

**Subject:** Auctions on the rise  
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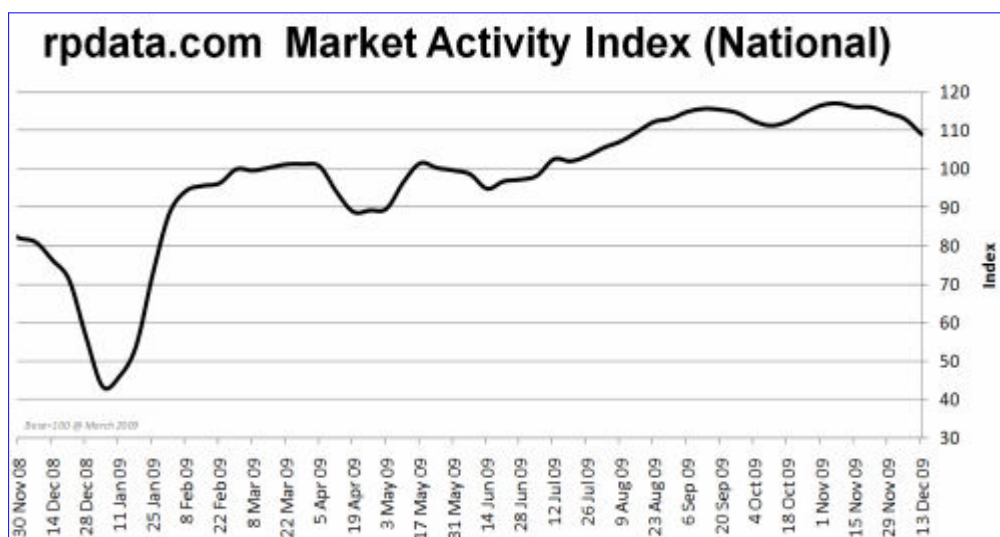
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## Weekly Property Pulse Professional Edition

23 October 2009 - This week's edition covers...

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### Market Activity Index



A slight bounce upwards in the weekly rpdata.com Market Activity Index last week shows that industry professionals remain very active in the market. The weekly index, which monitors activity from real estate professionals on the rpdata.com platform, has risen by 14 percent since the start of June and has remained above 110 points since the last week of August.

### Industry Market Wrap

The Reserve Bank of Australia released the minutes of their October board meeting earlier this week, providing an insight into the deliberations behind the recent decision to lift the official cash rate from 3.0 percent to 3.25 percent. The minutes provide a valuable insight into how the Reserve Bank Board views the domestic and global economic conditions and how their views translate into changes in Australia's monetary policy. The minutes highlight the improved economic prospects of major regions around the world with particular attention given to the improved outlook for our major Asian trading partners.

Summing up the domestic economy, the RBA minutes state *"Growth forecasts were tending to be revised up. Measures of both household and business confidence had recovered, household spending had remained relatively resilient, house-building activity was in the process of picking up and the risks of a sharp contraction in business investment had receded noticeably."* The RBA minutes also made specific reference to the Australian housing market, referencing the August results of the RP Data-Rismark Home Value Index with housing values up 2 percent over the month. Additionally, the minutes clearly suggest there is some growing concern amongst the RBA board about the medium term outlook for inflation, with the board suggesting inflation could start rising again in 2011.

In balance, the board minutes reveal there is still some caution about the durability of the recovery, particularly as domestic stimulus measures are wound back. The economic prospects of the major economies around the world, although mostly improving, are still uncertain.

The final decision to lift the cash rate by 25 basis points was based on the risk of another downturn being relatively minimal compared to the improvements in the health of both the domestic and global economies: *"Overall, members concluded that, while downside risks to the domestic economy could not be ruled out, they had diminished significantly over recent months. This meant that the balance of risks was now such that the current very expansionary setting of policy was no longer necessary, and possibly imprudent."*

### Weekly Key Statistic - House and unit Values

Weekly key statistics		Change on last week		Change on last month		Change on last year	
Region	Market	Value	% Change	Value	% Change	Value	% Change
Melbourne	Houses	2,124.2	+1.2%	2,124.2	+1.2%	2,124.2	+1.2%
	Units	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
Sydney	Houses	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
	Units	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
Brisbane	Houses	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
	Units	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
Perth	Houses	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
	Units	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
Adelaide	Houses	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
	Units	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
Darwin	Houses	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
	Units	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
Hobart	Houses	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%
	Units	1,124.2	+1.2%	1,124.2	+1.2%	1,124.2	+1.2%

Over the last year every capital around Australia has recorded an improvement in housing values with the largest increases being in the cities of Darwin (houses +27 percent and units +15 percent) and Melbourne (houses +8.9 percent and units +11.2 percent).

