

**Real Estate
Foreclosure
Case Study**
Furrow Auction Company



What is a Foreclosure Auction?

A foreclosure auction is typically conducted on behalf of a lending institution or creditor. Often times, special asset managers are able to restructure a troubled loan or provide enough time to the borrower to refinance with another lending institution without having to take legal action. In some instances, the lender will even sell the note. When these options have been exhausted, a trustee is assigned to secure the performance of the obligation and the property pledged as security for the debt, is sold to pay the debt. Typically, this sale is performed via the auction method of marketing.

CASE STUDY

Asset: 62,000 s.f. Industrial Warehouse
Condition: Fair
Location: Memphis, TN
Client: G. E. Capital
Estimated Auction Value: \$350,000 - \$400,000
Actual Auction Value: \$395,000



Project Overview:

Located in Memphis, TN, the property had two tenants, occupying approximately 24,000 square feet of the building. The remainder of the building had been vacant for over a year. The property was located in a depressed section of the city, with crime rates and unemployment well above the national norm. The perimeter of the property was surrounded by chain link fence topped with double rows of razor wire and the building was in need of significant roof repair. The lending institution contacted Furrow Auction Company approximately 30 days prior to the scheduled foreclosure, relying on our experience and expertise to attract qualified buyers and extract maximum value from the property.

The Value Enhancement Process - Marketing:

Given the short time frame in which to work, Furrow Auction implemented a multi-pronged approach to marketing the property. The first step was to advertise the auction in the Memphis newspaper, thereby exposing the sale to a quarter of a million readers. Secondly, Furrow enlisted the assistance of the local brokerage community by offering broker participation to any qualified broker who represented a successful buyer at the auction. This tactic expanded the reach of the standard advertising as sharp real estate brokers called on their client list to look for candidates to purchase the property. Thirdly, Furrow tapped their data base that has been grown and refined over 34 years of business to market the property directly to buyers of industrial property in the middle and western Tennessee region. A fourth tactic was to send a Furrow Auction professional into the local market to meet with the top lending institutions and obtain their lists of top customers and investors in real estate. These individuals were then contacted directly and provided all pertinent information on the property. The marketing efforts were rounded out with extensive signage and a full property brief located on the Furrow Auction Company Website.

Making It Happen
The 30 Day Marketing Blitz

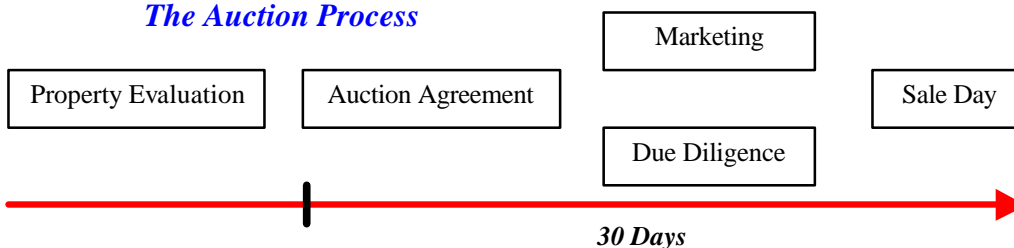
	Week One	Week Two	Week Three	Sale Week
Newspaper Ads				
Database Marketing				
Direct Marketing				
Broker Assistance				
Internet Marketing				
Signage				

The Value Enhancement Process – Due Diligence:

Creating and implementing a cost effective and timely marketing campaign comprises one half of the Value Enhancement Process. The other – and equally important – part of the equation is thorough due diligence. This process consists of anticipating and answering all questions a prospective bidder might have. In the case of this property, several items were uncovered during the due diligence process that could have had a significant effect on value, had they not been addressed:

- Two tenants occupied the property, one who had a long-term lease, and the other who was paying on a month to month basis. Furrow Auction obtained copies of each lease and subsequently interviewed each tenant to determine their desire to remain in the building. This information was used in our marketing to demonstrate the investment potential of the property.
- The building suffered from a leaky roof, but the extent of the damage was unknown to the lending institution and the tenants. In order to minimize the potential affect on value, Furrow Auction Company contacted two roofing contractors and provided written estimates as part of the property information package so that prospective bidders knew the true costs associated with the roof repair.
- The property was subject to a tax lien due to delinquent city and county taxes, which allowed the Tennessee Department of Revenue a right of redemption in which to claim the property at the sale price plus interest within 90 days of the closing. A detailed and thorough explanation of this process alleviated potential concerns and resulted in positive bidding on auction day.
- All pertinent property information was researched and disclosed including:
 - Utility providers and history
 - Tax payment amount and history
 - Current zoning information and regulations
 - Age of building
 - Parking capacity
 - Traffic count
 - Type/Condition/Capacity of mechanical systems
 - Ceiling heights
 - Access information, number and types of doors
 - Column spacing
 - Type and extent of sprinkler system

The Auction Process



The Bottom Line - Sale Day & Results

Due to the extensive marketing and due diligence provided, the lending institution did not participate in the bidding, thereby eliminating potential ownership and associated carrying costs. The auction marketing program was effective in attracting qualified bidders that fell in to three categories: Potential users of the building, Investors looking for long term return and speculators looking for an opportunity to buy and resell. The auction was held on-site and over 12 bidders competed to purchase the property. Due to the great turnout, the lending institution did not feel the need to bid and was pleased to recover most of the legal expenses associated with the property. Most importantly, they did not end up owning the property and have none of the long term carrying and legal costs associated with ownership. The overall results of the auction were right inline with Furrow Auction's estimates and most importantly, met the expectation of the client.



➤ Number of bidders:	15
➤ Counties Represented:	6
➤ States Represented:	2
➤ Number of registered brokers:	4
➤ Estimated Auction Value:	\$350,000 - \$400,000
➤ Actual Sales Price	\$395,000