

Northern Colorado BUSINESS REPORT

PRINT | CLOSE WINDOW

5/7/2010 - 10:24:22 AM

Office space going, going, gone

By Kristen Tatti

If at first you don't succeed, take it to the Web.

That's the tack a couple of local brokers are taking to confront a stagnant commercial real estate market. Realtec's Patty Spencer and Dan Eckles are preparing to hold their first online property auction in late May. They will seek to sell five properties in separate auctions using AuctionPoint.com.

The idea first struck Eckles during a sojourn to New Zealand where he found auctions everywhere.

"It's a more standard way of doing business there," Eckles explained.

Seeing auctions in action got him thinking about the motivation of bidders, and how that relates to buyers of real estate. Both are motivated by the expectation of gain or at least to not lose out on an opportunity for a discount. The problem in today's real estate market is that the motivation isn't necessarily there, Spencer pointed out.

"People are still waiting on the sidelines," she said.

While Realtec believes that the office market bottomed out in November, buyers are still hoping to find even better deals. Spencer and Eckles hope that the online auction will jumpstart the stalemate.

The properties, office condos in the MetroSuites building located at 323 W. Drake Road, range in size from 1,000 to 4,500 square feet. The building was renovated into office condos in 2005. The auctions are set to start on May 25, with the bidder registration deadline May 21. Minimum bids range from \$95,000 to \$225,000 - a 40 percent discount.

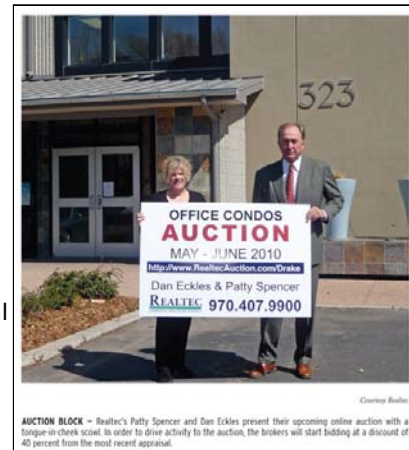
"It's been a great property for small business," Spencer said.

Eckles and Spencer are expecting buyers will not only take advantage of the properties' low prices, but also continuing low interest rates available through the Small Business Association. They estimate the average down payment for one of the suites through an SBA program at \$15,000 to \$20,000 with a monthly cost between \$5.28 to \$9.67 per square foot per month, depending on the final purchase price. That compares with Class A office rents of around \$15 per square foot.

"We're definitely going to set the value (in the market)," Eckles said.

In addition to co-brokering the properties, Eckles is also the managing partner of the investor group that developed them. In all, the five properties are discounted about \$500,000 - or \$100,000 each - to attract bidders to the auction.

"It's a big experiment," Eckles said.



Experiment a game-changer?

It's an experiment that the AuctionPoint team thinks is game-changing.

"AuctionPoint is, in my mind, going to change the way commercial real estate is sold in the future," said co-founder Keith Yang.

Yang knows the hard knocks of the down real estate market all too well. He and business partner Joe Tang were developers in Southern California who rode the wave of rising prices, which of course didn't last.

"In late 2007, we found ourselves holding onto a number of vacant buildings," he said, all encumbered by some type of financing.

The brokers had exhausted all of the traditional means of commercial real estate deal making. Tang, who also had a background in the tech industry, and Yang began developing an online auction platform to help unload the properties. The brokers are an important element, Yang explained, because they are the ones with the knowledge and expertise to properly price and market the listings.

"Auctions are a terrific way to motivate deals to get done," Yang said. "It bridges the gap between buyer and seller expectations."

The auction creates an instant perception of value, since the prices are discounted, and bidders can see what others are willing to pay for a property. In a market with a dearth of comps, knowing others perceive value in a property is almost as good as an appraisal.

AuctionPoint held its first auction in September, at first only to sell its own inventory of 13 vacant properties. By the first quarter of this year, all of the properties had sold, and the company decided to open up the site to other brokers. By March, publicly traded online real estate aggregator LoopNet Inc. announced it would make a strategic investment in AuctionPoint, which now has a pipeline of 60 auctions.

AuctionPoint is facilitating commercial real estate listings all over the country, including a couple more in Colorado.

Matt Call, a broker with Castle Rock-based Edge Real Estate, has a couple of properties on AuctionPoint. Call became aware of the service about six months ago and was drawn to the site because of the level of control retained by the property brokers.

Call plans to close his first AuctionPoint property sale on May 6, after this story went to publication. The property is a bank-owned golf course in Canyon City. Call might have had the sale closed already, but in order to generate more interest in the auction he lowered the minimum bid - at \$750,000 as auction day approached - and pushed back the auction day.

"You have to be brutally honest and aggressive, especially in this market," he said.