Brisbane, Adelaide and Perth remain the markets recording the most subdued levels of growth, however these markets have well and truly outperformed the national average over the longer term.

The September results for the RP Data-Rismark Home Value Indices will be released next Friday October 30th.

### Latest National Auction Clearance Rates



The major auction markets returned another week of strong clearance rates, with the national weighted average auction clearance rate now remaining above 70 percent over the last 15 weeks. This is in stark comparison to the same time last year when fewer than 50 percent of auctions were clearing.

Want to know the auction results for your local area? Login to [rpdata.com](http://rpdata.com) and go the Auction

Results panel on the top right corner of the home page.

## Advertised Stock On The Market

Advertised stock on the market		New advertising		Total advertising		Agreement not reached		Agreement reached	
Week	Last week	Week	Last week	Week	Last week	Week	Last week	Week	Last week
22-Mar-09	243,500	204,546	204,546	204,546	204,546	204,546	204,546	204,546	204,546
29-Mar-09	238,000	198,000	198,000	198,000	198,000	198,000	198,000	198,000	198,000
5-Apr-09	232,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000
12-Apr-09	226,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000
19-Apr-09	220,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
26-Apr-09	214,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000
3-May-09	208,000	168,000	168,000	168,000	168,000	168,000	168,000	168,000	168,000
10-May-09	202,000	162,000	162,000	162,000	162,000	162,000	162,000	162,000	162,000
17-May-09	196,000	156,000	156,000	156,000	156,000	156,000	156,000	156,000	156,000
24-May-09	190,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
31-May-09	184,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000
7-Jun-09	178,000	138,000	138,000	138,000	138,000	138,000	138,000	138,000	138,000
14-Jun-09	172,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000
21-Jun-09	166,000	126,000	126,000	126,000	126,000	126,000	126,000	126,000	126,000
28-Jun-09	160,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
5-Jul-09	154,000	114,000	114,000	114,000	114,000	114,000	114,000	114,000	114,000
12-Jul-09	148,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000
19-Jul-09	142,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000
26-Jul-09	136,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000
2-Aug-09	130,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
9-Aug-09	124,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000
16-Aug-09	118,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000	78,000
23-Aug-09	112,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000
30-Aug-09	106,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000
6-Sep-09	100,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
13-Sep-09	94,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000
20-Sep-09	88,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
27-Sep-09	82,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
4-Oct-09	76,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
11-Oct-09	70,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
18-Oct-09	64,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000

New stock additions to the market remain reasonably high with about 48,400 new real estate listings added to the market over the last month. This level is slightly lower than last month when 50,630 new properties were added to the market.

The total amount of stock advertised for sale has been falling consistently since peaking at 243,500 homes advertised for sale in October last year. Over the last month there were 204,546 homes advertised for sale – an overall stock reduction of 16 percent from the peak.

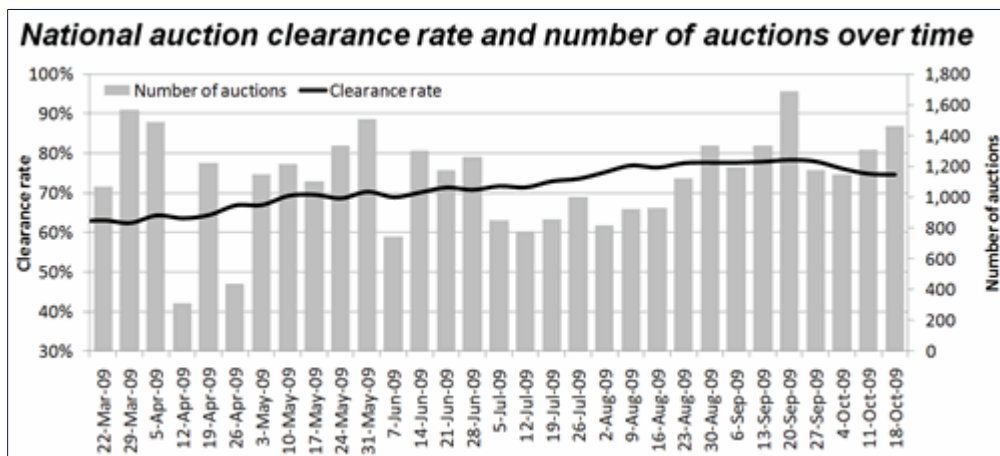
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## Auctions on the rise

