

A Simple Multi-Parcel Auction

Rules and Assumptions

- (1) Bidding is always based on the highest bid price for the desired tract or tracts.
- (2) Assume a 160-acre tract is divided into 4 tracts of approximately 40 acres each for purposes of this sale.
- (3) Assume a minimum bid increase of \$2,000 above the previous high bid.

First Round of Bidding

Tracts are first offered individually to create a base price for each tract. Here are the high bids after Round 1:

| Tract No. | Acres | Total Bid | High Bidder |
|-----------|-------|-----------|-------------|
| 1 | 40 | \$100,000 | A |
| 2 | 40 | \$120,000 | B |
| 3 | 40 | \$50,000 | C |
| 4 | 40 | \$80,000 | D |
| Totals | 160 | \$350,000 | |

Tract 1

Tract 2

Tract 3

Tract 4

Second Round of Bidding

The bidding is opened to "multi-par" bidding. Bidder D wants tracts 1, 3 and 4. The minimum bid required for the three-tract combination is calculated as follows:

- (1) Add the original high bids for the desired tracts (1, 3 and 4):
 $\$100,000 + \$50,000 + \$80,000 =$ **\$230,000**
- (2) Add the required minimum bid increase of \$2,000:
\$2,000
- (3) New high bid for the Tract 1, 3 and 4 combination:
\$232,000

The current high bid for Tract 2 is \$120,000, the same as in Round 1. The total of the high bids at the completion of Round 2 is now \$352,000.

The high bids after the second round are:

| Tract No. | Acres | Total Bid | High Bidder |
|---------------|-------|-----------|-------------|
| 2 | 40 | \$120,000 | B |
| 1 | 40 | | D |
| 3 | 40 | | D |
| 4 | 40 | | D |
| 1, 3, 4 combo | 120 | \$232,000 | D |
| Totals | 160 | \$352,000 | |

Tract 1

Tract 2

Tract 3

Tract 4

Third Round of Bidding

Bidder A, who was outbid in Round 2, now wants tracts 1 and 2. Under this scenario, Bidder A must add another \$2,000 to the overall sales price to break up the previous Tract 1, 3, 4 combination. This also brings Bidder C back in as top bidder for Tract 3 and Bidder D back in as top bidder for Tract 4 without any new bids from them.

The bid for the new Tract 1, 2 combination is calculated as follows:

- (1) Add the original high bids for the desired tracts (1 and 2):
 $\$100,000 + \$120,000 =$ **\$220,000**
- (2) Add \$2,000 to meet the previous bid combination:
\$2,000
- (3) Add the required minimum bid increase of \$2,000 for Round 3:
\$2,000
- (4) New high bid for the Tract 1 and 2 combination:
\$224,000

The current high bid for Tract 3 reverts to \$50,000, the original Round 1 bid from Bidder C. The current high bid for Tract 4 reverts to \$80,000, the original Round 1 bid from Bidder D. The total of the high bids at the completion of Round 3 is now \$354,000.

The high bids after the third round are as follows:

| Tract No. | Acres | Total Bid | High Bidder |
|------------|-------|-----------|-------------|
| 1 | 40 | | A |
| 2 | 40 | | A |
| 1, 2 combo | 80 | \$224,000 | A |
| 3 | 40 | \$50,000 | C |
| 4 | 40 | \$80,000 | D |
| Totals | 160 | \$354,000 | |

Tract 1

Tract 2

Tract 3

Tract 4

Fourth Round of Bidding

A new bidder (Bidder E) wants the whole property. Under these circumstances, the new bidder must merely raise the overall bid for all 160 acres by \$2,000.

- (1) Total all of the current high bids for the whole 160-acre property:
 $\$224,000 + \$50,000 + \$80,000 =$ **\$354,000**
- (2) Add the required minimum bid increase of \$2,000:
\$2,000
- (3) New high bid for all four tracts made by Bidder E alone:
\$356,000

The high bids after the fourth round are:

| Tract No. | Acres | Total Bid | High Bidder |
|------------------|-------|-----------|-------------|
| 1 | 40 | | E |
| 2 | 40 | | E |
| 3 | 40 | | E |
| 4 | 40 | | E |
| 1, 2, 3, 4 combo | 160 | \$356,000 | E |

Tract 1

Tract 2

Tract 3

Tract 4

Fifth Round of Bidding

Bidder B, who was outbid in Rounds 3 and 4, now wants tracts 2 and 4. Under this scenario, Bidder B must add another \$2,000 to the overall sales price. This also brings Bidder A back in as top bidder for Tract 1 and brings Bidder C back in as top bidder for Tract 3 without any new bids from them.

The bid for the new Tract 2, 4 combination is calculated as follows:

- (1) Add the original high bids for the desired tracts (2 and 4):

| | |
|--------------------------|------------------|
| $\$120,000 + \$80,000 =$ | \$200,000 |
|--------------------------|------------------|
- (2) Add \$6,000 to meet the previous bid combination:

| | |
|--|----------------|
| | \$6,000 |
|--|----------------|
- (3) Add the required minimum bid increase of \$2,000 for Round 5:

| | |
|--|----------------|
| | \$2,000 |
|--|----------------|
- (4) New high bid for the Tract 2 and 4 combination:

| | |
|--|------------------|
| | \$208,000 |
|--|------------------|

The current high bid for Tract 1 reverts to \$100,000, the original Round 1 bid from Bidder A. The current high bid for Tract 3 reverts to \$50,000, the original Round 1 bid from Bidder C. The total of the high bids at the completion of Round 3 is now \$358,000.

After the fifth round of bidding, no more bids are offered and the auctioneer declares all of the tracts sold.

The final high bids after the fifth round are as follows:

| Tract No. | Acres | Total Bid | High Bidder | | |
|------------|-------|-----------|-------------|---------|---------|
| 2 | 40 | | B | | |
| 4 | 40 | | B | | |
| 2, 4 combo | 80 | \$208,000 | B | | |
| 1 | 40 | \$100,000 | A | Tract 1 | Tract 2 |
| 3 | 40 | \$50,000 | C | | |
| Totals | 160 | \$358,000 | | Tract 3 | Tract 4 |

Final Auction Results

Bidder A purchased Tract 1 for \$100,000.

Bidder B purchased the Tract 2, 4 combination for \$208,000.

Bidder C purchased Tract 3 for \$50,000.

Total purchase price for the property was \$358,000.



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