to pay on that given day. It can't be disputed or called a fluke sale. It's just what the market was on that given day. It's easy to explain to someone how upset they might be if they short themselves. The best answer I can come up with at this time is that at the end of the day, the auction method is the only way to truly attain fair market value in this current market or any market.

My father, Chuck Sutton, once stated in a promotional article he wrote that "Acre per Acre, Item per Item, Head per Head and Dollar per Dollar, a professionally managed and conducted auction is the most efficient method by which a seller may merchandise and obtain "TOP DOLLAR" for their property". This is the message we must convey to our sellers.

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