*Around Australia, property auctions have enjoyed very buoyant conditions with more than 70 percent of auctions selling under the hammer week on week for the last 15 weeks running.*

The number of auctions held across Australia has increased consistently since the first week of August when just 817 auctions were held. The last week of September and first week of October saw a slight reduction in auction volumes due to Grand Finals season, however the number of auctions scheduled for this weekend is set to be one of the largest, with 1,670 auctions scheduled.

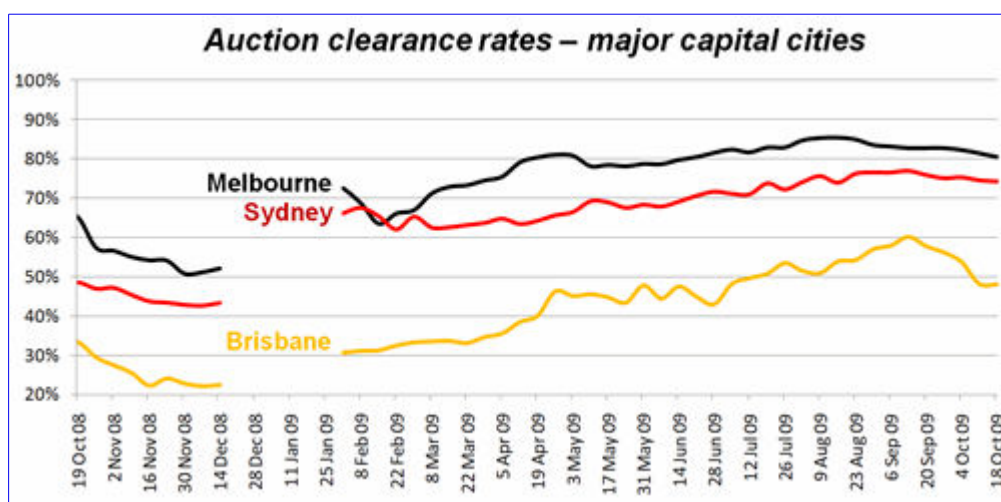
As auction volumes have ramped up, so too have auction clearance rates. The national weighted average has been above 70 percent for the last 15 weeks.



Auction clearance rates are often used as a timely barometer of real estate market sentiment. When clearance rates are high we can assume that there is a healthy level of optimism amongst buyers and that vendor expectations about the value of their property is aligned with buyer expectations. On the flipside, when clearance rates are low we can generally infer that home buyers are more cautious and vendor expectations may not be aligned with market conditions.

Clearance rates have more relativity to some markets than others. Arguably, they are most relevant to the Melbourne and Sydney market where 85 percent of the nation's auctions are held each week. In Brisbane, auctions account for just over 7 percent of all auctions nationally, followed by Adelaide at 4 percent, Canberra at 2.7 percent

and Perth at 1.6 percent. Tasmania and the Northern Territory account for less than one percent of the overall auction market.



RP Data calculates clearance rates based on the ratio of 'cleared' auctions to those auctions that did not 'clear'. Cleared auctions are counted as those that sell at auction, before the auction or within two days after the auction. Uncleared auctions are those that are either passed in or received a vendor bid only or those that were withdrawn from sale in the week prior to the auction. We collect our auction results directly from the real estate community via our in-house call centre and from our subscribing real estate agents who submit their information directly. Each week RP Data collects, on average, 85 percent of auction results before publishing our results on Thursday morning every week.

