

FAQS - AGENTS

Q: Will this bidding process eliminate the need for agents?

A: We use an agent-centric platform that requires both the seller and the buyer to have agent representation.

Q: Why is the starting bid price so low?

A: When you list at a low starting bid price, as auctions have for generations, and allow the market forces to determine value, this generates interest and momentum. Priced at or above real market value, approximately 35% of potential buyers see a specific listing. Price 15% or more below real market value, and 90%+ will see it. Zillow has 80% of the “eyeballs” and the average Zillow viewer will buy within 105 days, per Zillow. There are agents here in town who pay \$10,000.00 monthly to Zillow. We get those folks to examine our listing with aggressive pricing! And we get the opportunity to get the unrepresented ones away from the Zillow Premier Agents! In that online pricing and automated valuations are widely available – the “Zestimate” as an example, the real market value of a property can be relatively easily determined. We trust that within an 11-day auction period that everyone will discern that a \$500k home will not be sold for \$350k.

Competition and greater demand, generated by the lower initial pricing draws more buyers to the listing. Everyone using Zillow, Realtor.com, Trulia and Redfin will see our listing. More demand = higher price as any multiple offer competition will show.

Q: Why not just list the property at market price?

A: Listing at real market value, or even 10-15% lower DOES NOT bring the level of interest or pull the “eyeballs” from Zillow. It results in a lower number of showings and less attendance at open houses. Whatever online price data may imply, the actual sales price of a specific home may differ markedly from what data suggests, depending on location, condition, presentation, and supply and demand. Buyers will bid up to get what they want! Greater demand = higher price!

Q: What does online bidding do?

A: It establishes a series of prices. Nothing is sold via online bid. The contractual process follows and may be based upon electronic documents sent over the internet, but it is more offline than the bidding! Given that the highest bid doesn't necessarily win (depending on contingencies), the online bidding process is not an auction, though we call it that. And we use the auction structure in Bright MLS.

Note: ALL normal real estate contingencies apply regarding financing, appraisal, home inspection, radon, well & septic, WDI and the like. Unless specified, properties are NOT sold "As Is," and are not distress sales in any way.

Q: Do we have to bid?

A: Well, no. There are no mandates here! You're welcome to submit an offer offline. But in the interest of everyone else who is bidding, we're going to disclose it and see if someone bids higher! You may as well register and bid! And bid at what you think is near "Real Value!" Lowball bids are a waste of time!

Q: What is the "Buyer Premium?"

A: It's the custom within the traditional auction industry where an auctioneer offers at open bid an item for sale. When the "hammer" is struck for highest and final bid, the purchaser pays the bid amount plus a "buyer premium." The auction house typically has the sales item under consignment, and their cost coverage and compensation are then drawn from the premium paid.

In our case, what we're doing is having the buyer pay his / her own commission (which pays you) and a .5% charge for use of the platform. The CD may show separate commission charges for buyer and seller.

Our industry "custom" has been that the seller pays the commission. (It could just as easily have been each side pays half, or the buyer pays!) The seller paid commission creates a perception by the sellers that they're carrying the whole cost (incorrect!) and it sets up an inherent conflict of interest in that the seller is paying the buyer's agent who is negotiating in the interest of the buyer against the seller's interest.

Reality is that the buyer brings the funds to pay for the transaction, so the buyer pays all the commissions however they are placed on the CD. Likewise, the seller's net is the same whether seller pays all on the CD, it's split, or the

buyer puts it on their side. If for instance, a 6% total commission is paid, no matter how it's paid, the seller net is 6% lower.

List price = \$500k. Buyer, OK, I'll give you \$500k. Commission is 6% or \$30,000.00. \$500k - \$30k = \$470k seller net. (Not counting other closing costs.)

Online bidding: Final bid = \$500k. (OK, I'll give you \$500k.) Final Bid + 3% "Buyer Premium" = "Final Sales Price." \$500k + \$15k = Final Sales Price. Buyer paid their own commission and marked the price up accordingly. \$515,000 x .06 = \$30,900.00. \$515,000 - \$30,900.00 = \$484,100.00 Seller net.

Buyer truly paid their own commission, as did the seller.

And the chances of a higher sales price are greater when there is more demand, while the marketing process is also much more thorough.

Industry compensation practices are the source of a lot of confusion and have resulted in litigation alleging that our traditional compensation practices violate the Sherman Anti-trust Act.

Q: How do I write the offer?

If your last online bid is (example) \$500,000.00 you'd utilize an "Addendum Sales" NVAR K117:

The Property is subject to auction and has been concluded through use of an online bidding system as well as offline standard contractual negotiation.

Procedurally, Final Bid Price + Buyer Premium (x%) = Final Sale Price.

Final Bid = \$500,000.00
+
Buyer Premium 3% (\$500,000.00 x .03) = \$15,000.00
= Final Sales Price is: \$515,000.00

The Parties agree that Final Sales Price is \$515,000.00.

That \$515,000.00 number goes on the SALES PRICE line at Item 2B on Regional Sales Contract NVAR: K1321. The buyer premium is not a separate charge and is

not out of pocket – it goes into the final sales price and financing structure just as a standard sale would.

Q: Is there a Reserve or a Buy It Now price?

A: Most sellers have a price in mind that they'd like to receive. Any price offered, just as in a standard listing, is subject to the seller's confirmation and agreement to go under contract at that price. Normal negotiation and real estate contingencies apply. The seller may accept, counter, or decline any offers.

There's no Buy It Now Price.

Q: How will you handle multiple competing attractive offers?

A: Multiple offers will be fully disclosed in everyone's best interest.