Once in a while it does happen. Someone breaks all the rules that normally dictate a success auction. But if you want to increase the odds of a successful sealed bid auction for your clients, these suggestions can help tip the scales in your favor.

**DO** recognize that not every type of real estate is suitable for sale using an auction – public or private. Auctions work well for properties that appeal to many buyers. For example, a prime farm will appeal to both producers and non-farm investors from a wide radius.

On the other hand, a set of buildings appeals to a smaller market. Demand for recreational properties has been strong over the past 10 years. However, the buyers of recreation properties are scattered over a wide area. They are less likely to be aware of an auction in a certain county on a certain day. Real estate brokers who are active in the market for recreation, rural residential and highly improved properties are a better marketing choice than an auction format in those situations.

**DO** consider an auction as an effective way to meet a deadline. If there is a reason to ensure a piece of real estate is sold by a certain date – the end of the fiscal year or before a foreclosure is filed, for instance – scheduling an auction is the way to go. One of the reasons recreational properties and rural building sites aren’t suited for an auction is because they normally require more time on the market.

**DO** use an auction – private or public – if your client’s ultimate goal is to determine the highest price someone is willing to pay. However, your client may want to make sure a relative or a neighbor gets the property. If that is more important to them than getting the top dollar, an auction isn’t the way to go.

**DO** schedule the bid opening at a time and location that are convenient for the most likely buyers. A recent sealed bid auction ended with a high bid of $8,000 less than the seller’s minimum acceptable price. The bidders were asked to drive 90 miles from the farm to raise their bid. Would the serious bidders go anyway? Sure, but casual bidders may have spurred one more round of bids. One more bid of just $25/acre on an 80-acre farm would pay for 13.33 hours of billable time for the attorney at $150 per hour. That would more than pay for the attorney’s round trip to the vicinity of the property being sold.

**DON’T** share an appraised value or high minimum bid in the ads. Nobody wants to knowingly pay more than what a valuation expert thinks the property is worth. A high minimum bid will limit the number of bidders, and potential buyers don’t want to be told what to bid.

**DON’T** limit the number of bidders. One auction advertised that only the top three bidders would be invited to the attorney’s office to raise their bids. The three high bidders turned out to be an adjoining farmer and two grown sons. All bid the same amount. There obviously was no further bidding. It is a more common practice to limit the number of bidders to five, but why? If you are limiting bidders because ‘that’s the way it’s always been done,’ rethink your reason. There will be more adrenaline flowing in a bigger crowd.

**DO** allow bidders plenty of time to raise their bids and let a slow bidder back into the bidding even if he/she missed a round of bids. The analytical, “appraiser-looking” guy in the back of the room may be a slow decision maker, but he’s probably been pinching pennies for 35 years to buy this land.
DON’T make it complicated. Try to avoid unconventional sales circumstances. Terminate any leases. Don’t close the sale during the growing season. Avoid selling a property subject to a first refusal option.

DO open bids on the same day the bids are due. The bidders have their adrenaline flowing by the time they make the commitment to bid. Use that motivation and the competitiveness between bidders before they experience “bidder’s remorse.” Besides, why not open the bids right away?

DO advertise in more than the local weekly paper. If the brokers, bankers and appraisers who are in the full-time business of keeping track of the market aren’t aware of the auction, chances are good many of the prospective bidders aren’t either. An advertising bill of $2,000 is only $12.50/acre on a 160-acre farm. DON’T be penny wise and pound foolish.

For a “Grade A” sealed bid auction keep these basic thoughts in mind: Is it APPROPRIATE? Have I created AWARENESS through ADVERTISING? Is my time/location AVAILABLE to promote ATTENDANCE? And finally, can I keep the bidders ADRENALINE pumping? Answer "yes," to these questions and you’ll have made the grade!