At the capital city level, auctions as a method of sale are most popular within Melbourne where 29 percent of homes advertised for sale are auction listings – more than double the national average of 14 percent. At the other end of the spectrum are Perth and Hobart where auctions are very much the exception with less than 3 percent of homes being sold under this method.

**Percentage of listings advertised as sale by auction  
Capital cities and major regions**

Region	State	Percentage of homes listed as Auction Sale (12 months to Sep 2009)		
		Auction %	Auction %	Auction %
Melbourne	VIC	28.2%	30.3%	28.7%
Canberra	ACT	28.5%	10.8%	23.4%
Sydney	NSW	23.4%	15.3%	20.5%
Darwin	NT	11.2%	9.6%	10.7%
Brisbane	QLD	9.7%	6.2%	9.0%
Adelaide	SA	9.3%	5.2%	8.4%
Perth	WA	2.7%	1.2%	2.5%
Greater Hobart	TAS	2.7%	1.4%	2.5%
Sunshine Coast	QLD	14.1%	12.0%	13.5%
Richmond-Tweed	NSW	12.6%	10.5%	12.0%
Barwon	VIC	12.0%	5.8%	11.1%
Gold Coast	QLD	12.6%	8.9%	10.9%
Illawarra	NSW	10.2%	4.6%	9.1%
Mid-North Coast	NSW	9.8%	5.8%	9.0%
Wide Bay-Burnett	QLD	7.6%	9.3%	7.7%
Hunter	NSW	7.3%	5.4%	7.0%
Fitzroy	QLD	6.5%	3.4%	6.3%
Mackay	QLD	5.7%	7.4%	6.0%
Darling Downs	QLD	5.9%	6.7%	5.9%
National		13.6%	13.4%	13.6%

Generally, auctions as a method of sale are most popular with prestigious properties or those that have unique characteristics where it is difficult to determine a market value. The most popular auction markets tend to be areas with very high housing values such as the Yarra, Glen Eira and Darebin council areas of Melbourne and the Waverley and Woollahara council areas of Sydney.

**Top ten – council areas with highest proportion of auction listings**  
Percentage of homes listed as Auction Sale (12 months to Sep 2009)

Region	State	Auction %	Auction %	Auction %
Yarra	VIC	76.0%	59.3%	69.6%
Glen Eira	VIC	65.4%	53.2%	60.3%
Darebin	VIC	65.2%	48.6%	59.9%
Waverley	NSW	67.3%	51.9%	58.6%
Stonnington	VIC	60.7%	54.7%	57.6%
Boroondara	VIC	57.9%	56.2%	57.3%
Woollahra	NSW	61.6%	50.5%	56.5%
Port Phillip	VIC	66.7%	50.1%	56.0%
Maribyrnong	VIC	54.8%	42.6%	51.1%
Moonee Valley	VIC	53.5%	41.6%	49.7%

The auction process relies on a solid marketing campaign to ensure the auction date is well publicised and prospective buyers have time to inspect the property and arrange for building and pest reports.

For those buying a property at auction, it can be difficult to know how much to bid, which is why doing your due diligence is of the utmost importance. There are a variety of options available to gauge the value of a property including researching comparable recent sales or obtaining a valuation on the property (AVM's, which are automated valuations generated based on a computerised algorithm, are becoming an increasingly popular and cost effective solution).

## Trifecta of Sales



Agents of Sutherland Farrelly have sold three Victorian properties of varying types in three different auctions over the past week.

A retail and residential building at Footscray, a performing arts school in Eltham, and an office and residential building in West Melbourne have all recently been sold via auction.

A partially-redeveloped three-storey building at 232 Nicholson Street, Footscray, with retail and residential space sold at auction for \$1.82 million.

[Read the full article....](#)

## Blog: Is Australian housing really that over priced?

I'm writing this blog entry from an internet cafe in Riga, Latvia as I am lucky enough to be on a month's holiday. My previous stop was St Petersburg and my tour guide provided a very interesting insight into the local property market which I thought I'd share with you. Of course these are just details which I received from her but she seemed fairly knowledgeable and provides a good analysis.

St Petersburg is a city of around 5 million people let's say it's similar to the size of Sydney. No one in St Petersburg lives in a house; in fact I didn't see houses until I

was 40 kilometers outside of the city.

[Full article at blog.rpdata.com...](#)

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