

The devil is in the details behind some real estate auctions

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THE GARDEN ISLAND

PO'IPU — In this current economic climate, everyone from first-time buyers to investment companies are on the lookout for distressed properties.

Kaua'i real estate agents say it's a buyer's marketplace and those buyers are all bargain hunters.

But the property auctions some major investment firms are holding to capitalize on this environment may not be as straightforward as they seem.

On Oct. 5, international real estate investment firm Kennedy Wilson announced the acquisition of Wainani at Kiahuna, a residential subdivision adjacent to Kiahuna Golf Club in Po'ipu Beach's resort area, for the distressed price of \$12 million.

"The acquisition was completed through Kennedy Wilson's Property Fund III, a value-added, opportunistic investment vehicle that



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Wainani at Kiahuna model homes will be auctioned Dec. 28.

targets real estate in the western US and Hawai'i," a press release stated.

The firm purchased the subdivi-

sion, including six model homes and 63 lots averaging 8,000 square feet, from the developer, who com-

pleted construction of the 2,000- to 2,300-square-foot models at the end of 2008 and put them on the

market for \$1 million to \$1.5 million in early 2009.

The rest of the subdivision was never developed and the model homes never sold.

On Dec. 28 at the Grand Hyatt Kaua'i Resort and Spa, Kennedy Wilson will auction the six move-in ready, three-bedroom homes. The bidding will start at \$450,000 to \$595,000.

However, this is not an "absolute auction." An absolute auction means the highest bidder acquires the item being auctioned irrespective of bid amount, and there is no reserve price below which it will not be sold.

Kennedy Wilson's auctions typically use an unpublished reserve price, which allows them to refuse the highest bidder. The starting bid price is not the reserve price.

For instance, at the firm's recent auction of condominiums within the John Ross building in Portland, Ore., the winning bidder's price

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Kaua'i High School girls basketball team members, including Kristle Henry (left) and Bristy Agu (right), have volunteered their weekends to help market Kennedy Wilson's home auction.

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averaged approximately 150 percent of the starting bid, news reports show.

Reserve-price auctions are an effective low- to no-risk marketing vehicle. It allows a seller to aggressively market the sale of a property as an event, tap into the bargain-hunting psychology of the marketplace, pool a group of pre-qualified buyers into one place on one day and have them compete against one another, while reserving the right to decline the highest bid if it doesn't meet expectations.

The day prior to the auction, Kennedy Wilson will offer registered bidders a free "How to Buy at Auction" training seminar to

rehearse bidding strategies and find out how to pre-qualify for financing.

The firm's representatives said it is corporate policy not to disclose the number of bidders registered for a given auction. Bidders unable to attend the auction in person can participate via live Internet online bidding with real-time audio and video.

Assisting Kennedy Wilson's marketing efforts, Kaua'i High School girls basketball team members spent a hot Hawaiian afternoon Sunday standing by roadsides in Po'ipu and Koloa holding up signs advertising the auction and enthusiastically waving to passers-by.

The girls volunteered their Saturdays and Sundays for three weeks in a

row after the company offered the team a \$750 sponsorship. The coach says they will use the money to buy gym shoes.

As for the remaining 63 lots, Kennedy Wilson Auction Group President Rhett Winchell said, "Within the Wainani at Po'ipu development, the seller anticipates that the lots will either be sold individually or in bulk to a home builder.

"Future homes constructed on the lots will be required to comply with the design guidelines as set forth in the Wainani at Po'ipu Design Review Requirements and governed by the Declaration of Restrictive Covenants and Restrictions."

Visit www.poipuauction.com or www.bidkw.com for more information.