

Prime property**Super-prime houses auctioned off with no reserve**

Melissa Lawford 5 HOURS AGO

The eight-bedroom château with a private harbour on Lake Geneva sat on the market, intermittently, for seven years without a buyer. So, in September 2017, its owners decided to auction it off — with no reserve.

Its sale price is undisclosed but the property set a record for a residential auction in Europe. It's not quite the \$50m the owners had at one point been seeking through a conventional sale, but Charlie Smith, European adviser at Concierge Auctions, which conducted the auction, describes it as “comfortably in excess of €20m”.

Last year also saw an auction record set in the US. In December 2017, Concierge sold a Dallas home for \$38.9m. It was a 10-bedroom mansion with 25 acres, a helipad and — again — no reserve. The original asking price was \$100m.

Residential auctions, more often associated with foreclosures, are now the stomping ground of the super-rich, who, for all their millions, can't resist the whisper of a bargain.

Those in the industry compare their approach to fine art auctions, as opposed to the distressed sales that peppered the credit crunch years. Yet auctioning is rarely a first stop for sellers — it is an option they tend to choose when conventional methods don't deliver. Estate agents are more likely to struggle when the market is down, and the super-prime auction trend has its roots in the time of the financial crash.

Daniel DeCaro, founder and president of DeCaro Auctions International, which is based in Florida, first moved into high-end residential auctions in the 1990s. His company underwent a small boom during the US's property downturn of 2007, he says: "From there, in 2012, we went exclusively into multi-million-dollar homes." By then, the company wasn't alone. Concierge was founded in 2008 and has since done 35 \$10m-plus sales. Its dollar transactions have increased by an average of 107 per cent a year, says founder and president Laura Brady, (the company sells properties from \$1m up). Platinum Luxury Auctions became operational in 2011, followed by Elite Auctions, which sells homes worth \$2m-plus, in 2016. PLA's company name, says president and founder Trayor Lesnock, was deliberate, "because I actually now own the trademark rights to the term 'luxury auction'".

The trademark seems to have done little to curb his competitors, not least, perhaps, because all rake in buyer's premiums of 10 or 12 per cent. Super-prime auctions are spreading. At the end of 2015, Concierge conducted its first sale in Europe (a home in St Tropez, sold to a Norwegian seeking a wedding present). The company has since made 16 sales across the continent, three in excess of €10m. DeCaro is planning aeroplane auctions next. It's an obvious move, he says: "Our database is the people who buy yachts, jets and multimillion-dollar real estate."



Coming up at auction: Flower Mound in Texas

Early next year, PLA will be selling a 10-bedroom ocean-view house in Mexico with a previous listing price of \$10m. On September 30, Elite Auctions will offer a 14,906 square foot mansion in a gated community in Texas. Its current listing price is \$11.9m. Near Lausanne, in Switzerland, Concierge will be bringing the former home of Count Peter II of Savoy to auction on September 25. The 14th-century château was previously listed at SFr18m (\$18.4m).

This year, DeCaro Auctions sold a home in Palm Beach, Florida, for \$15m. It had been on the market for five years with an initial asking price of just over \$20m. The home had 11 bidders, says DeCaro. “Did they overpay? No. Did they underpay? Well, that’s why you go to auction, you want a deal.”

Each company takes a slightly different approach but the format is largely similar. First come photographers, videographers and drones. Then, an intensive, roughly four-week marketing period. In Europe, Concierge will send a project manager to live near the property to field prospective buyers. Elite will invest up to \$200,000 on the campaign. “What the programme does is create urgency,” says Elite’s chief executive and founder Randy Haddaway. “We’re not real estate brokers, we’re a marketing company.”

Buyers pre-register — usually with a hefty deposit — and then are dangled a carrot. There may well be no reserve but there is an opening bid incentive, at the discretion of the seller. Typically, if the opening contestant wins, they get 10 per cent of their first punt off the final price.

Concierge conducts its auctions mostly in 72-hour online marathons. Other companies like their buyers live, usually at the property itself. “We do a red carpet rollout, with velvet ropes,” says Lesnock. “Everyone from the team is dressed to the nines,” says Haddaway. “We serve hors d’oeuvres, sometimes champagne.” Lesnock prefers his patrons hungry. “I don’t like people to be tired and full of carbohydrates before bidding,” he says.

Buyers, perhaps inevitably as these companies are all based in the US, are primarily American. In Europe, the joint largest buyer group is Germans, says Smith: “They love the immediacy”. Three of Concierge’s 16 European sales have been to Chinese buyers, one of whom bought a French château sight unseen. Only one winning bidder to date has been British, adds Smith, blaming the weakness of the pound.

Are the vendors ever unhappy with the price? It’s rare, but it does happen, says Brady. “If you have not got enough interest or not enough people have registered to bid, we will cancel the sale,” says Smith.



Going, going . . . Villa Searfoss in the Baja California Sur © Dass Alamillo

In some ways, auctioneering is particularly well-suited to the super-prime market. Stupendously expensive homes are tricky to value and have the kind of maintenance costs that make years on the market undesirable. They are also often a bit wacky. “A lot of wealthy people build homes for themselves,” says Haddaway, “and not everyone wants 11 miles of gold-leaf crown moulding.”

Many in the auction business cite how inflated asking prices mean super-prime homes lag on the conventional market — worth highlighting not least because sale prices look better if initial prices can be declared delusional. But Brady notes that many of the properties Concierge takes on have been drastically reduced. “A buyer who can pay \$30m can probably also pay \$40m,” she says; the issue is that they’re not sure anybody else would. Competing with other bidders is a process that legitimises a property’s value, says Brady — the buyer can see how much someone else will pay for it.

Perhaps there is a cultural shift too. “Instant gratification is ingrained into every walk of life now,” says Smith. “We want things quicker — the auction environment provides that.”

In a time when many prime assets are depreciating, speed has a logic to it. Values of homes worth more than £2m in London’s suburbs, for example, fell by 6.2 per cent in the year to June 2018, according to Savills.

Residential auctions have long been common in Australia, but in the UK the method is still unconventional. Concierge has conducted one UK sale. The highest disclosed price for an auctioned home in the UK — a Belgravia property in 2003 — was £4.925m, according to the Essential Information Group. (Three other homes have sold for higher, undisclosed sums. There have been two sales of homes in the £5m-£10m bracket since 2014, according to EIG.)

Still, companies such as Allsop and Savills auction properties for more than £1m and the prime sector is growing. There were 58 £1m-plus sales at auction in 2017, according to EIG, almost double the number in 2014. In the first quarter of 2018, the average discount on London's £10m-plus homes was 10 per cent, according to Knight Frank. The hors d'oeuvres and velvet ropes are perhaps not too far off.

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