Auction Method effective way to sell Bank Branches

By John Dixon
President, John Dixon & Associates

Bank branches have been closing at an increasing rate for several years now, and many sit unsold along our thoroughfares, tying up money that could be better used elsewhere. Banking Exchange noted in late March that during the previous 12 months, U.S. banks and thrifts had shut down a net 2,026 branches. Of those, almost 29% were in the Southeast.

These are added to an already large inventory of closed bank branches resulting from trends we have all come to know well, such as mergers and mobile banking. In many areas, branches are just too big – built for a different era.

Sooner or later, they have to be sold. I generally argue for sooner, because money tied up in idle or deteriorating assets is always a drain. And right now, we have a very strong real estate market that won't be with us forever, especially as interest rates begin to rise.

The basic choices for selling assets haven't changed much. You can list a property and wait for the phone to ring, or you can sell them at auction.

Here are the reasons I favor the auction method:

- **Eliminates the ceiling of the asking price**. The asking price in a conventional listing acts as a limit on how much a bank is likely to get for it. If a listing results in a quick offer, we chalk it up as a success, but we'll never know if we left money on the table by pricing the facility too low. Conversely, an asking price that is too high can result in the property sitting on the market and getting stale.
- **Puts buyers on the bank's timeline.** In an auction, the seller determines when the branch will sell, and the buyers determine the price through competitive bidding. By forcing potential buyers to the table at the same time, you ensure that the property will sell for a competitive market price.
- **Facilitates marketing for multiple uses.** One trend we are seeing in real estate is the repurposing of properties for entirely different applications. A bank branch isn't just a bank branch. It is often suitable for use as an office building, restaurant, retail store or some other application – limited only by the buyer's imagination and the economics of conversion. Today, we have many restaurants – and even some medical offices – operating in facilities that were once service stations. When we widen the universe of potential buyers, we get more bidders, and that tends to lead to a higher sale price.
- **Achieves a sale in the current market**. As noted, we're in a strong real estate market now. But even in a weaker market, it makes sense to go ahead and get an asset sold. At least it's the devil we know. And let's not forget that next year, that bank branch will be a year older, and meanwhile carrying costs such as maintenance, utilities, insurance and taxes are adding up. Buildings deteriorate quickly, especially when the air conditioning is turned off, making them look, feel and even smell "stale" to buyers. So even if that elusive "better market" comes along, the benefits may be offset by the inevitable deterioration.

Most banks in Georgia are already familiar with our firm's approach to the business because of our long history of selling bank-owned assets, so it is only natural for John Dixon & Associates to make bank branches a priority. Technology and market trends have broadened the number of options for an auctions. We frequently combine assets from multiple sellers and hold the auction in a central location, with live streaming and remote bidding available. In many cases, at least half the assets are purchased by remote bidders, who have done their due diligence locally, working with showing staff as we do for other events.

John Dixon & Associates, based in Atlanta, has sold approximately _____ bank branches. For more information, visit www.johndixon.com or call 770-425-1141.